

# Guide to Payroll



As an employer you have to charge PAYE on the payments you make to your employees if their earnings reach the Personal Allowance. You also have to deduct National Insurance Contributions if they earn over the Primary Threshold.

Legally you have to provide them with a statement of their wages and these deductions - i.e. a payslip. You also have to submit a return called an RTI return to the HMRC before every payment you make to them. Any PAYE or NIC collected also needs to be paid to the HMRC regularly, as well as keeping thorough employment records. Any pension deductions need to be taken off of gross pay, and paid to the pension provider.

All employees need to be set up with the correct Tax Code and NI reference etc. If these are not set up correctly, you can end up deducting the wrong amount from your staff and can get into trouble. You also need to pay statutory pay to them if they are off sick, on maternity leave etc, deal with holiday entitlement correctly and ensure everyone has the right to work in the UK, and is being paid minimum wage or the living wage.

## 1. **PAYE and NI Return Dates**

For PAYE and NI, the monthly periods are 6th to 5th of next month - i.e. 6th January - 5th February. For monthly schemes, a return must be supplied to the HMRC once in each of these periods. A return must be filed on or before the date of each payment to staff - payments in

advance of the return are not allowed and you could be fined if this happens. PAYE and NI payments are due monthly, by the 19th of the next month.

For example, if you're making a return to cover payments you made in the tax month from 6 May to 5 June, it must reach HMRC by 19 June. Companies due to pay less than £1,500 of PAYE & NI a month can opt to pay quarterly. Their payment would then be due on the 19th of the month in which that quarter ends.

## **2. Identification Checks**

Recent changes in the law mean that businesses can now be prosecuted up to £10,000 per each illegal worker found working for their company. It is therefore imperative that all proper identification checks are made before any new personnel are employed. This includes photocopying multiple sections of their passport, and being provided with documentation of their permanent address.

Further details can be provided if requested.

## **3. Holiday Entitlement**

All employees are entitled to 20 days holiday per year plus 8 bank holidays - a total of 5.6 weeks when based on the 5-day week. Part time employees are allowed a pro-rated amount based on their regular hours. Term time only or season staff are also entitled to leave but this is calculated on their average hours per week when split across the whole year.

Staff must be either given leave whilst being fully paid, or must be given extra holiday pay. You are no longer allowed to class a proportion of their hourly rate as "holiday pay" - it has to be worked out and paid separately.

Even those on "zero hours" contracts must be paid holiday pay for those hours that were worked in the year.

Employers that give employees paid leave should operate a holiday calendar for each 12-month period, to keep a record of days taken. Rules as to the taking of holiday, and if any untaken holiday can be paid or carried forward, should be specified in their employment contracts.

## **4. National Minimum Wage / Living Wage**

By law all workers must be paid an hourly rate of at least the National Minimum Wage for their age group, or that National Living Wage if over 25.

You need to review these rates, even if your staff are paid on an annual salary, to make sure that they are being paid above the limits. Businesses can be charged large fines for paying below these rates.

A PDF of the rates for the latest tax year, along with tax and NI allowances are attached below.

## **5. Why Get Clear Cut Accounts Involved?**

Let's face it – payroll is confusing, time consuming and stressful – as mistakes can be costly and if there's one thing that staff don't like, it's not being paid! You can also be fined for forgetting to submit a return at £100 per time.

Let us take the stress and strain, and take care of everything.

## **6. What Services Do We Offer?**

### **Complete Payroll Management**

We can compile and run your payroll for you, providing you with information to pay your employees through their bank accounts, complete the RTI returns and providing wage slips and annual P60 forms to them via encrypted email. We can also register new employers with the HMRC.

### **Setup of Payroll**

For either new or existing employers, we can set up software on your computer, and any other files and records required, so that you can run a fully compliant payroll system yourself. All setups include registration with HMRC if necessary and full written instructions of deadlines, returns, employee records etc.

For clients using any of our payroll services - we will be happy to explain the payroll process to you, and answer any payroll related queries at any time during the service term, over the phone or by e-mail.

We can also liaise with the HMRC on your behalf if assigned as your agent.

We can give advice on other payroll and employment issues, such as minimum wage requirements, compulsory identification checks, Statutory Sick Pay and what to do if an employee leaves. We can also make sure that you are using the Employment Allowance - a government initiative where you get credited for the first £3,000 of Employer's National Insurance - something that you should definitely not miss out on!

Our rates are shown on our website [www.clearcutaccounts.co.uk](http://www.clearcutaccounts.co.uk).

## 7. Other Services We Can Provide

We realise every business is different, and have a wide variety of requirements. In addition to the above core services, we can also provide the following services:

- Company Registration for Start-ups
- VAT Registration and Returns
- CIS Registration and Returns
- Company Directors Dividend Payments
- Providing regular Business Information - P&L, Balance Sheet, Credit Control, Profitability.

Please get in touch for a no obligation chat.

