For workers

The Workers' Guide

Agency PAYE or umbrella?

A plain-English guide to comparing the rate, your take-home pay and the support around it.

Agency PAYE or umbrella?

If an agency offers to pay you directly or through an umbrella company, the two headline rates should not be compared like-for-like. The umbrella rate is higher because it includes the money needed to employ you (Employers' costs) - as well as the pay that ultimately appears on your payslip.

THE SHORT ANSWER Compare the gross taxable pay left AFTER employment costs and Umbrella margin are deducted with the agency PAYE rate. The tax treatment of ordinary salary is broadly the same.

The two routes at a glance

	When paid directly by the agency	When paid through an umbrella
Who is your employer?	The agency; check whether your contract makes you an employee or a worker.	The umbrella company is your employer.
Your pay rate	Usually your gross PAYE rate.	Assignment/Umbrella Rate made up of your gross PAYE rate PLUS employers' costs.
Your payslip	Gross pay MINUS PAYE tax, employee NI, pensions (if opt-in) and any agreed deductions.	Assignment Rate MINUS employers costs = gross pay. Then gross pay MINUS PAYE tax, employee NI, pensions (if opt-in).
Continuous employment	Continuity depends on the agency's contract and whether you remain engaged.	One umbrella employment can cover assignments with different agencies, subject to the contract and any gaps.
Extra support	Depends on the agency's in-house offer.	Varies by umbrella. Hyfa adds financial wellbeing and personal tax support.

Before you decide

1. Ask for the Key Information Document (KID). Agencies often provide template versions showing who pays you, the Assignment Rate for working through an Umbrella, the deductions and an example take-home figure.
2. Request a written illustration based on your actual rate, pay frequency, pension position and likely tax code. Hyfa will be able to provide a personal one for you.
3. Check how holiday pay is handled and whether any benefit or support is included in the margin.
4. We recommend checking the umbrella company is accredited with SafeRec.

Why the umbrella rate is not your pay rate

The agency pays the umbrella an Assignment Rate. The umbrella must deduct the Employers costs and its margin. What remains is your gross taxable pay. Your PAYE tax, employee National Insurance and employee pension contributions are then taken from that gross pay.

5. **Agency pays the Assignment Rate.** This is the larger, uplifted figure.
6. **Employment costs and margin are deducted.** Usually employer NI, Apprenticeship Levy if applicable, holiday pay where it is accrued, and the umbrella margin.
7. **You receive gross pay, then net pay.** Normal employee deductions are taken from gross pay to reach your take-home amount.

Why use umbrellas?

Umbrellas can provide benefits to contractors over being paid directly by the Agency.

- It allows workers to move between assignments without having to repeat onboarding.
- Contractors get access to other benefits and specialist support.
- The Umbrella are specialists in dealing with tax, pension, statutory pay and employment administration.
- Contractors get continuous employment.
- It gives access to specialist onboarding, insurance, worker support and reporting.
- It can help Agencies manage different client requirements and labour supply chains.

Which may suit you?

Agency PAYE may feel simpler if you expect one assignment with one agency, the direct gross rate is competitive and the agency already provides the support you need.

Umbrella employment may be attractive if the uplift/Assignment Rate produces higher gross pay, you expect to move between assignments and/or you value one employer plus additional financial and administrative support.

CONTINUOUS EMPLOYMENT Remaining employed by the same umbrella across assignments can help preserve a continuous employment record, subject to your employment contract and any breaks. This may make your work history easier to evidence for a mortgage, loan or tenancy application, but it does not guarantee acceptance and some employment rights still depend on qualifying service.

What Hyfa adds to umbrella employment

- **Exceptional customer service –** Support from a specialist contractor team who treat you like a person.
- **Financial wellbeing -** Confidential 1:1 financial coaching to build wealth, shopping discounts and optional payday advance support.
- **Clear, compliant pay -** A full reconciliation from assignment income to gross pay, plus a payslip detailed to the penny.
- **Personal tax support -** Straightforward guidance for people with contracts, shift work or multiple income streams, with end-of-year support where included.
- **Employment protection -** Statutory employment rights, workplace pension administration and a £25m insurance package covering public liability, employers' liability and professional indemnity.
- **Simple onboarding -** Digital contracts and secure document upload, designed to get you ready quickly.

Some benefits depend on the package agreed with your agency; eligibility and charges may apply. Ask Hyfa what is included in your assignment.

What does SafeRec do?

SafeRec is an independent compliance certification and auditing platform for umbrella companies.

Their software connects directly to the umbrella's payroll system and checks each payslip as it is produced.

It verifies that pay has been calculated correctly, checks statutory deductions and compares payroll information with the Real Time Information submitted to HMRC.

They also carry out monthly checks on umbrella companies to confirm that the taxes are being paid to HMRC.

For you, that provides:

- **Independent verification** – SafeRec provide you with evidence your taxes are being calculated and paid correctly.
- **Greater tax protection** –payroll information is cross-checked against HMRC reporting,.
- **Legal and operational scrutiny** – certified umbrellas must also undergo an independent review of their contracts, processes and employment practices.

How to read an umbrella payslip

Payroll rounding note: displayed line items can occasionally differ from the final net figure by a penny because payroll calculations use values beyond the two decimals shown.

Hyfa

Umbrella Illustration Income Statement for Illustration Record

2 Company Income and Costs

Company Income Received	1,000.00
Apprenticeship Levy	4.23
Employer's NI	112.56
Employer's Pension	21.79
Company Margin	14.99

1 Assignment Rate(s)

Units	Rate	Total	Agency/Description	Description
5.00	200.00	1,000.00		Invoice

7 PAYSLIP

Employee Name	Employee Number	NI Number	NI Category	Tax Code	Pay Date	Periods
Illustration Record	ILLUSTRATION	ILLUSTRATION	A	1257L X	28/08/2026	1

3 Payments

Description	Units	Rate(£)	Amount(£)
Basic Rate	37.50	12.71	476.63
Holiday Pay	1.00	91.16	91.16
Additional Taxable Wage	1.00	278.64	278.64
Total Payments			**846.43**

4 Deductions

Description	Amount(£)
PAYE(Income tax)	120.80
Employee's NIC	48.35
Employee's Pension Deductions	29.06
Total Deductions	**198.21**

8 Umbrella Illustration

PAYE Reference	XXX/XXX
Tax Period	21
Period Ending	
Pay Frequency	Weekly

6 This Period / Year to Date

This Period		Year to Date	
Total Taxable Pay	846.43	Total Taxable Pay	846.43
Earnings for NICs	846.43	Total NIable Pay	846.43
Expenses	0.00	PAYE Income Tax	120.80
Net Payment	648.22	National Insurance	48.35
		5 Total Payment (£)	**648.22**

Address:
Mr Illustration Record

Message:

1

Assignment Rate details for the week
This details the Total Assignment Rate (NB: this is different to your Gross Pay in section 3)

Units	= days or hours worked
Rate	= hourly or daily rate quoted by Agency.
Total Assignment Rate	**= Units x Rate (your Total Assignment Rate for the week)**

2

Company Income and Costs
This details the Employers' costs that are deducted from your Total Assignment Rate

Company income received	= Units x Rate ***(same as Total Assignment Rate in section 1)***
Apprenticeship Levy	= Employer Tax (0.5% of Gross pay)
Employer's NI	= Employer Tax
Employer's Pension	= Employer's pension contribution (if you are enrolled)
Company margin	= Margin deducted by Umbrella company

3

Payments
Your Gross Pay is detailed in this box. It is broken down into the different pay elements

Basic Rate	= The National Minimum Wage element of Gross Pay
Holiday Pay	= The Holiday Pay element of Gross Pay paid to you
Additional Taxable Wage	= The element of Gross Pay above National Minimum Wage
Total Payments	= Gross Pay

4

Deductions
Deductions made from your Gross Pay

PAYE (income tax)	= Employee's Income tax
Employee's NIC	= Employee's National Insurance Contributions
Employee's Pension Contributions	= Employee's Pension Contributions (if enrolled)
Total Deductions	= The total of all these deductions

5

Total Payment
Payments (section 3) MINUS Deductions (section 4) = your Net Pay

6

This Period
A summary of the current week's Gross Pay and what element is subject to income tax and NI.

Year to Date
A summary of the Year to Date's Gross Pay, and the income tax and NI paid

7

Payslip
Your personal details, allowing you to identify this is the correct payslip.
TIP
Check the NI number and Tax Codes look correct. HMRC may change Tax Codes if they believe you have underpaid or overpaid taxes in previous periods.

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Umbrella Illustration
Confirms the employer's PAYE reference number, the tax week/period the payslip relates and how frequently you are meant to be paid.

Five quick checks each payday

1. Your assignment units and rate agree with your approved timesheet.
2. Employer NI, employer pension, levy and margin sit in the reconciliation - not as employee deductions from gross pay.
3. Your tax code and NI category look right, and year-to-date totals move forward sensibly.
4. Holiday pay is shown in the way described in your contract and KID.
5. The net payment matches your bank account. If anything is unclear, ask before the next payroll run.

TALK TO HYFA Want a personalised comparison or help reading your payslip? Speak to the Hyfa team and we will take you through it.

Official sources and important note

Rates and guidance checked 17 August 2026: GOV.UK, Working through an umbrella company; GOV.UK, Key Information Documents; GOV.UK, National Insurance rates and allowances 2026/27; The Pensions Regulator, earnings thresholds 2026/27. This guide is general information, not personal tax, legal, pension or financial advice. Rates, thresholds, contracts and individual circumstances change.