

UMBRELLA COMPANY COMPLIANCE CHECKLIST



This umbrella company checklist is a tool that recruiters can use to assess the compliance, reputation, and suitability of umbrella companies before partnering with them.

The following points on this checklist can help you to ensure that the umbrella company in question adheres to legal, financial, and ethical standards, minimising risks and safeguarding your agency's reputation while also promoting fair and responsible employment practices.

1 Legal and Tax Compliance

- Verify that the umbrella company is registered in compliance with relevant labour and tax laws.
- Ensure they adhere to local regulations for employee classification (e.g., IR35 in the UK).
- Confirm that they deduct and remit taxes, National Insurance, and other deductions accurately.
- Check that they are physically based in the country of operation and have a business bank account registered in the territory.
- Check for any signs the company operates through **mini-umbrellas**. Check for unusual company names, unrelated business activity, foreign national directors and the movement of contractors from one company to another.

2 Employment Contracts and Documents

- Review sample employment contracts provided by the umbrella company for transparency and legality.
- Ensure that contracts clearly outline the terms of employment, payment structure, and benefits.
- Have a legal advisor review the contract and terms of engagement with the umbrella company.

3

Transparent Fee Structure

- Get sample payslips to check the umbrella company for common 'skimming' tactics.
- Understand their fee structure, including any administration or processing fees.
- Check their policies on unclaimed holiday pay to ensure this is not withheld by the umbrella company as profit.
- Ensure that all fees and deductions are clearly communicated to contractors.

4

References and Reviews

- Check for online reviews, testimonials, and ratings from other recruitment agencies or contractors.
- Contact existing clients or workers for references about their experience with the umbrella company.

5

Financial Stability

- Request their financial statements or other proof of financial stability or request a credit check to be sure.
- Check if they have relevant insurance coverage, such as professional indemnity insurance.

6

Communication and Support

- Evaluate their responsiveness and willingness to address your questions and concerns.
- Assess the quality of their customer service and support for both recruiters and contractors.

7

Compliance Track Record

- Enquire about any history of legal disputes, regulatory violations, or investigations.
- Ensure they have a record of complying with audits and providing required documentation.

8

Data Security and Privacy

- Confirm that they have proper data protection measures in place to safeguard personal and financial information.

9

Industry Certification and Memberships

- Check that they are a member of an industry association that upholds ethical standards and best practices, e.g., **FCSA** or **Professional Passport** in the UK.

10

Flexibility and Services

- Assess the range of services they offer, such as payroll processing, benefits administration, etc.

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