

## Umbrella

An Umbrella company is a service designed to minimise personal risk for freelance contractors.

On behalf of the contractor, the Umbrella company will issue invoices, receive payments and calculate all income tax and national insurance deductions. It will then pay all net earnings into the contractor's personal bank account and issue a payslip to confirm all gross/net transactions.

An advantage of the Umbrella option is it allows the contractor to claim tax relief on relevant business expenses (please see 'Expenses' section for more details). Crucially, it carries none of the IR35 risks/responsibilities borne by Limited companies.

To facilitate this option, the contractor will become an employee of the Umbrella company, meaning the Umbrella company will issue the contractor with a Contract of Employment. To complete the contract chain, recruitment agencies and client organisations will issue the Umbrella company with a Contract for Service to support each individual assignment undertaken by the contractor.

Financially, this option can allow contractors to take home between 66% - 85% of their gross earnings.

The Umbrella option can be a prudent choice for contractors wishing to obtain some financial benefits without having any of the risks or responsibilities attached to running a Limited company. It also serves contractors who believe they would not pass self employment tests / measures and first time contractors wanting to establish themselves within the industry before considering any alternatives. It is the best option for contractors earning less than £24,000 per annum.