

HMRC Guidance on Umbrella Companies

Many umbrella companies follow the correct tax rules but some do not. You need to be aware of umbrella companies who attract people by claiming that you'll be able to take home a higher percentage of your pay.

You need to understand how you get paid to make sure you are not involved in a tax avoidance scheme and are paying the right amount of:

- Income Tax
- National Insurance contributions

Some payslips will not show all payments made by the umbrella company, particularly where they involve loan type payments. Your payslip may only show payments paid through PAYE, to make it look compliant with the tax rules.

You may receive additional payments directly into your bank account and get an email to confirm you have received an amount of money in loans. This could be a sign of tax avoidance.

These payments could be described as one of the following:

- loan
- annuity
- bonus
- profit share
- fiduciary receipt
- credit facility
- capital payment
- capital advance

This list is not exhaustive.

You should look out for any payments that have not been subject to PAYE. If you have been told some of your employment income is not taxable this could be a sign of tax avoidance.

You can view more detailed information on disguised remuneration at <https://www.gov.uk/government/collections/tax-avoidance-schemes-currently-in-the-spotlight-number-20-onwards>

What are the risks of using disguised remuneration schemes

Using an umbrella company that claims you'll be able to take home a higher percentage of your pay is high risk to you personally.

Anyone found using a tax avoidance scheme will be personally liable to pay:

- the tax and National Insurance contributions that are legally due
- interest on tax legally due
- any associated penalty

Some schemes are sold on the basis that they're 'HMRC approved'. This is a red flag, as HMRC does not approve any scheme that 'helps' people avoid tax or boost take-home pay. Furthermore, "HMRC never authorises the use of statements such as 'HMRC compliant' or 'HMRC approved'". So, be vigilant.

If you have concerns about the schemes you are currently using, you should consider:

- getting independent professional tax advice
- Speaking to one of the tax charities
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You can also contact HMRC by email: counteravoidancecampaign@hmrc.gov.uk.