

PAYROLL

WHAT EVERY SMALL BUSINESS OWNER
SHOULD CONSIDER ABOUT PAYROLL

payrolloptions.com





01

PAY DAY AND PAY PERIOD CUT OFF

Decide on your pay day and your pay period cut off. This simple decision will save a lot of time and administrative headache if you can get it right.

MONTHLY

For monthly payrolls avoid the 6th or just after. This is the start of the tax month and you will be unable to bring your pay day forwards if the 6th lands on a weekend or bank holiday.

It is simplest to pay for the current calendar month but consider paying things like overtime one month in arrears.

Most monthly payrolls have a pay date between the 10th and the last working day. It is also possible to have pay days up to the 5th.

WEEKLY

For weekly derived payrolls you will normally pay one or weeks in arrears eg pay to the Friday with a pay day of the following Friday. Do not try and pay right up to pay day, you will come unstuck.



02

GROSS SALARY OR RATE OF PAY

Agree a gross salary or rate of pay with your employee, do not try and use a net amount.

Agreeing a net amount can cause major issues when an employee receives a tax refund as the employer would benefit from this not the employee.

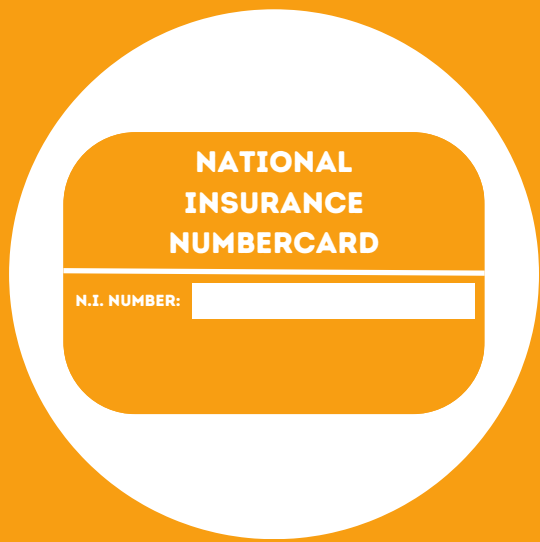
03

TAX CODES

Tax is not too difficult but is affected by the tax code and there may be a week 1/month 1 indicator.

A change in tax code will affect the employee's net pay and therefore employees will come to you. Be aware of tax code changes.





04

NATIONAL INSURANCE IS MORE COMPLICATED

The government have made numerous changes and within payroll there is employer's National Insurance, employee's National Insurance and now employer's Class 1A National Insurance.

Don't get bogged down in National Insurance, seek help if needed.

05

NATIONAL
INSURANCE
NUMBERCARD

N.I. NUMBER:

DIRECTORS NATIONAL INSURANCE

Directors National Insurance is less straightforward than for standard employees, there are two methods but both will result in the same liability across the year with both recalculating in March.

- a** Directors method or cumulative: the annual thresholds are applied and the net pay will vary across the year. This method is more suitable for directors not paid a salary.
- b** Alternative method or non-cumulative: the pay period thresholds are applied similar to an employee with a recalculation in March. This method is best for directors on a salary.





Pensions are a pain point. Administration is simpler than when auto-enrolment first arrived but there is still plenty to catch people out.

Some things to consider:

- a It is possible to have an exemption but you will still need to complete a declaration with The Pensions Regulator (TPR).
- b Even if all your employees are not in the scheme you still need to complete the TPR declaration.
- c The written communication with your employees is not difficult, make sure you have something for your new starters and record what goes out. There are plenty of very similar templates available.
- d Some pension providers have far more painful administration than others.
- e Postponement is useful, there are two types, worker and eligibility. One postpones from the start date and the other from when the worker becomes eligible. Three months is maximum before an eligible employee has to be automatically enrolled to the scheme.
- f Employees can ask to join the pension scheme from when they first start working.
- g The employer should ideally not be involved with opt outs, and if they are it should be under the direction of the pension provider.
- h Re-enrolment is every 3 years and can be brought forward or pushed back three months. Do not ignore TPR.



07



THE NATIONAL MINIMUM WAGE

The National Minimum Wage is not necessarily straightforward, especially for some groups of employees. It is the minimum wage for hours worked and although will be fairly simple to check for many employers for some industries it can be more complex.

Examples of more complex industries could be delivery drivers or care workers for instance. Seek guidance if you are unsure.

STATUTORY PAYMENTS

Statutory Payments can also be complex but need to be paid to employees as long as they meet the criteria.

- a Statutory sick pay can be potentially owed from day 1. You cannot reclaim against sick pay, the employer just pays it.
- b Some such as shared parental leave are more complex
- c Statutory payments tend to change, what you did last year will not necessarily be the same as next.



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EMPLOYEE!
BENEFITS!

SALARY SACRIFICE ARRANGEMENTS

Salary sacrifice arrangements, sometimes known as salary exchange, are not straightforward. This is where the employee gives up some of their salary in exchange for a benefit provided by the employer.

The benefit may be exempt, such as a pension or cycle scheme, but may need to be declared on a P11D or processed through the payroll.

Salary exchange scheme become more complex with an employee on statutory payments and generally there needs to be a new provision in the employment contract.

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HMRC REPORTING

You will need to report your employee's payroll data to HMRC on or before pay day. This is something called an FPS - Full Payment Submission.

There is also something called an EPS – Employer Payment Summary – which deals with company level items such as Employment Allowance or SMP reclaimed.

You will always need to submit an FPS but not every employer needs an EPS if there is nothing to report.



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PAYING HMRC

Make sure to pay HMRC on time, consider a Direct Debit, and regularly reconcile your payments with your PAYE account on your government gateway.

For each period HMRC takes the year to date value and deducts what you have paid to date, they do not look at each period as such.

If there is a discrepancy you will often need to look at the preceding month.



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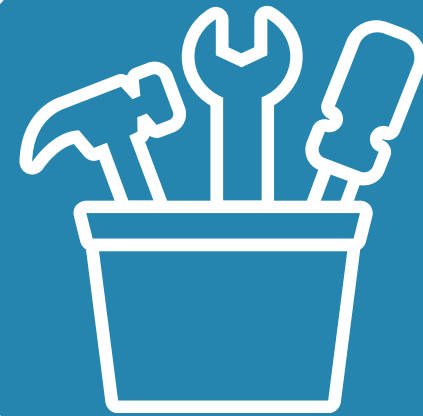


ALLOW TIME

Make sure you allocate enough time to payroll processing. If you rush things, they can go wrong and HMRC are not always so helpful to put things right.

Consider outsourcing to a payroll professional or bureau.

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HMRC FREE TOOLS

HMRC tools are free for up to 8 employees and can work perfectly well.

There is some complexity and there is nothing to stop you entering the wrong data but many small employers will start with these basic payroll tools.

Don't be afraid of them if this is where you want to start.





PAYROLL OPTIONS

Payroll services made simple

01908 377 448

sales@payrolloptions.com

Payroll Options Limited
Bridge House,
18 Watling Street,
Fenny Stratford,
Milton Keynes, MK2 2BL

www.payrolloptions.com