



UCATT
BUILDING TOGETHER



THE **UMBRELLA**COMPANY

CON-TRICK

by Jamie Elliott

FOREWORD



It never ceases to amaze me the lengths that construction employers will go to in cutting costs and exploiting workers.

The latest attack on workers' rights, and perhaps the most devious and complex yet, is coming from umbrella companies.

In spring 2014, construction workers, many of whom were falsely self-employed, were moved en bloc onto umbrella company contracts.

This was a direct response to the Government's decision to ban employment agencies from falsely claiming that construction workers were self-employed. Companies and agencies were pretending workers were self-employed to avoid paying employers' national insurance contributions of 13.8% per worker.

It was hoped that, as a result of the Government's actions, construction workers would be paid properly and enjoy basic employment rights.

That hope was dashed as, in order to get work, workers were forced to sign up to umbrella companies, a scheme HMRC says is legal for 'temporary workers'.

Our members saw no increase in their wages, in fact they have to pay both employees' and employers' National Insurance contributions, as much as a quarter of their eligible earnings.

In a further insult, workers, many of whom are highly skilled and were employed at rates well in excess of £10 an hour, are officially only being paid the minimum wage. Their final take home pay is then boosted by a strange combination of apparently arbitrary performance related pay and expenses.

The old construction industry favourite of rolling up holiday pay in weekly pay has made a very unwelcome reappearance. This means that workers are unpaid when they take annual leave.

In a further move towards casualisation, some of the contracts that workers are required to sign are for zero hours. In some cases there is also an exclusivity clause, meaning that workers cannot work for anyone else.

To top it all, workers who are already left feeling entirely demoralised, with a payslip it is virtually impossible to understand, have to pay the umbrella company for their services. In some cases workers are having £30 a week taken from their wages for the privilege of being paid via an umbrella company.

The lengths that agencies and employers go in order to justify these perverse schemes are extraordinary. A UCATT Regional Organiser in the East Midlands was told that a worker being paid via an umbrella company was being paid "just like Wayne Rooney" as Manchester United does not employ their star player directly.

How on earth can you compare a construction worker, employed via an umbrella company with Wayne Rooney? A construction worker would have to work for 10 years to receive what Rooney gets in a week.

The Umbrella Company Con-Trick shines a light into the dark and murky world of umbrella companies. It explains how they operate, how workers are losing out financially and the continued financial loss to the Treasury.

UCATT has a long history of fighting for workers being exploited. Umbrella companies are the latest form of exploitation. We are absolutely committed to ensuring this exploitation is ended.

A handwritten signature in black ink that reads "Steve Murphy". The signature is written in a cursive, slightly slanted style.

Steve Murphy, General Secretary of UCATT

The umbrella company con-trick

1. Introduction

Thousands of highly skilled construction workers are struggling to survive thanks to a con-trick which sees their pay cut substantially, leaving them impoverished, demoralised and confused.

The con-trick is perpetrated by employment agencies who use an entirely legal but very complex pay structure to pass on to workers the cost of employers' national insurance and processing pay. Employment agencies are able to pass on these costs, normally met by employers, by putting an umbrella (or composite) company between themselves and the staff they recruit.

Workers paid less than the agreed rate

By using these middle men to pay workers, employment agencies have engineered a situation where the amount a construction worker receives in their pay packet is often a lot less than the rate agreed when he or she took on the job.

Take it or leave it

Some UCATT members have been switched to payment via umbrella companies without their knowledge. Or they apply for a job advertised at £12 or £13 per hour, only to find they are being paid the national minimum wage, plus whatever additional amount the umbrella company chooses to give them. In other cases, workers have been told to sign a contract agreeing to payment via an umbrella company or face losing their job.

Everyone gains but the worker

Employment agencies benefit from these arrangements by saving the cost of employers' national insurance, the umbrella companies make a profit by charging a fee met by workers, and the contractor benefits in the long term from lower staff costs. But workers on some of the UK's biggest public construction projects are left seriously worse off.

“We can't treat the kids like we used to, and really we can just survive, feed ourselves and pay the bills,” says David Parker, whose income fell after MBC, the employment agency he worked for at the NHS Cramlington Hospital site, insisted he be paid via MAC, an umbrella company. “But you feel there is nothing you can do, because every job advertised for joiners, fixers, plumbers and so on, everything is agency,” he adds.

Confusing payslips

Umbrella companies often use complicated and confusing payslips¹ to try and mask the fact that the amount they pay workers is less than the rate the worker agreed with their

¹ See Appendix 4 for payslip examples

employment agency. The payslips often fail to itemise, for example, deductions umbrella companies make to cover employers' national insurance and their own fee.

A growing problem with serious consequences

This practice is spreading fast through the construction industry and in some areas it is now impossible for a worker to find a job where pay is not via an umbrella company.

In the short term this is bad for workers and for the construction industry – workers who are losing out on pay and feel cheated by their employer become demotivated and are less productive.

But in the longer term there is a big cost to society as a whole. The government stands to lose millions in lost tax revenue, because of the tax dodging behaviour of employers detailed in this report. In addition, the loss of pension contributions suffered by many workers paid via umbrella companies risks creating a generation of individuals who will become a heavy burden on the state when they retire.

2. How the con-trick works

Once the employment agency has recruited a worker, the umbrella company becomes the worker's legal employer and pays the worker less than the hourly rate agreed between the worker and the employment agency. The umbrella company, however, receives from the employment agency the worker's full hourly rate. So the umbrella company can use the difference between what it receives from the employment agency and the lower amount it pays the worker to recover its own costs, including employers' national insurance.

A simple sleight of hand

Like most con-tricks, the umbrella company ruse is at root extremely simple. The umbrella company is just paying the worker a lesser sum than the amount it receives from the employment agency, and using the difference to make a profit and pay costs normally met by employers.

This in turn means the employment agency, which recruited the worker in the first place, is avoiding the cost of employers' national insurance by effectively passing it on to the worker. And in the long run, the contractor, and whoever has commissioned the NHS hospital, tram or other building project in question, is getting construction workers more cheaply.

Hiding behind complexity

Some umbrella companies try to hide how the umbrella company con-trick works by making pay and deductions difficult for workers to understand.²

² See Appendix 4 for payslip examples

UCATT member Andrew McLean, for instance, couldn't make any sense of his pay slip when his employment agency switched him to payment via Mint, an umbrella company, earlier this year.

Instead of showing his usual pay rate of £13 per hour, the payslip showed 'salary pay' at the minimum wage (£6.31 per hour) for the hours he had worked plus 'other pay' of £33.45 and something called 'APBA' at £65.20.

"I couldn't make head nor tail of it," says Mr McClean. "I asked them [the umbrella company] what APBA was and they just talked gibberish. I was on the same job doing the same thing, but my money had gone down by £60 or £70 per week."

3. A big cut in pay

The admin fee (or company margin) umbrella companies charge workers whose pay they process varies widely. But when added to employers' national insurance, which umbrella companies also deduct from the hourly rate the individual agreed with the employment agency, the dent in a worker's take home pay is significant.

Take David Parker. His payslip from umbrella company MAC for a working week of 42.5 hours showed his rate of pay as £12 per hour, and his total gross income as £510.

But Mr Parker was perplexed when his payslip also showed net take home pay of just £414.15. His deductions for tax and employee national insurance came to only £43.19. So what had happened to the remaining £52.66? The payslip didn't say.

When Mr Parker wrote to MAC the umbrella company explained that his gross pay 'is reduced by deducting our Company Margin and Employers national insurance.'³

So Mr Parker's pay had been reduced by more than 10% - £52.66 - to cover the umbrella company's fee and employers' national insurance. UCATT estimates the employers' national insurance due at £22.06, which means MAC was charging Mr Parker a fee (or 'company margin') of £30.06.

4. Expenses add to pay confusion

Umbrella companies encourage their 'employees' to claim for travel and subsistence expenses,⁴ which are exempt from income tax and both employee and employers' national insurance. But these expenses are not paid on top of a worker's agreed hourly rate. Instead

³ Email to David Parker from Jessica Garrett of umbrella company MAC, 30.04.2014

⁴ In its welcome pack, umbrella company MAC tells workers: 'Expenses are key to maximising the most from our service, so we encourage timely expense submission and we will contact you if we have not received any from you.'

they are added to the lower rate of pay the umbrella company is paying the worker, bringing his or her pay closer to the original rate agreed with the employment agency.

A raw deal for workers who can't claim

But if a worker does not have expenses to claim – if they live close to their place of work for instance, or don't have receipts for food - their pay remains at a much lower rate than that originally offered by the employment agency that recruited them.

This happened to UCATT member John Ivison, who was told by Coyles, the employment agency which recruited him in May 2014 that he would be paid £12 per hour. But after working a 50-hour week, his payslip from umbrella company Crest Plus Exchange Limited showed take home pay of just £410.14 (at his agreed hourly rate, Mr Ivison's gross pay was £600).

The umbrella company duly told him he could boost his pay by claiming expenses, but this didn't work for Mr Ivison.

“They told me to put expense forms in, and were asking me for receipts for food,” he says. “But I got my food from a little mobile burger van that doesn't give receipts, so I couldn't claim for it.”

It felt like they were stealing money from us

Mr Ivison claims that when he complained about getting less than the agreed hourly rate, he was fobbed off by both the employment agency and the umbrella company.

“I couldn't make any sense of what they were telling me, they were just baffling me with jargon,” he says. “Neither Coyles nor Crest Plus told me they were charging a fee and employers' national insurance.”

It was, according to Mr Ivison, only when he and a friend experiencing the same problems became increasingly vocal with the umbrella company, that they gave them a clear answer.

“When we said to Crest Plus, £12 an hour is our rate, they told us that it wasn't our money, it was their money, and that they paid us the minimum wage, plus anything else they wanted to give us,” he says.

After one more week the pair left the site.

“It was disheartening, we didn't feel like working after we found out what was happening. It felt like they were stealing money from us.”

Crest Plus told UCATT it goes to considerable lengths to explain to prospective employees how umbrella employment works and to dispel the 'common misconception' that the money an umbrella employer receives in return for the services provided by its umbrella employees,

belongs to those employees. ‘This is simply not the case. It is the umbrella employer’s money,’ Crest Plus Managing Director Derek Harling said in a statement.

Mr Harling also said that an individual’s pay would be considerably lower if he or she were employed directly by an employment agency. But he acknowledged that recent legislation restricting self-employment ‘has resulted in considerable numbers of previously self-employed individuals being unable to find work other than on an umbrella employment basis, which in some, but not all cases, has resulted in that individual’s take home pay falling.’

Expenses tax break available to all workers in temporary workplaces

In terms of expenses and tax, umbrella companies do not offer anything that is not available to all workers. Anyone carrying out a series of contracts in temporary workplaces – whether they are self-employed or paid via PAYE – is entitled to claim their travel and subsistence expenses against tax. For many construction workers and others this is a big help, and adds up to a tax saving of as much as £1,500 per year.

Reputable employers pay travel expenses on top of pay

Many employers have signed up to the Construction Industry Joint Council (CIJC) agreement which says that where a journey to work is longer than 15 kilometres, travel expenses should be paid in addition to the agreed pay rate. The CIJC is a collaboration between construction industry unions and employers, with the union side led by UCATT. Many of the umbrella company contracts UCATT has seen state that the company does not recognise collective agreements made between unions and the construction industry.

5. Umbrella companies deprive government of tax revenue

An analysis of pay carried out by UCATT has also revealed that the government receives significantly less tax when a worker is employed via an umbrella company compared to when he or she is employed directly.⁵

This is because when an umbrella company pays a worker less than the rate he or she agreed with the employment agency, there is also less income tax and national insurance to pay (see tables below). The less someone is paid, the less tax and national insurance they pay. Worse still, when an umbrella company uses expenses to top up pay, those expenses are entirely exempt from tax and national insurance.

In the case of a worker whose gross pay is £500 per week, for example, but who is employed via an umbrella company, the loss in tax revenue received by the government can amount to almost £3,800 per year.

The tables below shows the difference in the amount of tax the government can expect to receive when a worker is employed via an umbrella company, compared to when he or she is employed directly.

⁵ See appendix 2

Estimated difference in total contributions government receives –umbrella companies versus direct employment

Gross weekly pay	Umbrella companies (Assuming £150 per week of pay comprises tax free expenses and a weekly fee of £20 is charged)			Total contributions due to HMRC weekly
	Employers' NI	Employee's NI	PAYE	
500	24.42	21.24	27.60	73.26
600	38.22	33.24	47.60	119.06
700	52.05	45.24	67.60	164.86
800	65.82	57.24	87.60	210.66

Gross weekly pay	Direct employment			Total contributions due to HMRC weekly
	Employers' NI	Employee's NI	PAYE	
500	47.88	41.64	61.60	151.12
600	61.68	53.64	81.60	196.92
700	75.48	65.64	101.60	242.72
800	89.28	77.64	121.60	288.52

All figures in £ sterling

6. Pensions time-bomb

Umbrella company employees left in pension limbo

Some workers paid via umbrella companies are losing out on their pension. This is because some umbrella companies are taking advantage of an optional three months' waiting period or 'assessment postponement' before enrolling workers onto the government's auto-enrolment pension scheme.⁶

Many construction workers move from job to job and agency to agency every few months. So because many workers will be paid via a given umbrella company for a period of less than three months, before they move onto another employment agency and another umbrella company, they risk remaining in a pensions limbo and never being enrolled onto the auto-enrolment scheme.

Expenses don't count towards pension entitlement

In addition, the expenses component of pay via umbrella companies does not count in the calculation for auto-enrolment pension purposes. So even where a pension contribution is made by an umbrella company, it is often significantly less than it would be if the individual worker were employed directly - because a large part of pay from an umbrella company often comprises expenses.

⁶ Some umbrella company payslips shown to UCATT either make no mention of pension contributions, or include a field for pensions but leave it blank.

This can add up to a huge pension loss. For instance, if expenses account for £150 of a worker's weekly pay, and that individual works for 30 years, the pension contribution lost amounts to £17,280.⁷

Long term cost to the state

All this is storing up a potential disaster which could condemn thousands of construction workers to an old age lived in poverty, with only the state pension for support.⁸ This in turn will put huge pressure on state services, including health and housing, as individuals struggle to provide for themselves.

The government's auto-enrolment pension scheme was intended to ensure dignity in old age. The activities of employment agencies and the umbrella companies they use are undermining this aspiration.

7. Holiday pay hit hard

Holiday pay slashed under umbrella companies

Holiday pay is calculated as an average of what an individual is paid over a number of weeks.⁹ But instead of basing their calculations on the hourly rate the worker agreed with the employment agency when they took on the job, umbrella companies are basing their holiday pay calculations on a figure close to the national minimum wage.¹⁰

This is because the expenses component of pay, which umbrella companies use to boost pay to a figure closer to the rate agreed between the worker and the employment agency, cannot be included in the calculation of holiday pay.

Rolled up holiday pay puts health at risk

In addition, many of the payslips UCATT has seen from umbrella companies include 'rolled up' holiday pay, where, instead of being paid during an actual break, employees are paid holiday pay as part of their weekly wage.

This means that umbrella company workers doing hard manual labour on potentially hazardous building sites may not take a holiday for months on end, putting both themselves and those working with them at risk.

⁷ Example assumes the full auto-enrolment pension entitlement of 8% of basic pay which comes into force from 2018. Source: Pensions Advisory Service <http://www.pensionsadvisoryservice.org.uk/automatic-enrolment/how-much-do-i-have-to-pay>

⁸ The UK state pension is currently £113.10 per week for a single person.

⁹ By law, workers are entitled to 28 days paid annual holiday (including bank holidays)

¹⁰ At £6.31 per hour, the national minimum wage is around half the hourly rate of many skilled construction workers.

Because of this health and safety risk, the payment of rolled up holiday pay is forbidden under the Construction Industry Joint Council (CIJC) agreement.¹¹

8. Workers devalued and productivity hit

UCATT members report that morale and productivity on building sites are sinking as trained and qualified carpenters, electricians or bricklayers see their skills devalued and need to work increasingly long hours to make ends meet.

“We were having to work from 7am until 6pm just to make up our pay to what it was before,” says David Parker about his experience of being paid via an umbrella company on the NHS Cramlington hospital site. “So people think, I’m not going to run around, I’m just going to plod along. If I can get away with putting two doors on a day instead of six I will, because I’m being treated so badly.”

UCATT member Andrew McClean added: “It’s the Umbrella companies that are spoiling everything. Some workers I know won’t work with agencies again because of this.”

Late payment leads to stress

The complex relationship between employment agencies and umbrella companies also means that workers are sometimes paid late, leading to budgeting problems and stress.

“At the end of the month when you’ve got all your mortgage and bills need paying, and you’re not being paid, it’s another sleepless night,” says a UCATT member working on a site in Yorkshire. “The agency and the umbrella company blame each other for the wages not going in the bank on time, so you end up forever chasing money you’ve earned.”

A UCATT member in Scotland had a similar problem.

“A couple of weeks into the new financial year I hadn’t got my pay,” he says. “The agency said my pay wasn’t processed yet, but when I got my payslip it was a completely different company. I didn’t know what was going on.”

Zero hours means zero security

Some umbrella company contracts seen by UCATT are for zero hours - this means workers are not guaranteed a minimum number of hours employment, so they don’t know from week to week how much they can expect to earn. This makes household budgeting virtually impossible. In some cases there is also an exclusivity clause preventing the individual from working for anyone else.

¹¹ Operatives are entitled to 29 days paid annual holidays inclusive of eight public and bank holidays. Paid holiday entitlement accrues at the rate of 0.558 days per week of service. This is an absolute entitlement that cannot be replaced by rolling it up into basic pay, bonus or any other allowance which would result in the operative not receiving their full holiday pay when taking annual leave. (2013 CIJC Working Rule Agreement)

9. Why umbrella companies are booming

False self-employment crackdown has made umbrella companies attractive

The use of umbrella companies has risen dramatically since the government passed legislation in April 2014 to crack down on false self-employment. UCATT is seeing scores of cases where employment agencies which previously pretended workers were self-employed to avoid paying employers' national insurance,¹² have now turned to umbrella companies to avoid paying the tax.

A lucrative trade

Umbrella companies are also big business. Crest Plus Exchange Limited for example turned over in excess of £11 million in 2013/14 and saw its gross profits increase by 11%.

Within the law

The pay cutting practices engaged in by umbrella companies is within the law, according to HMRC, so long as an umbrella company is 'properly constructed' and workers get at least the minimum wage.¹³

10. UCATT recommendations

- **Employment agencies and other employers should be obliged by law to employ workers directly, not via umbrella companies.**
- **The hourly rate agreed between a worker and an employer, including an employment agency, should be the rate that worker is paid.**
- **There should be a legal duty on employers to make payment arrangements transparent and easy for workers to understand.**
- **It should be obligatory for employers to pay reimbursement of travel and other expenses in addition to a worker's hourly rate.**
- **Holiday pay should never be 'rolled up' into a worker's weekly pay.**
- **All forms of false self-employment should be abolished, including the Construction Industry Scheme (CIS)¹⁴**

¹² See The Great Payroll Scandal – 2012 UCATT investigation into false self-employment <http://ucatt.infobo.co.uk/files/publications/UCATT%20Report%20The%20Great%20Payroll%20Scandal%2012.pdf>

¹³ See Appendix 4 for HMRC view on legal issues around umbrella companies and employers' National insurance.

Appendices

Appendix 1

Examples of UCATT members who have seen their pay cut after moving to payment via an umbrella company – and what they would have been paid if employed directly.

Example one:

John Ivison, payslip dated 30.05.14 – Umbrella company: Crest Plus Exchange

What John Ivison was paid under the umbrella company:

Gross pay – 50 hours x £12 per hour = £600

Deductions by umbrella company:

1 hour @ £6.95	- £6.95
Retained income	- £22.95
Company costs	- £88.66

Payments:

NMW salary	£315.50
Profit related pay	£165.94
Holiday pay	£38.08

Employee's NI deducted	- £43.98
PAYE tax deducted	- £65.40

Total net pay: £410.14

N.B. From the hourly rate income of £600, the umbrella company has deducted 'company costs' of £88.66, which we assume covers employers' national insurance and the company's fee.

¹⁴ The Construction Industry Scheme (CIS) is a tax arrangement unique to the construction industry which allows construction firms to make a flat rate income tax deduction at source from the pay of self-employed contractors registered with the scheme.

What John Ivison would have been paid if he had been employed directly:

Gross pay – 50 hours x £12 per hour =	<u>£600</u>
Employee's national insurance deducted	- £53.64
PAYE tax deducted	- £81.60
Total net pay:	<u>£464.76</u>
With value of holiday pay added:	<u>£531.68</u> ¹⁵

N.B. Net pay for PAYE workers does not include:

- a) Holiday pay (29 days annually including bank holidays¹⁶)
- b) Annual tax refund: a PAYE worker carrying out a series of temporary contracts could claim against travel and subsistence expenses incurred.

Example two:

David Parker, payslip dated 22.05.14 – Umbrella company: MAC

What David Parker was paid under the umbrella company:

Gross pay – 42.5 hours x £12 per hour =	<u>£510</u>
Payments:	
NMW salary	£268.18
Expenses	£144.45
Holiday pay rolled up	£32.37
Bonus / adjustment	£12.34
'Total payments' on payslip:	<u>£457.34</u>
PAYE tax deducted	- £24.00
Employee NI contribution deducted	- £19.19
Total net pay:	<u>£414.15</u>

N.B. Gross pay £510 minus 'total payments' of £457.34 = **£52.66** (MAC said in an email to Mr Parker that this difference of £52.66 covers their 'company margin' and employers' NI).

¹⁵ John Ivison's holiday pay under direct employment has an estimated value of £66.92 per week.

¹⁶ Construction Industry Joint Council Working Rule Agreement (revised May 2013)

Taking into account employer's NI liability at 13.8% and the NI threshold of £153pw, the NI payable on Mr Parker's income, excluding expenses (which are NI exempt), is £22.06. That means **MAC is charging Mr Parker a weekly 'company margin' or fee of £30.06.**

What David Parker would have been paid if he had been employed directly:

Gross pay – 42.5 hours x £12 per hour =	<u>£510</u>
Employee's NI deduction:	- £42.84
PAYE tax deduction	- £63.60
Total net pay:	<u>£403.56</u>
With value of holiday pay added:	<u>£460.44¹⁷</u>

¹⁷ David Parker's holiday pay under direct employment has an estimated value of £56.88 per week.

Example three:

Andrew McLean, payslip dated 16.05.14 – Umbrella company: Mint Commercial

What Andrew McLean was paid under the umbrella company:

Gross pay – 31 hours x £13 per hour = £403

Deductions by umbrella company:

Mint Profit Margin	-£20.50
Expenses	-£37.29
PBA	-£65.20
Employers' national insurance	-£23.31
Retained Holiday Pay	-£27.64

Payments:

NMW salary pay	£195.61
Other pay	£33.45
APBA	£65.20
Expenses	£37.29
Employee's national insurance deducted	- £16.85
PAYE tax deducted:	- £19.80

Total net pay: £294.80

What Andrew McLean would have earned if employed directly:

Gross pay – 31 hours x £13 per hour = £403

Employee's national insurance deducted	- £30
PAYE tax deducted	- £42.20

Total net pay: £330.80

With value of holiday pay added: £375.75¹⁸

¹⁸ Andrew McLean's holiday pay under direct employment has an estimated value of £44.95 per week.

Appendix 2

Government gets less tax when workers are employed via an umbrella company

Example one:

David Parker - actual tax paid to HMRC under umbrella company:

Gross weekly pay	£510
Employers' NI	£22.06
Employee's NI	£19.19
PAYE	£24
<u>Total tax paid under umbrella company</u>	<u>£65.25</u>

What HMRC would have received if David Parker had been employed directly:

Gross weekly pay	£510
Employers' NI	£49.26
Employee's NI	£42.84
PAYE	£63.60
<u>Total tax liability if directly employed</u>	<u>£155.70</u>

Example two:

John Ivison – actual tax paid under umbrella company:

Gross weekly pay	£600
Employers' NI	£50.58
Employee's NI	£43.98
PAYE	£65.40
<u>Total tax paid under umbrella company</u>	<u>£159.96</u>

What HMRC would have received if John Ivison had been employed directly:

Gross weekly pay:	£600
Employers' NI	£61.68
Employee's NI	£53.64
PAYE	£81.54
<u>Total tax liability if directly employed</u>	<u>£196.86</u>

Example three:

Andrew McLean – actual tax paid under umbrella company:

Gross weekly pay	£403
Employers' NI	£23.31
Employee's NI	£16.95
PAYE	£19.80
<u>Total tax paid under umbrella company</u>	<u>£60.06</u>

What HMRC would have received if Andrew McLean had been employed directly:

Gross weekly pay:	£403
Employers' national insurance	£34.50
Employee's national insurance	£30.00
PAYE	£42.20
<u>Total tax liability if directly employed</u>	<u>£106.70</u>

Appendix 3

Email from HMRC on legality of umbrella company model, received 01.07.14:

‘An employer cannot by law deduct secondary Class 1 National insurance contributions (employers’ contributions) from employees: such contributions are the responsibility of the employer.

However, in an umbrella company which is properly constructed and operated, a worker does not have deducted, from the pay to which they are entitled contractually, employers’ National insurance.

In an umbrella company arrangement, the level of pay agreed between the worker and the Employment Agency becomes the income of the umbrella company. The worker is then contractually entitled to a lesser sum from the umbrella company (usually Agency-agreed sum less employers’ National insurance and an administration fee) which must be equivalent to, or greater than, the National Minimum Wage. The worker usually takes home more money than if paid directly by the Agency because part of the remuneration paid by the umbrella company is in the form of tax and National insurance-free expenses.

In order for workers to reconcile the pay they agreed with the Agency and what they are paid by the umbrella company, many umbrella companies provide a breakdown of pay and deductions, commencing with the sum agreed between worker and Agency. This can incorrectly give the impression that the worker is paying their own employers’ National insurance.’

Appendix 4

UCATT members’ payslips

This appendix contains the payslips referred to in this report provided by construction workers David Parker, John Ivison, and Andrew McLean. They illustrate the significant and numerous deductions workers’ pay is subject to under the umbrella model, and how difficult umbrella company payslips can be to understand.

APPENDIX

30 Churchill Square
 Kings Hill
 West Malling
 Kent
 ME19 4YU



To:
 Mr. David Parker

PAY ADVICE						
COMPANY NAME	PAYROLL NO	AGENCY	SURNAME	FORENAMES		
Mac GZ Limited	S02276	700569	Parker	David		
PAYMENTS			DEDUCTIONS			
DESCRIPTION	AMOUNT	DESCRIPTION	AMOUNT	YTD		
Salary Paid	268.18	Gross Pay For Tax	312.89	2,072.08		
Expenses Paid	144.45	Tax Deducted	24.00	144.80		
Rolled-up Holiday Pay	32.37	NI Contribution	19.19	120.13		
Bonus/Adjustment	12.54					
TOTAL PAYMENTS	457.34	TOTAL DEDUCTIONS	43.19			
DATE	MONTH	WEEK	TAXCODE	NI NUMBER	PAY BY	NET PAY
22/05/2014		7	1000L/ Cumulative	NS212547B	Bank	414.15

Ref	Rate Type	Units	Price	Value
12009	Hourly Rate Standard	42.50	12.00	510.00
Total paid this period				510.00
EXPENSES ANALYSIS				
Allowable expenses analysis				
Expenses b/f				33.74
7351	12/05/2014	NE108SD to NE236QU return x4		79.20
7351	12/05/2014	Subsistence		11.71
7351	12/05/2014	NE108SD to NE236QU return		19.80
Total Expenses Paid				144.45
Expenses C/F				0.00

Personal Details

Employee Number 148097
 NI Number JR681318C
 Tax Code W1
 Tax Period 8
 Date 30/05/2014

Crest Plus Exchange Limited

Office Village, Chester Business Park, Chester, Cheshire, CH4 9QP
 Registered in England Company No: 6079979
 Telephone: 0870 240 9966
 Email: enquiries@crestplus.com
 Web: www.crestplus.com

Private and Confidential
 Mr John Ivison

Company income from current assignment(s)

50.00 @ £12.00 £600.00
 -1.00 @ £6.95 -£6.95

Total Company income £593.05

***** Crest Plus News *****

Company Income £593.05
 Retained Income £22.95
 Company Costs £88.66
 Pension Contribution
 Gross Pay £519.52

Employee Pay Details**Deductions**

Employee's NI £43.98
 PAYE £65.40
 Total Deductions £109.38

Payments

	<u>Units</u>	<u>Rate</u>	
Basic Wage	50.00	6.31	£315.50
Profit Related Pay			£165.94
Holiday Pay			£38.08
Total Gross Pay			£519.52

Year To Date

Total Gross Pay	£519.52	Less Total Deductions	£109.38
PAYE	£65.40		
Employee's NI	£43.98	Net Pay	£410.14

Expenses Paid**Holiday Entitlement**

This Period Holiday Days 0.00
 This Period Holiday Pay
 Accrued Holiday Days
 Accrued Holiday Pay

Total Credit To Bank

Net Pay £410.14
Expenses Payment £410.14
Payment Method BACS



Mint Commercial Ltd
Chancery Court
Lincoln Road
High Wycombe
HP12 3RE

Telephone: 0330 333 4235
Fax: 0330 333 4236
Email: enquiries@mintcommercial.uk.com

Employers PAYE Ref: 120 BA79339

PAYSLIP

Worker Ref	Employee Name	Tax Code	Tax Period	Period Ending	National Insurance Number
U12 AM43-001	Andrew McLean	1012L WK1	6	16 May 14	NR679619D

Employee Payments	Units	Rate £	Amount £	Total £
Salary Pay	31.00	6.31	195.61	
Other Pay	1.00	33.45	33.45	
Total Pay				229.06
APBA	1.00	65.20		65.20
Holiday Pay				
SSP/SMP/SPP				
Referral Bonus				
Total Taxable Pay				294.26

Employee Deductions	Amount £
Tax	19.80
National Insurance	16.95
Attachment of Earnings	0.00
Student Loan	0.00
Other Deductions	0.00
Total Deductions	36.75

Payment Summary	Amount £
Net Payable	257.51
Expenses	37.29
Previously Paid	
Advances	
TOTAL PAYMENT	294.80

Andrew McLean

Payment Method	FASTER
Payment Date	16 May 14

Year to Date	
Gross for Tax Year to Date	1,686.65
Tax Paid Year to Date	142.60

Notices



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PAYMENT RECONCILIATION

Worker Ref	Employee Name	Tax Period	Period Ending	National Insurance Number
U12 AM43-001	Andrew McLean	6	16 May 14	NR679619D

Receipts (1)		
Units	Rate £	Amount £
31.00	13.00	403.00
		-
		-
		-
		-
		-
		-
		-
Total		403.00

Company Deductions	Amount £
Mint Profit Margin	20.50
Incl £5m Public Liability & £5m Professional Indemnity Insurance & Personal Accident Insurance	
Expenses	37.29
PBA	65.20
Employer's National Insurance (2)	23.31
Retained Holiday Pay	27.64
Total	173.94

Summary	
Receipts	403.00
Less Deductions	173.94
Total Pay (as per Payslip)	229.06

(1) The amount received by Mint Commercial for services provided.
(2) Mint Commercial are required to pay Employers National Insurance Contributions to HM Revenue & Customs.
This amount is shown for information only and is not included in your pay.

This page is for information only and does not affect your pay.

Notices

Jamie Elliott is a freelance investigative journalist, researcher and copywriter who specialises in employment issues and has written widely for the Guardian, Observer and other publications. His investigations have exposed the exploitation of migrant construction workers on an Olympics transport project, the mis-selling of worthless plumbing qualifications, national restaurant chains who use tips left by customers to pay the minimum wage, and the misuse of interns.



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