

## How Umbrella payroll works

Umbrella payroll works by way of the fact that you opt to become employed by Payroll Village, and as such you can utilise the legitimate claim of business related expenses to offset against both your Income Tax and National Insurance contributions. Effectively our office becomes your main place of work, and therefore when working at a clients premises you are able to claim for such items as "Travel", "Subsistence" (meal allowances). "Mileage" and other expenses as defined on the enclosed "expense claim form".

From your perspective as part of the Umbrella scheme you take on the Employer National Insurance cost, however, to compensate for this you receive an uplift on your basic (PAYE) hourly rate.

The key to successfully making the Umbrella status work for you, is to always ensure you submit legitimate business expenses, without these it becomes unlikely you will be better off.

### **Please be advised of the following:**

Travel expenses need to be sent to us so that we can claim these back for you against the tax that you are paying. You need to send us all of your travel expenses to make use of your allowance.

Please note that your meal allowance and travel are added back to you after tax and national insurance has been deducted.

Please note that you are not a director or a shareholder, in fact you are an employee of the Payroll Village Umbrella, which allows you all of the benefits of a permanent employee.

We are always given 2 rates by the client. One which is the PAYE rate and the other which is the limited rate. The limited rate is always higher because it includes employers' national insurance (the tax that the limited or umbrella company has to pay). The increase in rate coupled with the expenses that you claim back mean that you make a saving.

### **Expenses contain the following:**

- Holiday Pay
- Travel
- Meal Allowance & Employers National Insurance
- Admin fee charge, up to £23

Also, please note the netting effect of the Holiday Pay, as this is added in and then taken away before any tax is calculated. i.e. it is shown on the payslip for information purposes – which is a statutory obligation.