Employers NI Contribution

In permanent employment it is the company that is liable for the Employer's National Insurance contribution (NIC). Through an Umbrella Company, it is no different and the Employers NIC still needs to be paid on your assignment income. The rate you are offered to work through an Umbrella Company should be adjusted to allow for the fact.

Employer's NIC is calculated at 13.8% on earnings above £162 per week and is uncapped so, not taking into account any expenses or our margin, this is the minimum uplift you would need on a permanent rate to achieve a similar net pay. As an example of this; you would need to negotiate £28.45 as the minimum hourly contractor rate to take home a similar net pay as a permanent member of staff earning £25.00 per hour.

You may be offered two different rates, one to be paid directly through the company's payroll and another, higher rate, to have your pay processed through an Umbrella Company. The lower rate will apply if you opt to be paid directly by the company because they themselves will be liable for the Employer's NIC. The higher rate is offered if you are being paid through an Umbrella Company because they are liable to pay the contribution. Provided the difference between the two rates is greater than 13.8%, you will be better off through an Umbrella Company because there are certain business expenses that you may be entitled to claim.

As an aside, if you fall inside of IR35, your net pay through a Limited Company won't be too dissimilar to that of an Umbrella Company because the same deductions for tax and NIC contributions must be made regardless. If you do fall inside of IR35, we would recommend using Core ACS Umbrella to process your payments because the additional workload involved in running your own business outweighs the minimal financial gains.