

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 confirm 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.

Given increased regulatory scrutiny of umbrella companies and evolving supply chain legislation, recruiters should take reasonable steps to assess compliance on an ongoing basis.

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 statutory deductions accurately and on time.
- 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.
- Confirm the umbrella company is monitoring and preparing for regulatory changes, including proposed Joint and Several Liability (JSL) legislation, which may increase supply chain accountability.

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.
- Check if they have relevant insurance coverage, such as Professional Indemnity Insurance, and Employers' Liability Insurance.

5 Financial Stability

- Request their financial statements or other proof of financial stability or request a credit check to be sure.
- Enquire whether the umbrella company has ever been subject to HMRC enforcement action, investigations, or settlement agreements.

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.
- Confirm whether the umbrella company undergoes regular independent compliance audits.

8 Data Security and Privacy

- Confirm that they have proper data protection (GDPR) measures in place to safeguard personal and financial information, including secure data storage, access controls, and appropriate data retention policies.

9 Industry & Supply Chain Accountability

- Check that they are accredited/certified by a recognised industry compliance body that uphold ethical standards and best practices, such as [FCSA](#), [Professional Passport](#) or [SafeRec](#).
Accreditation should form part of a wider due diligence process, including tax compliance auditing software and should not be relied upon in isolation.
- Confirm the umbrella company understands its role within the wider labour supply chain
- Ensure contractual arrangements allow for audit rights and termination in the event of identified non-compliance.

10 Flexibility and Services

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

About 3R

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