

An umbrella company may appear like a good option to explore if your company wants to hire independent contractors or temporary workers. But what do you need to know?

Table of Contents

[What is an umbrella company?](#)

[How is the IR35 legislation related to umbrella companies?](#)

[Are umbrella companies good for workers?](#)

[How can companies hire workers without risk?](#)

[Umbrella Co. vs. EoR: What's the Difference?](#)

What is an umbrella company?

An umbrella company is a popular choice in the United Kingdom as a medium of employing agency contractors working on temporary or fixed-term contract assignments.

[An umbrella company is a popular choice in the United Kingdom as a medium of employing agency contractors working on temporary or fixed-term contract assignments. Click To Tweet](#)

The umbrella company (also known as PAYE umbrella) acts as an intermediary between the contractor and the recruitment agency (or the end client).

The payroll is handled by umbrella companies through PAYE — which deduct relevant taxes, national insurance contributions, and pensions before paying the contractor.

Umbrella companies have become more common in the UK, especially leading up to the government's implementation of IR35 legislation.

It is extremely crucial to choose an umbrella company that is compliant with tax obligations. Non-compliance could [land you in serious trouble with the HMRC in the UK](#).

According to [research by the UK government](#), the most common sectors working through umbrella companies are temporary employment agencies, consultancies, and business support services.