

RubiconPay

The only umbrella company for you.

Guide

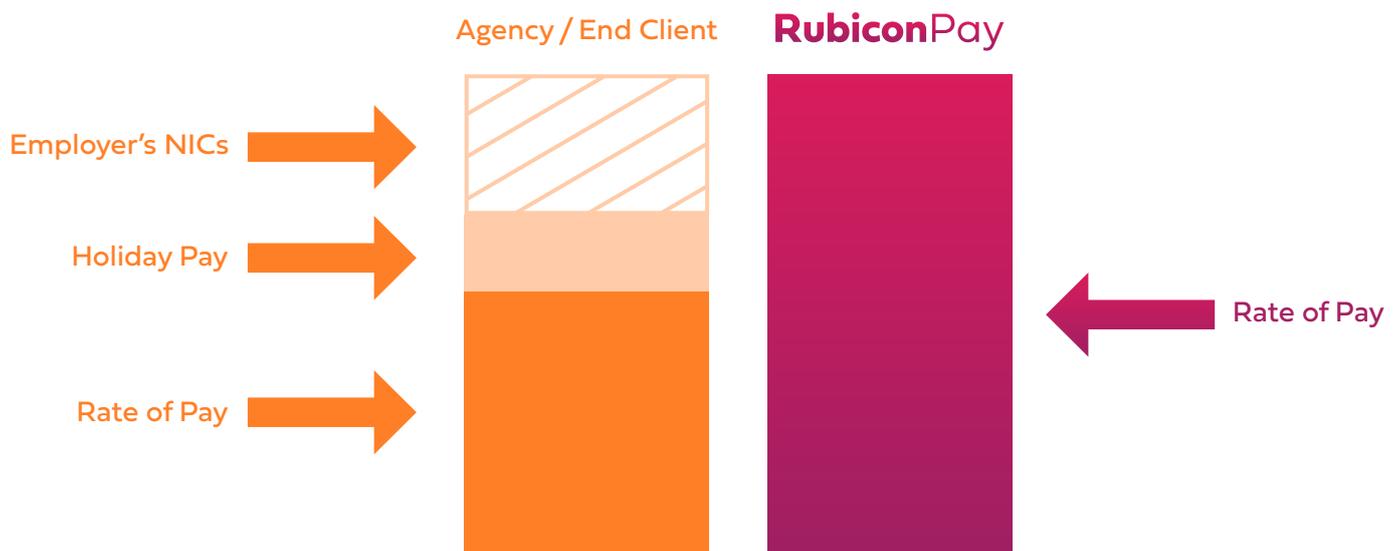
Why am I paying employer's NI?

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When you are in permanent employment, it is the company that is liable for the Employer's National Insurance contributions (NICs). When you become an Umbrella Company employee, Employer's NICs still need to be paid on your assignment income, and the rate you are offered to work through an Umbrella Company should be adjusted to allow for this fact.

Put simply, if you are being paid directly by an agency or client, Employer's NI will be paid by them, normally without you being aware. But if you are contracting with an Umbrella Company like Rubicon Pay, then this Employer's NI amount should be included in the rate we receive for your services, as we are the ones liable for the contributions.

Therefore, when negotiating your pay rate with your agency or end client, this needs to be taken into consideration. It is important to be aware of the fact that, if you were to accept a contract offering you the same rate as a permanent member of staff, you would actually take home less money because of the Employer's NICs.



Negotiating a higher rate

In order to make sure your net pay is similar to a permanent member of staff, you need to understand how Employer's NI is calculated. Employer's NI is worked out at 13.8% on earnings above £166 per week and is uncapped. Not considering any expenses or the margin which will be retained by the Umbrella Company, this is the minimum amount you would need your rate to be increased by compared to a permanent rate in order to achieve a similar net pay. For example, a permanent member of staff earning £25.00 per hour would take home a similar net pay to you if you negotiated £28.45 as your minimum hourly contractor rate.

Sometimes you might be offered two different rates, one lower and one higher. The lower rate would be offered if you chose to be paid directly through the company's payroll. The reason the lower rate applies in this case is because it is the company themselves that will be liable for the Employer's NICs. The higher rate would be offered if you chose to have your pay processed through an Umbrella Company. The reason the higher rate is offered in this case is because the Umbrella Company is liable to pay the contribution. In this scenario, check that the difference between the two rates is greater than 13.8%. If this is not the case, then you should go back to your agency to ensure that the higher Umbrella rate is uplifted to cover Employer's NICs.

IR35

It is also important to understand whether or not you fall inside of IR35. If you are deemed as being 'inside' IR35, then your net pay through a Limited Company would not be too dissimilar to if you were paid via an Umbrella Company. This is because the same deductions for tax and NI must be made regardless. If you do fall inside of IR35, we would recommend using Rubicon Pay to process your payments because the additional workload involved in running your own business outweighs the minimal financial gains. If you're confused about IR35 and how it affects you, follow this link - <https://rubiconpay.lpages.co/rubicon-pay-ir35-guide/> - and read our quick and simple guide to learn more about the legislation's background, its extension into the private sector from April 2020, and why the changes mean you should switch to become an Umbrella Company employee.