

Umbrella Company Compliance Policy

1. Introduction

Purpose of the Policy

This policy outlines the compliance obligations and procedures for operating an umbrella company in the UK. It is designed to ensure that Youco adheres to employment law, HMRC guidelines, and other legal obligations, including IR35 legislation. The policy aims to protect the rights of employees while ensuring that Youco meets its tax, payroll, and reporting responsibilities.

Scope and Legal Framework

This policy applies to all employees, contractors, and company officers involved in the operation of the umbrella company. It is governed by relevant UK laws, including the Employment Rights Act, Income Tax (Earnings and Pensions) Act, HMRC guidelines, and IR35 off-payroll working rules.

2. Employment Status and Contracts

Employee Status under an Umbrella Company

All individuals working through the umbrella company are treated as employees for tax purposes. This means they are entitled to certain statutory rights and benefits, including holiday pay, sick pay, and pension contributions.

Employment Contracts

Each worker is provided with an employment contract that outlines their terms and conditions of employment. Contracts may be fixed-term or zero-hours depending on the nature of the work and the client engagements. These contracts clearly define the employee's role, salary, and entitlements.

Rights and Entitlements of Employees

Employees of the umbrella company are entitled to all statutory employment rights, including holiday pay, sick pay, maternity and paternity leave, and pension contributions under auto-enrollment regulations. These rights are guaranteed under UK employment law.

3. Payroll and Tax Compliance

PAYE (Pay As You Earn) Obligations

The umbrella company operates a PAYE system, where tax is deducted from employees' wages and paid directly to HMRC. PAYE deductions are made in accordance with the employee's tax code and cover income tax and National Insurance Contributions (NIC).

National Insurance Contributions (NIC)

Both employer and employee NIC are calculated and deducted in line with HMRC guidelines. The umbrella company ensures that NIC is paid for each employee based on their earnings.

Holiday Pay Calculation

Holiday pay is calculated as a percentage of the employee's gross earnings and accrued in a separate fund. Employees can request payment for holiday leave or receive the accrued amount upon leaving Youco.



Statutory Deductions

In addition to PAYE and NIC, Youco is responsible for making other statutory deductions where applicable, including pension contributions, student loan repayments, and child maintenance payments.

4. IR35 and Off-Payroll Working Rules

Overview of IR35 Legislation

IR35 is designed to prevent "disguised employment," where workers are treated as employees for tax purposes but are classified as contractors. The umbrella company ensures compliance with IR35 by treating all workers as employees, subject to PAYE tax deductions, thus negating IR35 risks for the end client.

Assessing Employment Status

For workers contracting through the umbrella company, employment status is assessed at the outset to ensure compliance with off-payroll working rules. As all workers are treated as employees, this policy mitigates any risks related to IR35 non-compliance.

Ensuring Compliance with Off-Payroll Rules

Youco monitors changes in IR35 legislation and ensures that it continues to comply with the latest rules and HMRC guidelines. Any changes in employment status or working arrangements are reviewed to assess their impact on tax treatment.

5. Expense Claims and Reimbursement

Allowable Expenses under HMRC Guidelines

Employees are entitled to claim legitimate business expenses in accordance with HMRC rules. This includes expenses such as travel to temporary workplaces, accommodation, and meals incurred during work-related travel.

Procedures for Submitting and Approving Expense Claims

Employees must submit expense claims with appropriate receipts and documentation for approval. Claims are reviewed and processed in line with HMRC guidelines to ensure compliance with allowable expenses.

Non-Allowable Expenses

Certain expenses, such as commuting to a regular place of work or personal expenses, are not eligible for reimbursement. Youco follows strict guidelines to ensure that only allowable expenses are claimed.

6. Reporting and Submission to HMRC

Real-Time Information (RTI) Submissions

The umbrella company submits payroll data to HMRC in real-time as part of its RTI obligations. This ensures that all tax and NIC deductions are reported accurately, and payments are made to HMRC on time.

Annual Returns and Statements

At the end of each tax year, the umbrella company submits the necessary year-end returns, including P60s for employees and the final Full Payment Submission (FPS) to HMRC. Employees are provided with P60 forms summarising their earnings and deductions for the year.



Deadlines and Penalties for Late Submissions

Youco adheres to all HMRC deadlines for tax submissions and payments. Failure to meet these deadlines may result in penalties, which Youco seeks to avoid through robust payroll and compliance procedures.

7. Data Protection and GDPR Compliance

Handling Personal Data

Youco is responsible for handling and processing employee data, including tax and payroll information, in accordance with GDPR. Personal data is stored securely and only accessed by authorised personnel.

Data Security Measures

Appropriate measures are in place to protect personal data from unauthorised access, loss, or theft. This includes encryption, secure storage systems, and regular data audits to ensure compliance.

Rights of Individuals under GDPR

Employees have the right to access their personal data, request corrections, and, in certain circumstances, request that their data be deleted. Youco ensures that employees are aware of their rights under GDPR and how to exercise them.

8. Employee Rights and Benefits

Holiday Pay and Sick Leave Entitlements

Employees are entitled to holiday pay in line with the Working Time Regulations. Sick pay is also provided under statutory sick pay (SSP) rules, and Youco follows the necessary procedures for claiming and paying SSP.

Maternity and Paternity Leave

Employees are entitled to maternity, paternity, and adoption leave, as specified under UK employment law. Youco ensures that all statutory entitlements are met, including pay and time off.

Pension Auto-Enrollment

Youco complies with pension auto-enrollment regulations, enrolling eligible employees in a workplace pension scheme. Contributions are deducted from pay and matched by the employer, in line with statutory requirements.

9. Compliance Monitoring and Audits

Internal Compliance Reviews

Youco conducts regular internal compliance reviews to ensure that its payroll, tax, and employment practices align with current laws and regulations. These reviews help to identify and rectify any potential issues.

External Audits and HMRC Inspections

Youco cooperates fully with any external audits or inspections conducted by HMRC or other regulatory bodies. All necessary records, including payroll data and expense claims, are maintained to ensure compliance.



Addressing Non-Compliance and Penalties

In the event of non-compliance, Youco will take corrective action to rectify the issue. Penalties from HMRC or other authorities are avoided through regular audits, accurate reporting, and timely submission of required documents.

10. Review and Updates

Regular Policy Reviews

This policy will be reviewed on an annual basis to ensure it remains up-to-date with the latest legal requirements and industry standards. Any changes to employment law or tax regulations will be incorporated into the policy as necessary.

Updates Based on Legal Changes

Youco monitors changes in UK legislation, particularly employment law and tax regulations, and updates this policy to reflect any new compliance requirements. All changes will be communicated to employees in a timely manner.