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### [Umbrella Company: Overview](#)

What is an Umbrella Company?

An 'umbrella company' is a company that provides payroll services, predominantly by administering the wages. Workers are treated as employees of the umbrella company.

All payments to workers is employment income, and is paid in the form of salary and allowable expenses.

Employees paid through an Umbrella Company

Employees who are paid through an umbrella company make payments towards income tax under the PAYE (Pay As You Earn) scheme. As such, evidence of their income is most likely in the form of payslips, as for any employed earner, generated by the umbrella company. Non-resident parents who are paid through an umbrella company should be recorded as an employee on the system and the gross income from the payslip used in the maintenance calculation.

An Umbrella Company completes all the invoice transactions; receives the agreed fees; deducts the tax and National Insurance contributions; deducts a pre-agreed fee or commission for the services and then pays the non-resident parent a "wage."

In some cases it is known that an umbrella company will detail both travel costs and daily/weekly subsistence on the wage slip as a "first charge" on the gross income. This effectively reduces the gross income and subsequently the amount of tax and National Insurance that is paid. The expenses are then reimbursed to the non-resident parent as non-taxable deductions.

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### [Umbrella Company: Decision Making Guidance](#)

Identifying The Non-Resident Parent Is Using An Umbrella Company

*[2012/2677](#) Regulation 36-39 of the Child Support Maintenance Calculation Regulations 2012*

[2012/427](#) Regulations 35-38 of the Child Support Maintenance Calculation Regulations (Northern Ireland) 2012

Non-resident parent is on Historic Income:

As CMS primarily relies on information provided by HMRC, where the non-resident parent's gross income information is obtained directly from HMRC, this is the figure that will be used in a Maintenance Calculation. The HMRC figure will not necessarily indicate when an umbrella company is being used.

Where historic income is used for a Maintenance Calculation we would not instigate an investigation into the income figure obtained from HMRC.

If the parent with care suspects an incorrect figure is being used for a liability calculation, and can provide evidence that it is at least 25% different to the Historic Income figure used, we may be able to consider Current Income.

Non-resident parent is on Current Income:

Employees of Umbrella Companies should be treated just like other employees if we are assessing current income. The only special factor that needs to be borne in mind if we are dealing with an Umbrella Company is that we need to look at expenses payments carefully with regard to establishing taxable income.

When considering a non-resident parent's income and earnings evidence, it is not always easy to understand gross pay, allowable-deductions and net pay. Wage slips from umbrella companies present some complexities and can affect the accuracy of cases if not progressed correctly.

Where there is evidence that a non-resident parent's earnings includes:

- a deduction for a management fee
- both "employee" (primary) and (secondary) "employer" Class 1 National Insurance deductions
- reference to dividend payments
- deductions for PAYE tax which are very low in relation to gross income
- the net figure is greater than the gross figure
- regular high amounts of claims for certain expenses

This could be an indication that the non-resident parent is using an umbrella company. There are many umbrella companies. The following list is not exhaustive but gives details of some of these companies:

- Legal E

- Stirling Solutions
- I-PAYE
- Prime Time Recruitment

If there is any reason to believe that a non-resident parent is using an umbrella company as their employer, do not rely solely on the information provided on forms. Request to see payslips and if necessary contact the employer to obtain wage details. This is because the gross income may be low for the reasons given in the overview (above).

#### Expenses

If the non-resident parent is using an umbrella company they may regularly claim certain expenses under benefits in kind/non-taxable expenses. Only non-taxable expenses which have actually been incurred by the employee should be deducted from the gross wage.

For the purposes of the maintenance liability, the gross earnings figure is the amount of earnings after deducting pension contributions and deducting non-taxable expenses as described above.

Refer to [Current Income Employed](#) guidance on expenses.

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