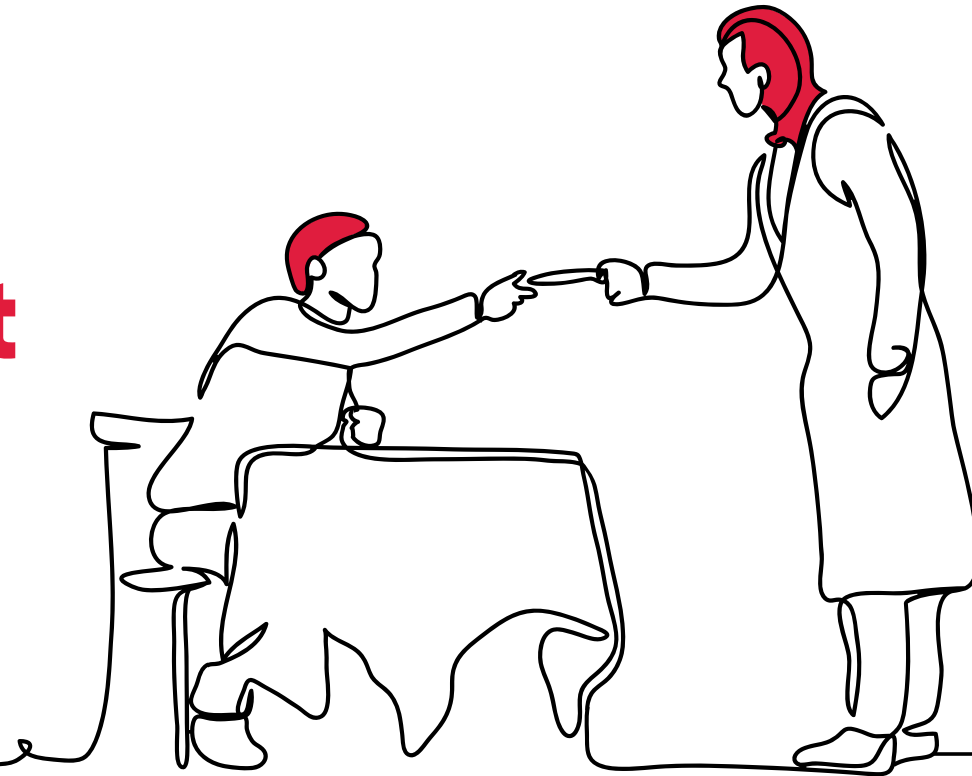


Payroll & Employment



This is a scheme set up with H M Revenue and Customs (HMRC) for administering the payroll taxes due on payments made to UK employees.



What is an Employee?

A person is an employee if they work under an employment contract.

It is an employer's responsibility to work out the status of each worker, but an employee would satisfy most of the below:

- required to work regular hours unless they are on holiday, off sick or on statutory leave
- required to work a minimum number of hours and expect to be paid for those hours
- work under an employment contract
- they cannot send someone else to do their work (a substitute)
- entitled to paid holiday

There is no definitive measure of employment vs. contractor status but the balance is usually tipped to indicate employment.

It is the employer's responsibility to correctly calculate and deduct the necessary taxes.

HMRC offer a tool to help give guidance, it's not full proof but it could help. <https://www.gov.uk/guidance/check-employment-status-for-tax>

Payroll registration

- For any staff employed by a business registered in the UK (including any registration of a foreign entity with Companies House) a Pay As You Earn (**PAYE**) scheme will need to be set up in the business name for the collection of both tax and Social Security (**National Insurance**). This is a scheme set up with H M Revenue and Customs (**HMRC**) for administering the payroll taxes due on payments made to UK employees.
- Where the employer has no place of business in the UK (e.g. the employee works from home and travels) then it is the employers responsibility to ensure that **taxes** are paid, but the employee effectively operates their own payroll. It is common practice for the employer to bear the cost of this.

- Processing the application for a scheme takes approximately 20 working days, and HMRC will request confirmation of the expected first payment date as they will not set up a scheme in advance.

Payroll processing

Once the payroll registration is set up:

- Can be operated weekly, fortnightly or monthly. Taxes are calculated and the amount due to employees and HMRC reported.
- A payroll tax period runs to 5th of each month, all payments within each payroll period are subject to statutory deductions for the period with taxes due to HMRC 2 weeks after the end of the period.
- Generally, on a monthly payroll, the taxes are due on 19th of the month following 'payday'.
- Employees must be provided with evidence of their earnings and statutory deductions either as a physical or online payslip.

Auto Enrolment

- Applies when staff begins employment and **not** when they register for a PAYE scheme.
- An employer will need a pension scheme suitable for auto enrolment
- Employers required to write to their workforce within 6 weeks of beginning to work to inform them how auto enrolment applies to them.
- Employers must complete a Declaration of Compliance for The Pension Regulator (TPR) to declare how they have met their legal duties within 5 months or duties beginning.
- Every 3 years employers must re-enrol any eligible staff that left or opted out of their pension scheme on the anniversary of their duties start date. They must then complete a new Declaration of Compliance to inform TPR how they have met their duties.

Annual payroll returns

There is a requirement to submit a "final" RTI submission for the tax year.

P11D processing

Any payments made to employees or on behalf of employees, which are not reported through payroll, must be declared annually on a Form P11d, employers are required to file a Form P11d(b).

Exemptions have replaced dispensations. You do not need to apply for an exemption as these automatically apply to certain business expenses such as:

- business travel
- phone bills
- business entertainment expenses

Any **Benefits-in-Kind** provided to staff may be subject to both PAYE and National Insurance contributions. HMRC will take the information submitted by the employer to calculate any taxes due and will instruct the payroll scheme to deduct tax accordingly by adjusting the employees **Tax Code**.

Payrolling Benefits

An employer can now choose to payroll all benefits except:

- employer provided living accommodation
- interest free and low interest (beneficial) loans

To payroll benefits, an employer must register their intention to do so before the start of the tax year using the.gov.uk website.

- The employer will need to inform HMRC which benefits they wish to payroll.
- The employer will then need to include the cash equivalent of the benefit on the employee's payslip so they are taxed through payroll. HMRC will then not adjust the individual's tax code for these benefits.

Whilst there will no longer be an obligation to submit a P11d for these benefits, there is still a requirement to work out any Class 1A National Insurance contributions and complete a Form P11d(b).

**For More
Information
Contact One
of Our Partners
Today →**

Email: contact@ouryclark.com

Oury Clark London:

10 John Street, London WC1N 2EB

Tel: +44 (0) 20 7067 4300

Oury Clark Slough:

Herschel House, 58 Herschel Street
Slough SL1 1PG

Tel: +44 (0) 1753 551111

