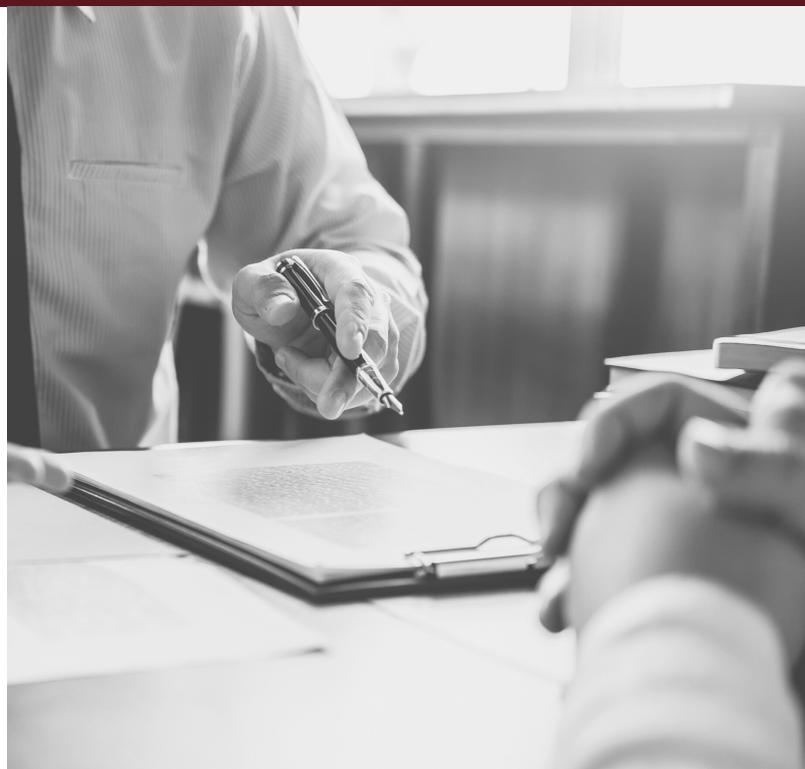


GUIDE TO WORKING THROUGH A PAYROLL UMBRELLA COMPANY



Competex Pro



WELCOME

If you have picked up this guide, it may be because you have been advised to find a payroll umbrella company for the first time, or you may have been working this way for some time and want to know how our services differ from your current payroll umbrella company. In either case, we hope that Competex Pro can be of service to you and that this content clarifies the process for you.

In principle, working through a payroll umbrella company is only slightly different from working for any other employer, and at Competex Pro we aim to provide working arrangements that are as similar as possible to those you would experience being employed directly.

This means that you will have an employment contract and receive regular payslips stating your income. You can get paid any approved expenses that you might incur during your assignments, and we are also able to pay pension contributions on your behalf into your personal pension scheme of choice.

Payroll umbrella company working through Competex Pro is most suited to contractors, interim managers, consultants, and other independent professionals, particularly those who would otherwise be caught by IR35 under the Off-Payroll Working rules.

Working through Competex Pro allows you to retain your independence as a working professional in the knowledge that your pay is being processed and declared in full compliance with UK law.



WELCOME

This guide details our working processes, and the steps you need to take to begin working with Competex Pro, and answers some of the more general questions you may have about working through a payroll umbrella company.

If you have any questions, or need further clarity on anything in this guide, do please get in touch with us.

THE COMPETEX PRO TEAM

THE PAYROLL UMBRELLA MODEL

What is a payroll umbrella company?

A payroll umbrella company is a company that employs freelance workers such as contractors, interim managers, and consultants (referred to here as 'workers' and 'employees').

The worker, who may work on numerous different assignments, at various locations, either through agencies or directly for end-clients, will in most cases be required by their agency or end-client to use a payroll umbrella company, but a worker may also choose the umbrella route because of the administrative simplicity that umbrella working offers, for example for shorter assignments, even if their end-client or agency does not particularly require it.

The payroll umbrella company, which enters into an employment contract with the worker and a service contract with the agency or end-client, provides an employment solution whereby the worker is paid through a payroll that is compliant with HMRC rules and UK law.

Until recently, it was the industry standard for most contractors, interim managers, and consultants working for larger end-clients to contract assignments through their own limited companies (PSCs). While this model still exists and can legally be used, it is now very uneconomic and onerous for the contractor if the assignment is inside IR35, with new legal rules and requirements in place that limit the use of this way of working.

Working through a payroll umbrella company differs from working through a PSC in that the freelance worker does not own shares in the company that enters into the service contract (the payroll umbrella company) and is one of many such workers employed by that company.

If you are currently working through your own PSC, there is no need to dissolve your company. You can stay a Director while being employed by an umbrella company. However, to ensure that all your income is processed correctly, you must tell your accountant and your payroll umbrella company that you have two employments.

THE PAYROLL UMBRELLA MODEL

Continuing to run your limited company allows you to easily switch between IR35 and non-IR35 assignments - just ensure your payroll umbrella company, your accountant and your personal tax adviser are kept in the loop.

The relationship between the worker, the payroll umbrella company, the agency, and the end-client

When working through a payroll umbrella company, you do not have an employment relationship with your end-client or agency (unlike when working through a PSC). Whilst the initial contact, discussions about the assignment, the scope of the job and the proposed day-rate, as well as the assignment itself, is all carried out between you and the end-client (and the agency if there is one), it is not you who is entering into a contract with them.

The end-client sets out the scope of the job and any requirements or conditions, and communicates these details to the agency (if there is one) or directly to the payroll umbrella company, in order to arrange a service contract for the assignment.

If an agency is involved, there are two different service agreements for your assignment – one between the end-client and the agency, and a subsequent contract between the agency and your chosen payroll umbrella company.

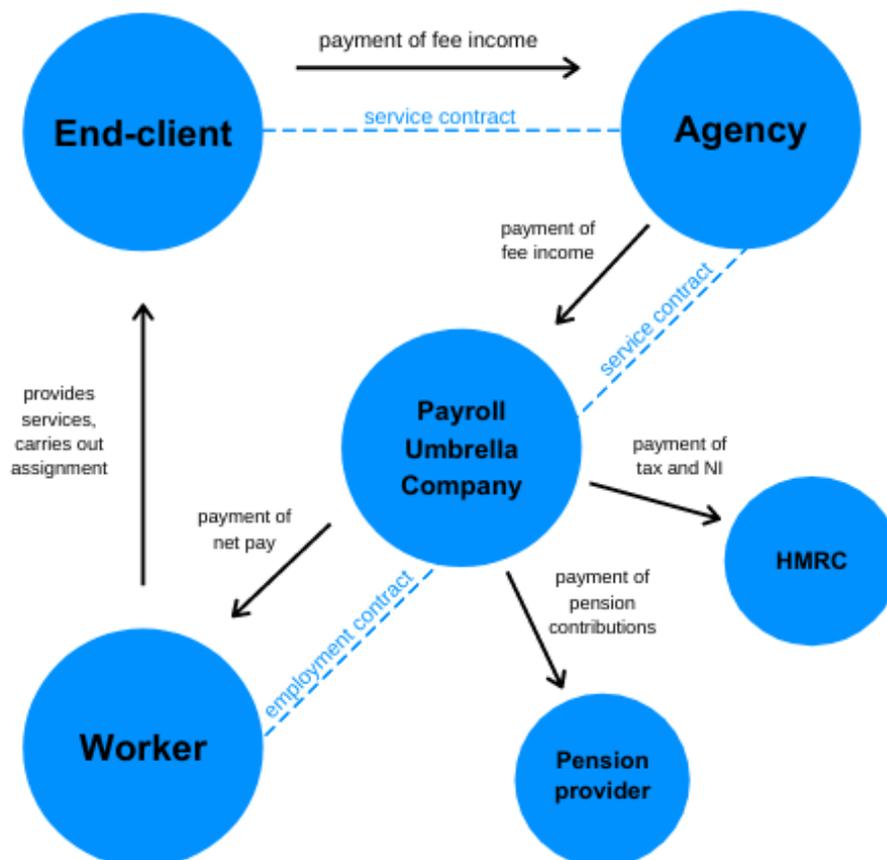
Simultaneously, the payroll umbrella company, which assumes the role of your employer, will arrange an employment contract with you.

As you work on the assignment, the ‘fee-payer’ (either the end-client or the agency) pays your fee income and the VAT due on the amount to the payroll umbrella company. The payroll umbrella company is responsible for processing and taxing your income and deducts a margin to cover its own costs. Once all deductions have been made, you receive your net pay through the payroll umbrella company’s payroll (see more about payroll deductions and pay structure below).

THE PAYROLL UMBRELLA MODEL

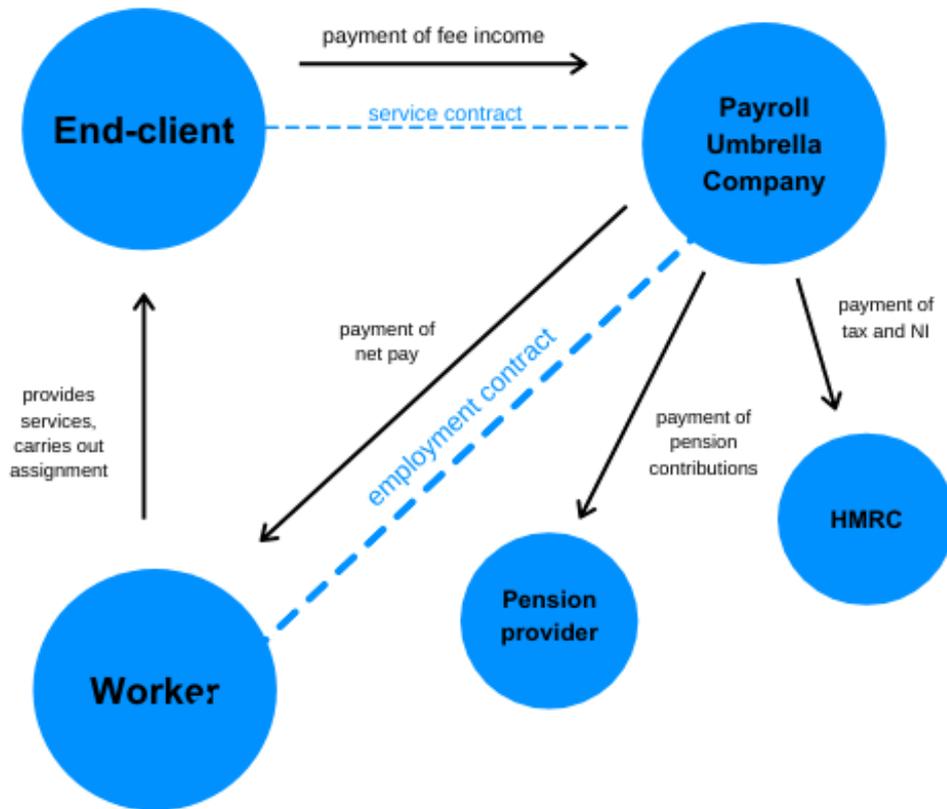
You must stay in regular contact with your agency and your end-client about anything that is related to the scope or timing of your assignment, including timesheets and expense approval. You also need to stay in contact with your payroll umbrella company regarding your monthly pay, which includes providing timesheets and submitting approved expenses to be processed.

Illustration A – the relationship between the worker, the payroll umbrella company, the agency, and the end-client



THE PAYROLL UMBRELLA MODEL

Illustration B – the relationship between the worker, the payroll umbrella company, and the end-client (if no agency is involved)



THE PAYROLL UMBRELLA MODEL

When you work through a payroll umbrella company, you work as an employee of the company. Your contract of employment is with the payroll umbrella company and there is no direct contractual relationship with the end-client or agency.

An employee is a worker who works under an employment contract and as such has certain employment rights and responsibilities. Employees are entitled to all statutory employment rights, including:

- The National Minimum Wage
- Protection against unlawful deductions from wages
- A statutory minimum level of paid holiday
- A statutory minimum length of rest breaks
- To not work more than 48 hours on average per week, or to opt out of this right if they choose
- Protection against unlawful discrimination
- Protection for 'whistleblowing' (reporting wrongdoing in the workplace)
- Equal treatment for part-time work
- Statutory Sick Pay
- Statutory maternity/paternity/adoption/shared parental leave and pay.
- Minimum notice periods if their employment will be ending.

Your employment contract includes all the regular clauses that you would expect, including clauses regarding holiday pay and termination periods. The terms of your contract of employment are governed by UK law, and are largely in line with the terms of any other contract of employment, but with certain differences to take account of the unusual circumstances of a payroll umbrella company.

Please note that once the service agreement for any of your assignments is agreed, arrangements relating to salary and expenses cannot be amended before or during the contracted assignment.

If you feel that the employment contract offered by your payroll umbrella company does not reflect the latest legal requirements or includes any clauses that you are not

THE PAYROLL UMBRELLA MODEL

sure about, we recommend that you talk through the contract with them in detail. Another option is to contact an employment lawyer for a detailed review, which would of course carry an additional cost.

Competex Pro has implemented a fair employment contract that meets all legal requirements and that meets the requirements of the principal professional bodies for payroll umbrella companies.

How do I get paid?

Once the contracts relating to the assignment are agreed and you start work, you will need to provide the payroll umbrella company with timesheets for the work carried out and a record of any expenses that the end-client has authorised. This usually happens at the end of each month (or other agreed period). On receiving this, the payroll umbrella company invoices the end-client or agency for your gross fees and expenses.

Your end-client, agency or interim provider pays your gross fees and expenses to Competex Pro. On receipt of funds, Competex Pro processes your payroll accordingly.

See below for more about how you are paid.

Working with Competex Pro

Competex Pro offers a compliant, user-friendly experience which is designed to give you complete peace of mind while you work on your assignment. We believe that you will find Competex Pro to be a professional, simple, and easy way of working.

Competex Pro is set up in a way that allows you to:

- Project a professional image to your agency and end-client.
- Have peace of mind knowing that everything is being run smoothly and efficiently with your agency or end-client and that any issues are being responded to in a timely fashion.

THE PAYROLL UMBRELLA MODEL

- Access tools and support to help you calculate your day rate and your likely net salary for an upcoming assignment.
- Be fully covered by Professional Indemnity insurance, at no extra cost to you.
- Pay contributions into your chosen pension scheme, free of tax.

Competex Pro deducts a 'margin' to cover the costs of the payroll umbrella services provided to you. This is a small deduction from the fees paid by your agency or end-client before applying the remaining funds to process expenses and payroll. The margin amount does not change during your assignment.

Your arrangement with Competex Pro allows you to stay with one employer for several subsequent or parallel assignments if you wish to. However, we also make it easy to leave after your completed assignment. This flexible arrangement is designed to suit whatever your needs may be.

Using specialist in-house software, Competex Pro can help you estimate your day rate and your expected pay rate based on details that you provide us with for an expected assignment. To use this service, please ask a member of our team.

Competex Pro has undergone full compliance audits with EY (Ernst & Young) in 2020 and with Professional Passport in 2021.

SECURING AN ASSIGNMENT

Securing an assignment

Working through a payroll umbrella company is slightly unusual in that the sequence of events is different from working for any other company.

It falls upon you to find work, either directly with an end-client or through an agency. Having successfully secured your assignment, the next step is for you to become an employee of Competex Pro, so that you are then able to carry out the assignment.

It is your responsibility, and not our responsibility, to verify whether the work proposed under an assignment is suitable for you, and your placement on an assignment will not be based upon any representation made by us in relation to the work involved.

The concept of working through a payroll umbrella company is relatively new to many end-clients and therefore their own proposed contracts are occasionally not fit for purpose. For this reason, if you are discussing an assignment directly with an end-client, rather than through an agency, please emphasise that we will need to use our own service contract that sets out the terms of your assignment. This contract has been written by specialist payroll umbrella company lawyers and considers the special circumstances of working that way.

Insurance

As an employee of Competex Pro, you are covered by the following insurances, which are included in your package:

- Professional Indemnity – limit £1,000,000
- Employer's Liability – limit £10,000,000
- Public Liability – limit £1,000,000

You are therefore not required to arrange your own insurance for assignments through Competex Pro. However, if you have an insurance requirement in addition to the above, this will need to be accommodated at your own cost.

You should of course continue to arrange your own insurance for any work that you do through your own limited company, if applicable.

SECURING AN ASSIGNMENT

In the unlikely event of a claim on the PI insurance, Competex Pro would recover the excess charge from the employee's fund. However, let it be said that over a period of over 20 years Competex has not been aware of any PI claim ever being brought against any of their clients!

Employment Agency Regulations

Umbrella companies mostly fall within the definition of 'employment businesses' in the Employment Agencies Act and are therefore likely to fall within the scope of the Employment Agency Regulations.

If you are working on an assignment through an agency, we will opt out of the Employment Agency Regulations for your assignment, unless you specifically instruct us otherwise.

Working hours and rest periods

Your working hours will be determined by the requirements of your particular assignment. This should be discussed prior to entering into an assignment and communicated to all parties involved.

According to UK law, on days when you are required to work more than six hours, you will be entitled to an unpaid lunch break. You will be responsible for regulating your own working time, and for taking appropriate breaks, as arranged and agreed with your end-client.

The Working Time Regulations require that you do not work for more than 48 hours in any week unless you have agreed in advance to waive that limit. We will ask you prior to each assignment if you would like to sign such an agreement.

Because unexpected absence, or absence due to illness, could result in a breach of obligations owed to the end-client, it is important that you notify both Competex Pro and the end-client promptly on any day that you are unexpectedly absent, and that you give your best indication as to how long you will be away.

SECURING AN ASSIGNMENT

Do the Off Payroll Working rules (IR35) apply to those working via a payroll umbrella company?

No. As you are working on assignment for an end-client for Competex Pro, Competex Pro is your employer, and your earnings are processed through our payroll.

PAYROLL EXPLAINED

Your pay

The funds received by Competex Pro for the work that you undertake on assignment are 'ring-fenced' and are devoted entirely to supporting your employment.

After deducting a small monthly 'margin' to cover our costs, the remainder of your fund will be used for paying your salary, any expenses, and the other costs of your employment. You will be paid the next working day after Competex receives cleared funds from the end-client or agency.

Every time you are paid, certain costs of employing you will be deducted from the fund and paid to the relevant authorities, as follows:

- Employer's National Insurance (paid to HMRC)
- Employer's 'automatic enrolment' pension contribution (paid to NEST)
- Apprenticeship Levy (paid to HMRC)

When you are paid, the following deductions will be processed. These will either be paid out on your behalf or itemised separately on your payslip:

- Employee's National Insurance (paid to HMRC)
- Income Tax (paid to HMRC)
- Personal pension contributions – allowable by HMRC and paid out on your behalf to your pension provider of choice
- End-client or Agency authorised expenses – paid to you free of tax (if appropriate and allowable).

Payroll calculations are made using the HMRC tax tables for the week in which payment is made. The amount we pay to you will be made up of three regular component parts:

- Basic pay - this is calculated based on a standard 7-hour day paid at a rate equivalent to the national minimum wage.
- Bonus - this is the balance of the amount available from the monies generated by you from your assignment and paid by the agency or end-client to us.
- Holiday pay - this is a statutory calculation calculated at a percentage of your basic pay and bonus.

PAYROLL EXPLAINED

Automatic enrolment pension contributions

Under new legislation now in force, all 'eligible jobholders' must be enrolled into, and must contribute into a qualifying workplace pension scheme. The employer must also contribute into the scheme. New employees will be enrolled into the scheme three months after their start date.

Competex Pro is enrolled with the National Employment Savings Trust (NEST) for Auto Enrolment purposes. The total contribution is 8% of qualifying earnings, made up of 5% from the employee and 3% from the employer.

Having enrolled into the scheme, you do have the opportunity to opt out, but under no circumstances must any employer influence such a decision, so we cannot advise you on the matter. Details regarding opting out may be found at www.nestpensions.org.uk, and it is strongly recommended that you familiarise yourself with these provisions.

It is vital that you decide whether you wish to be enrolled with NEST or make different arrangements, and that you make any decision to opt out within the required time frame. We will instruct you on how to do this.

Personal pension contributions

Contributions to a personal pension scheme may be paid by Competex Pro directly to your chosen pension provider in line with our Personal Pension Contribution Policy, and you do not need to pay tax or NI on these contributions. This is entirely at your discretion and by individual arrangement with Competex Pro.

We are not authorised to advise on the permissible level of pension contributions, and you should obtain this advice from your personal financial adviser.

Holiday pay

There is a legal requirement for employers to pay their employees for a minimum of 28 days holiday in a full year, inclusive of public and bank holidays, and in the normal circumstances of full-time employment, holiday pay is paid as salary when an employee takes his or her holiday.

PAYROLL EXPLAINED

By contrast, directors and owner managers are not considered employees for holiday pay purposes, and the legislation does not apply to them.

Payroll umbrella companies are therefore required to pay holiday pay, and there are two different ways of treating holiday pay. It may either be accrued (held back) and paid when the employee takes his or her holiday, or it may be rolled up and paid as an additional payment each time the employee is paid.

In the case of short-term and flexible employments, and particularly for those working on successive or multiple assignments, accruing holiday pay is complicated and not particularly in the best interest of the employee. Therefore, most employees working in this way choose to receive their holiday pay each time they are paid. But you have the option to be paid holiday pay in whichever of the two ways you choose.

Because your employment is not one of full-time work and involves working flexible hours, we are required to calculate your holiday pay based on the number of days that you work. It is calculated as 12.07% of salary, and your entitlement is calculated every time you are paid and separately itemised on your payslip.

To be technical, the statutory minimum annual paid leave requirement is 5.6 weeks (28 days, for a full-time employee). The 5.6 weeks is divided by the number of remaining working weeks = 46.4 weeks. $5.6 : 46.4 = 12.07\%$.

Timesheets

You are required to complete timesheets for your end-client to approve, so that we can prepare the invoice for your agency or end-client. If you work through an agency, you might have to complete additional timesheet documentation for them, which is a separate requirement.

Invoices for your services will be prepared based on your approved timesheets, and any additional expenses agreed by the end-client. Competex Pro will pay you on a monthly or weekly basis, usually the next working day after receipt of funds from the agency or end-client.

POLICIES AND PROCEDURES

We strive to serve our employees and third parties with the utmost integrity. Members of our dedicated team receive regular training and work in compliance with appropriate and up-to-date policies and procedures to ensure your confidence in our service.

At the same time, we expect that employed workers adhere to the policies and procedures implemented by Competex Pro as well as those set out by the end-clients that they work for.

If you have any questions about our ethics and compliance program, please speak to one of our team. Should you ever feel that we have not adhered to any policy or legal requirement, please do not hesitate to discuss the matter with our management.

In cases where you have an ethical dilemma at your end-client's workplace, please feel free to talk to us or to your agent about this. However, you may need to speak directly to the appropriate individual in your end-client's organisation.

Employee handbook

When you join Competex Pro you will be provided with our employee handbook, which contains our policies and procedures. It is important that you familiarise yourself with this content as it forms part of your employment contract.

Expenses policy

The agreement with the end-client as to what expenses may be approved must be discussed in advance between the worker and the end-client. The arrangement must then be communicated in detail to Competex Pro. Whether the worker can claim expenses relating to the assignment depends entirely on what has been arranged with the end-client. In some cases, the worker may have agreed to be paid a flat fee, inclusive of all incidental expenses.

Details of the expenses to be claimed are usually emailed by the employee to Competex Pro as soon as they are authorised and approved by the end-client, so that we may invoice the end-client (but see below if working through an agency).

POLICIES AND PROCEDURES

The expenses that may be paid to the employee free of tax and NI are determined entirely by HMRC regulations. In particular, it may be that the payment of certain expenses has been negotiated with the end-client but that these expenses may not be paid on to the employee free of tax and NI. This means simply that the fund available to pay salary is increased.

You need to provide your expenses to Competex Pro using a suitable expense claim form, and you must attach or email scanned copies of invoices or receipts for each line item as appropriate.

You can find our detailed Expense Policy in your employee portal. If you have any questions or need anything clarified, please let us know. We are happy to talk you through the mechanics of how to claim approved expenses, or what expenses may be processed through your payroll.

Claiming expenses when working through an agency

Many of the larger agencies have well developed systems whereby they 'automatically' charge end-clients agreed fees and expenses based on the timesheets that you complete. Often these agencies will then 'self-bill' Competex Pro (create an invoice from Competex Pro to themselves) and then email this to us, followed by payment soon after.

Each agency operates a slightly different system, and you will need to follow their guidance.

Personal expenses for employees

Any payroll umbrella company promising to allow tax-deductible expenses should be viewed with caution. As an employee, you are limited as to the range of expenses you may claim, particularly if they have not been reimbursed by the end-client.

VAT receipts

When filling in the expense sheet for your agency or end-client to approve, prior to Competex Pro raising their invoice, you should itemise your expenses and any VAT if applicable. You should also attach VAT receipts for each item.

WORKING THROUGH COMPETEX PRO: NEXT STEPS

How to register with Competex Pro

Getting to know our employees is important to us, so we start every employment relationship with a conversation. We need to know a little about you, your assignment and your end-client to ensure that we are able to meet your requirements throughout your employment. You will undoubtedly have questions in the early stages, and we will do all we can to clarify and simplify the process for you.

To arrange your introductory call, visit the Register page on our website at www.competexpro.co.uk.

When you are happy to proceed with the Competex Pro service, we will require some further information from you, including details of your end-client or agency and some basic information about your assignment, for us to secure the service contract with your agency or end-client and draw up your employment contract. We also carry out a standard identity check for all new employees.

Once the contracts are signed, we set you up on our payroll systems and you are ready to work!

Monthly margin

Competex Pro deducts a monthly margin to cover the administrative cost of your employment. This will be discussed and agreed with you before you sign up as an employee.

We deduct a minimum margin per contract, which equates to the standard monthly margin over three months. If your contract is less than three months, we deduct the remaining balance from the last tranche of income.

if you are working through an agency with automated billing and payment systems, we offer a small discount on the monthly margin.

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