

**Generate.**



# Useful Information for Umbrella Workers

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## **WHAT ARE THE COMPANY COSTS AND EMPLOYEE DEDUCTIONS SHOWN ON THE PAY STATEMENT?**

Your Assignment Rate or Timesheet Rate has been set by your Agency to account for the fact that it will be used to fund all Company Costs relating to processing your pay. The Assignment Rate is used by agencies, together with the days/hours you have worked, to determine how much they send us for the work you have done. The Company Costs are funded from the total amount we receive from your agency and are set aside before calculating how much is available for your pay. It is important to be aware that **your Assignment Rate is therefore not the same as your Pay Rate.**

**Company Costs are as follows** (shown on every Pay Statement issued):

- ❖ Our Margin
- ❖ Employer's National Insurance Contributions
- ❖ Apprenticeship Levy
- ❖ Employer's Pension Contributions (if applicable)

After the Company Costs have been set aside, the remainder is your total **Gross Pay, which is split between Regular Pay and Holiday Pay.** In turn, Regular Pay is split between Basic Pay at National Minimum Wage for time worked plus a variable bonus element that allows us to maximise your income.

In order to determine your **Net Pay (take-home pay)**, which is what you will actually receive, we must first calculate the following Employee Deductions from your Gross Pay, in accordance with HMRC rules):

- ❖ **Employee Income Tax** – calculated based on your tax code, earnings and paid to HMRC through the PAYE system. For more information please see the next page, including how to change your tax code if you think it is wrong.
- ❖ **National Insurance Contributions (NICs)**
- ❖ **Pension Contributions** - if you are enrolled in the workplace pension scheme, your employee contribution will be deducted from your pay (unless you have opted out).
- ❖ **Student Loan / Postgraduate Loan repayments** - deducted if HMRC has notified us that you are required to make repayments.
- ❖ **Other statutory deductions** - such as Child Maintenance payments or Court Orders, where we are legally required to deduct amounts from your pay.

These deductions are paid directly to HMRC (or other mandating authority in the case of the final type of deduction).

### **MOVING FROM PERMANENT / AGENCY PAYE TO UMBRELLA?**

If you were previously paid directly by a company or an agency, the employment costs would have been paid by them in the background and are unlikely to have been shown on any pay documentation you received.

When using an umbrella company, these costs are funded by your Assignment Rate, so we provide a full pay reconciliation to show how the funds we receive have been allocated. The only amount we retain is our Company Margin, with all other funds used to pay you and cover the employer costs on your pay.

## **HOW IS MY TAX CALCULATED? WHAT IF I THINK MY TAX CODE IS WRONG?**

Your tax is calculated automatically by our payroll software, based on your tax code, which is set by HMRC and determines how much tax-free allowance you get each tax year (Apr 6th to Apr 5th).

**Please note, we must apply all tax codes sent to us by HMRC.**

**If you think you are on the wrong tax code, you must call HMRC on 0300 200 3300, as HMRC will not allow us to speak to them on your behalf.**

**Please rest assured that if you do overpay tax, HMRC will refund this to you, either through payroll or by direct payment.**

1257L is the standard code and equates to the current tax-free allowance of £12,570 per year. Different numbers mean different tax-free allowances, which may result from HMRC splitting your allowance across multiple employers or the need to adjust your tax to correct an overpayment or underpayment in a previous tax year.

Other common tax codes are:

- BR – 20% on all income, no allowance
- D0 – 40% on all income, no allowance
- D1 – 45% on all income, no allowance

HMRC will generally apply these when they believe you have more than one source of income, such as another job or a pension. **If that is not correct, you should call them on 0300 200 3300.**

In addition, the tax calculation will either be done looking just at the pay period in question or looking cumulatively at the position for the year-to-date (i.e. from 6<sup>th</sup> April to the current pay). This will depend on whether your tax code is designated 'W1M1' or not.

**W1M1 No: not part of tax code** – “cumulative basis” meaning that you pay the correct amount of tax over the course of a year, considering any changes in your income or tax credits throughout the year. This will take account of any previous income during the year as well as income from Generate. We will either have your previous earnings information from a P45 or from figures provided direct by HMRC. You can ask HMRC whether they are happy to move you to this kind of code, if you are not already on it.

**W1M1 Yes: part of tax code** – “non-cumulative basis” meaning that your tax is worked out separately each time you receive pay with no reference to what has happened during the rest of the year. You receive the appropriate proportion of the tax allowance for each pay calculation.

**If you believe that you are on the wrong tax code, please contact HMRC on 0300 200 3300 as they do not allow us to speak to them on your behalf.**

## **HOW DOES MY HOLIDAY PAY WORK?**

Holiday pay is paid on a 'rolled-up' basis together with your regular pay. It is calculated at 12.07% of your regular pay (basic plus bonus) and itemized separately on your payslip.

You are legally entitled to holiday pay and your agreed rate will incorporate this. Holiday pay is paid on a 'rolled up' basis and your payslip will show your holiday pay, calculated at 12.07% of your regular pay and itemised separately.

If you prefer not to receive this in full each time you are paid, we are able to set aside an amount for you to take at a time of your choosing. The amount set aside will be held in a dedicated bank account, separate from company funds, so your money is protected and used only for your holiday fund. Tax and national insurance on your holiday pay is accounted for and deducted upfront, so the amount set aside is taken from your net pay and then paid out to you with no further deductions when you request it. If you would like us to do this for you, please let us know by emailing [contractorcare@generate-fs.co.uk](mailto:contractorcare@generate-fs.co.uk).

### ***WHY ARE YOU TAKING PENSION CONTRIBUTIONS FROM MY PAY?***

After 3 months, we are **legally required to enrol you into our workplace pension**, operated by **Smart Pension**, subject to certain age and earnings criteria. This is explained in more detail in the information pack you received as part of our onboarding process.

If you are not enrolled, you will continue to be assessed each time you are paid and will be enrolled once you meet the criteria. The statutory percentages are 3% Employer and 5% Employee contributions payable on qualifying earnings.

You can opt-in to the pension at any time prior to being automatically enrolled by letting us know in writing at [pensions@generate-fs.co.uk](mailto:pensions@generate-fs.co.uk).

Equally, **you can opt out of the scheme once enrolled**, within 30 days of receiving your enrolment confirmation from Smart Pension (which in turn is likely to be a few weeks after your first contribution is taken).

This is something you **must do yourself by calling 0333 666 2626 or direct via your Smart Pension portal**, which you can set up by following the instructions **sent by Smart Pension**.

### ***WHAT ABOUT STUDENT LOAN DEDUCTIONS?***

Student loan repayments are taken from pay in line with the rules for your plan. Details of how much and when you start paying can be found here:

<https://www.gov.uk/repaying-your-student-loan/what-you-pay>

<https://www.gov.uk/repaying-your-student-loan/when-you-start-repaying>

We will be taking deductions if either of the following apply:

- You have told us you have a student loan, and which plan you are on
- We have received notification from HMRC instructing us to commence deductions

### ***I STILL HAVE QUESTIONS ...***

We are here to help you! If you need further information or assistance, please contact us by phone on 0207 231 0349 or email us at [contractorcare@generate-fs.co.uk](mailto:contractorcare@generate-fs.co.uk)

We are available between Monday to Thursday, 09.00 – 17.30 and Friday 09.00 – 17.00, excluding Bank Holidays.