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Guide to Pay As You Earn (PAYE)



Pay As You Earn (PAYE)

Although the demand for this service has significantly decreased over the years due to the popularity of the Employment Management Company market, some agencies still operate a PAYE system. This is when the agency will subtract the tax and National Insurance Contributions from the contractors gross pay and pay their wages into their bank account, exactly the same as if you were in full time employment. It is completely risk free as it pays on a PAYE basis so you do not have any worries of IR35.

The downside of using this is that you cannot off-set any of your expenses so do not take advantage of the tax benefit available to contractors or freelance professionals. Also as operating a PAYE ultimately leads to costs for the agency such as payroll staff and Employers National Insurance it is highly likely that if you choose this option there will be a deduction in your pay to compensate the agency for this.

Overall this solution is a safe option for all contractors and freelance professionals, however it is not a tax efficient solution.

PAYE Versus MyPay

These two services are very similar in a lot of ways, they both are virtually administration free and neither requires you to set up a Business Account nor employ an accountant. However there is one major difference between the two and that is when you use MyPay you are able to off-set your expenses against your tax and NIC liabilities, whereas through the agency PAYE you pay the tax and NIC on your full earnings.

In most cases an agency will offer you 2 different rates of pay one being known as PAYE rate and one being a Limited Company rate. When you go through MyPay they will pay you the Limited Company rate, the reason it is called this is because they will be paying into a Limited company, in this instance it would be MyPay Limited that they would pay. The Limited Company rate is the higher rate and will help you in achieving a higher take home.

The majority of contractors are better off using MyPay than PAYE. To check if you fall into this group you can speak to one of our highly trained advisors on **0161 428 3993** who will run through a calculation with you.

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Moving from PAYE to MyPay

This is extremely easy to do and is probable something that your agency is expecting you to do. All you simply have to do is to fill in the online application or give one of our highly trained advisors a call to register on **0161 428 3993**.

We would than get in contact with your agency on your behalf (it is advisable to drop them an email to let them know you are changing). We will arrange everything direct with the agency, this is all normally completed within 1 business day, so you can start earning the extra money straight away or on a date of your choosing.

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Talk to us

If you have any questions, why not ask the MyPay team.



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Visit: www.mypay.uk.com



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