

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

### **Your Pay Rate Explained**

When we advertise an hourly rate, this includes not only the pay you will receive but also our or your chosen intermediary's costs of employing you. This includes:

1. employer's national insurance contributions (NIC), which will be paid to HMRC
2. holiday pay, which will be paid to you when you take holiday or possibly if/when you leave
3. pension contributions, which will be paid to our pension provider and
4. the Apprenticeship Levy etc which will be paid to HMRC.

If we engage you, we will be responsible for paying these amounts to you and the parties set out above.

If you are engaged by an umbrella company or your own limited company, it is their responsibility to account for these costs. So, we pay these costs to the intermediary so that they can meet their obligations. So, while your hourly rate working through an umbrella or limited company may appear higher than the PAYE rate, the amount you are entitled to receive is not. Whichever model you are engaged on you are never legally entitled to receive the above amounts. You are only entitled to be paid for the hours that you work and for holidays that you take.

You should also be aware that your employer or deemed employer in the case of IR35 is responsible for paying PAYE, NIC including employer's NIC and the Apprenticeship levy to HMRC. But you can be personally liable if they do not do so. Your employer is also responsible for paying over any pension contributions under the workplace pension scheme or auto-enrolment.

### **What does this mean?**

#### **PAYE**

If you were paid the same taxable pay through us an umbrella or your own limited company, then in theory you would receive the same pay after PAYE and NIC. So, while the advertised PAYE rate may appear lower, the reality is that you will receive more net pay working for us than working through a compliant umbrella. If your assignment is "Inside IR35", which most of our assignments are, it is also very likely that you will receive more working for us than working through your own limited company. This is because we do not charge you anything for operating our payroll and you will probably not need to complete a tax returns: [Check if you need to send a Self Assessment tax return - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/check-if-you-need-to-send-a-self-assessment-tax-return).

It is also exceedingly rare for HMRC to seek any underpaid PAYE and NIC from an employee of a business like ours as it is unlikely that you will have known that tax has not been correctly operated. It is even less likely that you would have been involved in the error.

#### **Working through an umbrella**

If you are engaged through an umbrella you will have to pay them a margin each week for processing your payment. This can either be a flat rate per week or a percentage of your pay. Although they should be, these costs are not always transparent. This means that if an umbrella is operating compliantly, you will receive less money than working for us.

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.

You should also read the followings before choosing an umbrella:

[Working through an umbrella company - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/check-your-payslip-if-you-work-through-an-umbrella-company)

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

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

[https://www.gov.uk/guidance/check-your-payslip-if-you-work-through-an-umbrella-company.](https://www.gov.uk/guidance/check-your-payslip-if-you-work-through-an-umbrella-company)

### Limited Company

If you are engaged through your own limited company and your assignment is "Inside IR35" (see below) even though we will operate PAYE and NIC, you will probably need to pay someone to prepare accounts and tax returns and may also need to pay for an App to collect information on your income and expenses. If you work directly for us, you probably will not need to use an accountant or professional adviser. Your obligations as a director are highlighted at:

[Being a company director - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/being-a-company-director)

[Running a limited company: your responsibilities: Directors' responsibilities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/running-a-limited-company-your-responsibilities-directors-responsibilities)

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. You need to take professional advice to understand the different tax treatment of dividends. [Who else can help me with my tax or benefits? | Low Incomes Tax Reform Group \(litrg.org.uk\)](https://www.litrg.org.uk/who-else-can-help-me-with-my-tax-or-benefits/)

### Claiming Expenses

The expenses which you can be paid tax free or for which you can claim tax relief on will be the same for any of the above models. [Claim tax relief for your job expenses: Overview - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/claim-tax-relief-for-your-job-expenses-overview)

### 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, the majority of 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.

**What will my net pay be?**

Trying to work out what your net pay will be after all the necessary deductions are made can be confusing. Please refer to our Key Information Documents [\[Key Information Documents | Your World Healthcare - UK\]](#) for illustrations of the deductions you can expect.

Please also refer to the following net pay estimation websites.

PAYE – Gross to Net Calculator

[ListenToTaxman - UK PAYE Salary Tax Calculator 2022 - 2023](#)

Umbrella – Gross to Net Calculator

[Take-Home Umbrella Company Tax Calculator 2022/2023 - Full Breakdown \(payslipbuddy.co.uk\)](#)

Should you have any questions on this, or would like a gross to net comparison, please contact [candidateservices@yourworld.com](mailto:candidateservices@yourworld.com).