

Contract working & IR35: can you be confident in umbrellas?



Taking care of contracting

As one of the leading contract staffing agencies in the UK, IR35 legislation changes have been at the forefront of our planning for over 4 years now. Managing compliance for our large cohort of contract workers is the responsibility of our dedicated Contractor Care team alongside our Finance specialists.

We know that there has been lots of attention on umbrellas, and the solutions that they provide to the contract market so we talked to our Director of Operations & Compliance, Victoria Parker, about the challenges that the IR35 legislation changes have brought to our contract workers.

Q: We've been seeing a lot of controversy recently around the use of umbrella companies, particularly as many contractors are turning to these solutions since the recent IR35 reforms. Should they be scrapped, as one MP suggests?

No, we think there is a genuine place for compliant umbrellas, and the companies we regularly work with are selected based on good service and compliance. It is important that umbrella companies are transparent with contractors about exactly how and what they will be paid. Recent updates to HMRC guidance around umbrella company services have also helped to make this a little clearer.

Q: If a contractor wishes to use a compliance umbrella company, how best to go about it?

Don't just look for the highest take-home pay – we understand this is tempting, but it's probably risky. At Outsorce we regularly audit our umbrella providers to ensure ongoing compliance, so we have a preferred partners list, and we also work with any provider that is FCSA accredited. Compliance wise - as an example - it's important they are incorporated in the UK and we verify that with Companies House, as unfortunately it's not been uncommon within the industry to discover offshore companies or long supply chains behind what seems to be a UK entity. We make sure that our contract is with the umbrella company that registers you, and we send Key Information Documents in line with recent legislative updates so you can see exactly what you will be paid and by whom. Ultimately, we are all dealing with your money, so you need to know that you will be looked after by a company that is switched on, polite, efficient, responsive, proactive, and knowledgeable. [Find out more about our roster here.](#)

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We do occasionally get contractors who aren't happy with our preference to work only with FCSA accredited companies. We're not being difficult; we make this choice to protect ourselves, our clients, and our contractors from things like the loan charge issues. The Loan Charge scheme for example is now causing huge problems for contractors who utilised these types of remuneration options (sometimes unknowingly) several years ago.

Q: Do Outsource UK's preferred umbrella suppliers offer a full breakdown of my expected take-home pay?

You can always ask for a full pay illustration from any umbrella, giving you a transparent breakdown of deductions from the contract 'day rate,' all the way through to your net take-home pay. If you are looking to compare our umbrella companies, always be specific about what you are asking for. Ask us, or the umbrella about your payment schedule, and make sure you are clear on things like expenses, and timesheet submission procedures.

Every umbrella company should be offering a very similar take-home number -- within just a few pounds. All taxes and National Insurances should be the same across them all. If it seems too good to be true it probably is, and you should be wary about any providers that are offering high take-home pay compared to other umbrella companies. The Key Information Document is also important, and these confirm all deductions from gross to net pay. It also confirms your named umbrella company and who will be deemed your employer for the purposes of the assignment. Make sure this name is whom you understand to be engaging you.

Q: Do any of your umbrella providers charge a percentage of earnings?

Most umbrella companies charge a weekly or monthly fixed timesheet processing fee, and this should be explained clearly during the sign-up process.

Q: What about my holiday pay?

This is an area that has been the subject of media attention recently. All umbrella companies should manage and pay you holiday pay in line with statutory requirements. Ask your umbrella provider about their holiday pay procedures when you are signing up, and – just like you would if you were working for a client on a permanent basis – keep track of your holiday days so you know how many you have taken. We also recommend that you check on the contract of employment before you sign on the dotted line, just to make sure that any accrued holiday pay is always repaid if it is not used by the end of the holiday year.

Q: What about my pension? I'm only interested in Salary Sacrifice and not Auto Enrolment.

Pensions are becoming more and more important for contractors who, until now, worked via their own Limited Company, but who are now being moved to umbrella working in light of IR35 reform. Our umbrella providers can all offer the standard Auto Enrolment for your assignment, and many are able to process via 'salary sacrifice,' giving you both tax and NI savings on any pension contribution you make. Payment into private pension schemes is also an option. So, check the offering and make sure that it works for you and what you want from your pension option.

Q: Can I ask for recommendations from other Outsorce UK contractors, or contractors that I know?

Of course! Contractor recommendations are more important than ever. Many contractors take to social media to ask for recommendations from other users.

Q: I want to be able to speak to the same people at my agency and at the umbrella. Can I?

We know that many contractors frustrated by the fact that they cannot reach the same person to chat when they have an issue or query! Hence why we have a dedicated Contractor Care team with a named contact so that our contractors always have someone they can contact with queries.

Q: Why do I need to choose an umbrella from your preferred supplier list (PSL)?

At Outsorce we have a list of umbrella partners with whom we have worked regularly, and with whom we have established relationships. Using one of these partners means it's very quick for us to sign you up and get you working. However, we appreciate that many contractors have worked with particular umbrella companies before, and so as long as the provider is on the FCSA list of accredited umbrella companies, we are happy to work with them. The reason we prefer to use FCSA accredited businesses is that our relationships with umbrella providers are arrangements that come with certain risks to our business, and so we want to offer you a choice of robust, compliant umbrella options that we are happy will provide compliance and excellent customer service.

Need support? Get in touch!

Our Contractor Care team is here to help, even if you are not a current Outsorce UK contractor.

Call us on 01793 430 021 or drop us a note at contractorcare@outsorce-uk.co.uk

