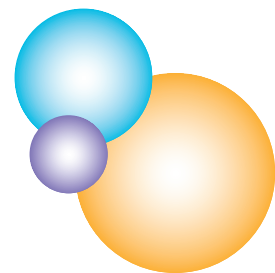


Step-by-step Guide

# Ltd Company vs. PAYE Umbrella



**wellers**  
contractors

# Ltd Company vs. PAYE Umbrella

The alternative to being a Director of your own Limited Company is to work for what are commonly referred to as Umbrella Companies or PAYE Umbrellas.

Whilst they share the same feature of a Limited Company, that is about where the similarity ends.

## PAYE Umbrella

This is where you 'the contractor' essentially become an employee of the umbrella company. You submit time-sheets to the umbrella who will in turn, invoice the end client (or agency) for the work done by you. You will then be paid as a PAYE employee less the umbrella fee.

You will usually be allowed to claim some basic expenses. However, some less scrupulous umbrella companies advertise 'special' dispensations or 'expenses' policies 'approved' by HM Revenue & Customs that allow you to claim expenses without needing to produce receipts.

These claims are entirely bogus and HMRC have made it clear that they will treat very seriously any company seen to be encouraging tax avoidance through fraudulent expense claims.

In many cases, there is little or no point in going through all the effort to become part of an Umbrella Company as the take home pay that you can look forward to may be almost identical to that offered by a PAYE contract.

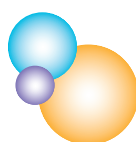
## Limited Company

The Limited Companies referred to in this comparison are genuine UK Ltd Companies that have been formed at Companies House for the express purpose of existing for genuine Contractors.

Wellers Contractors have created the Contractor Scheme to provide an all inclusive package that looks after all of our Contractors and ensures that the best tax and accounting structures are put in place.

The right structure, claiming the right expenses, the right VAT registration, the right remuneration planning - all provided by a dedicated team of accountants.

The details of our offering are contained in 'The Contractor Scheme' as well as in all of the associated guides on this site.



**As a summary of the main differences, they can be seen as follows**

What option is right for me?

There is no absolutely definitive answer here.

It is probably fair to say that if you are

- **On relatively low earnings, say £20,000 per annum or less**
- **If you really are not sure about Contracting**
- **If your Contract is a short one without any guarantees of a renewal**
- **You want the easy life with nothing to do**
- **You don't mind paying a % of your pay for effectively running a payroll**

...then signing up with a PAYE Umbrella company may be the way forward for you.

However, if you are prepared to put in a little effort into your financial future and the following characteristics describe your situation

- **You earn more than £20,000 per annum**
- **You only want to pay a fixed fee, no matter how much you earn**
- **You want to take advantage of the Flat Rate VAT Scheme**
- **You want your own dedicated accountant**
- **You want to have some tax planning done every year end to ensure that you get the best tax advice going as regards when dividends should be drawn**
- **You don't mind spending 10 minutes every Month sending out an invoice for your time worked**
- **You don't mind coming to see us once every 3 months (4 times per year) to make sure you are doing everything correctly and completing your VAT returns for you**
- **You want to take home the highest amount possible**

... if the above best describes your situation, then Contracting may well be right for you and we would recommend giving us a call right away.

Wellers Contractors Ltd is a wholly owned subsidiary of Wellers Accountants, a firm regulated by the Association of Chartered Certified Accountants (ACCA) and a legally binding Letter of Engagement is provided for all clients for their protection as well as detailed Terms & Conditions.

If any of this is guide is not clear in any way please do not hesitate to contact us. The office here is open from 9am until 7pm so please feel free to call anytime. Alternatively we can arrange a time to give you a call or make an appointment to meet and discuss your requirements.

Telephone 020 7901 1190 or contact us online at [www.wellerscontractors.co.uk](http://www.wellerscontractors.co.uk)

