



UMBRELLA FACT SHEET

Benefits, Perks and The Things Not to Be Fooled By

FREQUENTLY ASKED QUESTIONS



What is Umbrella Employment?

Umbrella is an employment model combined with PAYE payroll, providing a simple and demonstrably compliant option for contract workers who also enjoy the benefits of full statutory employment rights, with the flexibility to move between agencies and contracts.

What tax will you pay?

Even though you're a contractor, HMRC considers you are a permanent UK employee when you work under an umbrella company. You will be taxed according to your HMRC PAYE tax code, just as you would if you were employed by a company full or part time.

Why use Umbrella instead of working Self Employed?

With IR35 laws causing drastic changes to contract work, finding assignments that fall outside of IR35 can be difficult, being paid through an Umbrella model removes any HMRC risks.

How Umbrella protects you from HMRC penalties?

Regardless of the agency you work with or the contract you work on, as you are an employee of the umbrella with PAYE payroll deductions, your tax and national insurance is deducted and paid in full to HMRC.

This removes all risks of penalties or fines from HMRC during your employment via an umbrella.

Why Ship Shape?

We are 'tech savvy' employment and payroll specialists, using our experience to provide transparent and compliance focused services to End Hirers, Agencies and Contractors since 2004.

HOW UMBRELLA PAYMENTS WORK



Employment Costs

It is important to understand that the assignment rate and the pay rate are different, and the employment costs are not being taken from the pay rate.

The assignment rate is the rate charged by Ship Shape to the end client or recruitment agency. Employment costs (Employers' NI, the Apprenticeship Levy, Holiday Pay and Pension contributions if applicable) are included in the assignment rate.

Once the employment costs and the umbrella fee have been deducted from the assignment rate, you are left with your gross pay rate which PAYE tax and Employee National Insurance Contributions are deducted from.

Apprenticeship Levy

The Apprenticeship Levy is a compulsory Government scheme to fund apprenticeships and apprenticeship training in the UK.

The Apprenticeship Levy, like other employment costs will be taken from the assignment rate and should equal 0.5% of your gross pay.

Employer's National Insurance

By using Ship Shape, you become our employee. In this arrangement, the employer (Ship Shape) doesn't benefit from the work you do, as you are working for a different organisation (your end client).

Umbrella companies are not able to cover the Employers' NI alongside other employment costs, as they only retain a small fee for administration and do not benefit from any of the work completed by you. This is why the Employer's NI is included in the assignment rate.

Holiday Pay

Ship Shape work out Holiday Pay at 12.07% of your gross taxable pay and it is taken from the assignment rate we receive from your recruitment agency or end client.

You can choose to have your Holiday Pay paid to you in one of two ways: accrued or advanced.

If your Holiday Pay is advanced, it will be paid alongside your weekly or monthly salary.

Alternatively, you can opt to have it accrued and it will be saved for you to use at a later date.

Recruitment agencies will factor these additional costs into the assignment rate Ship Shape receives - to account for the employment costs.

BENEFITS AND PERKS



Statutory Sick Pay	✓
Statutory Maternity Pay	✓
Personal Accident Insurance <i>(provides £300 income support per week for 24 months)</i>	✓
Incorrect Fuel Type Insurance	✓
Driver Negligence Insurance	✓
Free Mobile SIM Card	✓
Pension Scheme <i>(automatic enrolment into People's Pension after 3 months of employment)</i>	✓
Continuity of Employment	✓
Multiple Contract Flexibility	✓
PAYE Tax Deductions	✓
100% Compliant <i>(no risk of HMRC fines due to incorrect employment status)</i>	✓
Weekly Payroll	✓
24/7 Online Contractor Portal	✓
No Exit Costs, No Tie-in Period	✓
£25 Refer a Friend Bonus	✓
4 Weeks Free <i>(when you refer a new agency)</i>	✓

DON'T BE FOOLED



Exaggerated Example Payslips

Many unscrupulous companies will falsely increase your take home pay in their examples, off-setting expenses against tax, increasing your liability for HMRC fines.

Some examples include:

6/7 working days per week
(Will you be working this many days?)

£10 a day meal allowance
(This is no longer an acceptable expense)

Daily mileage
(Only applicable if you travel to multiple sites in your own vehicle)

Things to Avoid

Elective Deduction Model (EDM)

Mini Umbrella

Loan Schemes

Grants

Salary Advances

Capital Payments

Annuities

Profit Shares

Shares and Bonuses

90% take home pay

HMRC Approved Umbrella

(HMRC do not approve umbrella companies)

EXAMPLE PAYSリップ BREAKDOWN



Employer: Ship Shape

1 Employee: Surname, Firstname
 Operative ID: OP123456
 2 NI Number: AB123456C
 Tax Code: 1257L (1)

3 Payment Period: One period to 01 Apr 2022
 Transaction Date: 06 Apr 2022
 Payment Method: BACS (Two Working Days)
 4 Payment Date: 08 Apr 2022

(1) SHIP SHAPE INVOICE TO END CONTRACTOR

7	Contract Works	585.00
	Materials	0.00
	Expenses	0.00
6	Administration	15.00
	Client Subsidy	0.00
	Insurance	0.00
5	Sub-Contractor Costs	600.00
	ADD: VAT	0.00
	Total Invoice	600.00

(2) Statement of Income & Expenditure for Ship Shape Pay

REVENUE	585.00	7
COSTS		
LESS: Employers NI	53.90	
LESS: Business Expenses	0.00	8
LESS: Employer Pension	0.00	
LESS: Apprenticeship Levy	2.92	
Employee: GROSS PAY	471.30	9
Employee: Holiday Pay on	56.88	
YTD Employer Pension:	0.00	12
YTD Business Expenses:	0.00	

(3) Employee Payslip

	Surname, Firstname	
9	GROSS PAY	471.30
	ADD: Holiday Pay on account of	56.88
	LESS: PAYE Tax	57.20
10	LESS: Employee NI	45.65
	LESS: Employee Pension	0.00
	NET PAY	425.33
	ADD: Business Expenses	0.00
11	TOTAL PAY	425.33
	YTD Gross Pay	600.00
	YTD Holiday Pay on account of	56.88
12	YTD PAYE Tax Paid	57.20
	YTD NI Paid	45.65
	YTD Employee Pension	0.00

(4) PAYMENT MADE TO YOUR BANK ACCOUNT

TOTAL PAY	425.33	11
Materials	0.00	
Expenses	0.00	
Previous Payments	0.00	
Bank Charges	0.00	
Other Adds / Deds	0.00	
Comments	0.00	
TOTAL PAYMENT MADE	425.33	13

The above payslip is for example purposes ONLY

Breakdown is based on:

Rate of £15p/h

40 hours worked a week

Not yet enrolled/Opted out of the pension scheme

Administration margin of £15 a week including Personal Accident Insurance

EXAMPLE PAYSLIP BREAKDOWN



Employee and Payment Details

- (1) Employee's Names and Identification Number used for employee identification
- (2) National Insurance Number and Tax code used for tax purposes, allows you to see what tax code you're on
- (3) Payment Period used to tell you the week the payment relates to
- (4) Method of Payment and Dates of Payment used to tell you when payment will be received

Employer

- (5) Subcontractor Costs—Assignment Rate x Hours Worked
- (6) Initial Administration Deductions—Margin (£15) and insurance if applicable. Expenses will be deducted here to avoid tax and added again in box 4
- (7) Contract Works—Gross Pay (minus administration/expenses)
- (8) Employer's Deductions—Employer's NI, Apprenticeship Levy and Employer's Pension
- (9) Gross Pay/Holiday Pay—Establishes the percentage of your gross pay that is holiday PAY

Employee

- (10) Employee Deductions—PAYE Tax, NI and Pension (if opted into pension scheme)
- (11) Total Pay—Your Net pay before any expenses/government deductions (Child Maintenance, Student Finance etc.)
- (13) Total Payment made—Your Net pay that you receive (after expenses/government deductions)

Year to Date

- (12) Year to Date figures—Details your deductions and earnings within the current tax year

CONTACT US



If you have any further questions, please contact us
as we would love to work with you

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