

**Please Note: This communication is for informative purposes and may not affect you**

### How you can be paid

We offer three ways you can be paid:

1. PAYE, you are on our payroll, we pay you directly to your personal bank account and we pay over your PAYE and national insurance contributions (NIC) and our NIC to HMRC.
2. Umbrella company, we pay an amount to your umbrella company, you are an employee of that umbrella company, and they make a payment to you after deducting their margin and other employment costs and it should pay over your PAYE and your and its NIC to HMRC.
3. Limited Company, whereby we pay your Limited Company (Personal Service Company (PSC)), either net of PAYE and NIC if "Inside IR35" or gross if "Outside IR35" (see below) and your PSC pays you. Your PSC is responsible for paying your PAYE and your and its NIC to HMRC.

**All rates advertised include not only the amount we pay to you but also the other costs that we must pay to HMRC or to other intermediaries. You are never entitled to receive these additional amounts regardless of how you are paid.**

### PAYE

We have a contract with you, which gives you certain rights, for example holiday pay, sick pay, pension contributions. More detailed information about your rights is provided under How We Engage With You. [How We Engage With You](#) We will guarantee to pay you an hourly rate, which we will confirm to you before you start an assignment. We will then deduct PAYE and employee's NIC and pension contributions etc and we will pay this to HMRC and, if appropriate, our pension provider. We will also pay employer's NIC to HMRC. We will calculate your overtime, holiday and any other payments based on this guaranteed pay rate.

You can check that we have paid over your PAYE and NIC to HMRC and that you are on the correct tax code etc at:

[Income Tax: introduction: Check you're paying the right amount - GOV.UK \(www.gov.uk\)](#)

[Income tax history - Check your Income Tax - GOV.UK - Check your Income Tax - GOV.UK](#)

By keeping this information up to date, HMRC can try to ensure that you pay the right amount of tax through the tax year using dynamic coding.

### Umbrella Company

We have a contract with your umbrella company to supply your services to our clients. You have an employment contract with the umbrella, giving you the rights set out at How We Engage With You. [How We Engage With You](#) The hourly rate we pay to the umbrella company is higher than your guaranteed PAYE rate. However, you are never legally entitled to the amount paid to your chosen umbrella as it covers what they will pay you and the umbrella's costs of employing you. Note with many umbrella companies you are only entitled to be paid national minimum wage for each hour worked and a discretionary bonus based on the profit that you make for them. They will deduct all their costs and charge you a margin, so the pay that you receive will normally be less than the guaranteed PAYE rate.

You should also know that if an umbrella does not operate PAYE and NIC correctly, HMRC can and frequently will collect any underpaid tax from you personally. This could be several years after you

have worked for us, and you would also be liable for interest and penalties. You could also be liable to repay in full any loans that have been made to you by an umbrella or associated business or trust. So, you could end up with a large tax bill and an even larger debt to the umbrella or associated business or trust.

For further information on selecting an umbrella you should look at:

[Working through an umbrella company - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

[Warning for agency workers and contractors employed by umbrella companies \(Spotlight 60\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

[Finding a good umbrella company | Low Incomes Tax Reform Group \(litrg.org.uk\)](https://litrg.org.uk)

### **Limited Company (Personal Service Company (PSC))**

We have a contract with your PSC. Your hourly rate is the same as for an umbrella company, which includes the employer's national insurance and other costs your PSC will have to pay when paying you.

If your assignment is "Inside IR35" (see below), the pay that you can receive will normally be less than the guaranteed PAYE rate as you will need to pay fees to an accountant to help you comply with your obligations as a director and to submit your annual accounts, PAYE, VAT and Corporation Tax returns. You may also need to purchase an App to keep a record of your income and expenses.

### **What is IR35?**

IR35 is tax legislation that is designed to combat tax avoidance by workers supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if an intermediary were not used. Such workers are called "disguised employees" by HMRC. If caught by IR35, you must pay PAYE and National Insurance Contributions (NIC) as if you were employed and your company must pay employer's NIC.

Since April 2017 in the public sector and 2021 in the private sector, either our clients or we are required to assess whether IR35 applies to your assignments. Typically, most assignments working for the NHS will be inside IR35. So, even if you are paid through your PSC, we will have to deduct PAYE and NIC when we pay your PSC and it will not be entitled to receive an amount equivalent to employer's NIC in the hourly rate payable.

Pros and Cons of payment methods

### **PAYE**

#### *Pros*

Peace of mind that your tax affairs will be taken care of, with no nasty surprises from HMRC.

No fees

#### *Potential Cons*

If you don't keep your Gov.UK Personal Tax Account up to date you may pay more tax in the short-term than you need to: [Tax codes: How to update your tax code - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

### **Umbrella Company**

*Pros*

If you work through several agencies, you can manage your tax affairs through one "employment". But the benefits of this are limited following the implementation of dynamic PAYE coding (see above).

*Cons*

Weekly fees which may include hidden costs so less net than under direct PAYE.

Potentially only guaranteed National Minimum Wage

Potentially not paid the same holiday pay as if on PAYE.

If the umbrella company does not manage your tax affairs correctly, you could face a large tax bill and penalties. HMRC has won a number of cases involving umbrella companies entering employees into tax avoidance schemes. In many of these cases the employee has been liable for the under paid tax even if a loan has been repaid. If loans have not been repaid, you could be liable to pay HMRC for the tax due on the loan received and liable to repay the full amount of the loan to the umbrella or an associated business or trust etc.

**Limited Company***Pros*

In the limited circumstances when an assignment may be "Outside IR35" you may be able to extract funds from the company in a more tax efficient manner. However, these potential benefits are being reduced by restrictions in claiming the employment allowance, changes to the VAT Flat rate scheme, reductions in the dividend allowance, increases in corporation tax and dividend tax rates.

*Cons*

Fees for your accountant and an App normally payable monthly.

If Inside IR35, tax is deductible under PAYE and both employee and employer's NIC is payable so less net than under direct PAYE.