

Tax help series

Employing someone for the first time - what you need to know

Employing someone is an important decision. If you take on an employee for the first time you may need to register as an employer with HM Revenue & Customs (HMRC) and set up and run a PAYE (Pay As You Earn) scheme.

Here we tell you:

- what an employer's PAYE responsibilities are
- who counts as an employee
- how to register
- where to get more help and guidance.

You don't need to be in business to be an employer. If you employ domestic staff like nannies, cooks or housekeepers in your home you may be treated as their employer.

Employer's responsibilities

Once you become an employer, you are responsible for:

- calculating and deducting PAYE tax and National Insurance contributions (NICs) from your employees' pay each pay period (for example, weekly or monthly)
- paying Employer Class 1 NICs
- paying HMRC on time
- making statutory payments, such as Statutory Sick Pay and Statutory Maternity Pay
- making Student Loan deductions
- keeping accurate and up to date records
- filing end of year returns.

We can help you with these matters. Please see the 'for further help' section on this factsheet.

Who counts as an employee

An employee can be:

- full-time
- part-time
- a casual worker
- a director.

It is very important you're sure about whether the people who work for you are your employees or whether they're self-employed. This is because it affects the way their tax and NICs are calculated and whether or not you have to operate PAYE. It's your responsibility to get this right. You can find out more and access the interactive 'employment status indicator' tool at www.hmrc.gov.uk/payee/employees/start-leave/status.htm or you can phone the New Employer Helpline on **0845 607 0143** for advice.

For further help

Internet

Go to www.hmrc.gov.uk/payee/intro to find:

- *PAYE for employers: the basics* section for new employers
- advice on setting up and operating your payroll
- step-by-step guidance on filing your Employer Annual Return
- links to key PAYE forms, tools and publications.

Basic PAYE Tools

This download, available at www.businesslink.gov.uk/basicpayetools has calculators to help you run your payroll throughout the year. It includes:

- an employer database on which you can record your employees' details
- a P11 calculator that will work out and record your employees' tax, NICs and Student Loan deductions every pay day with a linked P32 Employment Payment record that works out what you need to pay us
- a range of other calculators that work out, for example, statutory payments
- interactive forms such as P11D working sheets
- a Learning Zone.

New Employer Helpline

0845 607 0143

We have a helpline especially for new or inexperienced employers. Open from 8am to 8pm, Monday to Friday, and from 8am to 4pm Saturday.

Textphone facility

0845 602 1380

We have a textphone facility for customers who are deaf, hard of hearing or speech impaired.

National Minimum Wage

The law says that you must pay your workers at least the National Minimum Wage (NMW) rates. You can find out more at www.hmrc.gov.uk/payee/payroll/day-to-day/nmw.htm or you can phone the Pay and Work Rights Helpline on **0800 917 2368**.

Workers from abroad

Before you take on an employee you will need to check that they are eligible to work in this country. The UK Border Agency website has more information at www.ukba.homeoffice.gov.uk/employers or you can phone the UKBA employers helpline on **0300 123 4699**.

Registering with HMRC

Please contact us about four weeks before you pay your employees for the first time. To find out whether you need to register as an employer, go to www.hmrc.gov.uk/payee/intro/register.htm and send us your information by secure email, or you can phone the New Employer Helpline on **0845 607 0143**.

If you call the New Employer Helpline the adviser will ask you various questions about your employee including:

- does your employee have another job as well as working for you?
- does your employee receive a state or occupational pension?
- how much are you going to pay them?
- do you provide your employee with benefits in kind? A 'benefit' is anything that you provide to your employee that is not pay or expenses, for example, a company car or medical insurance.

If you need to register, the adviser will ask you for some more information about your business, your employees and your payroll including addresses and contact details, the type of business and personal details of any directors.

They will also want to know:

- the date you took on your first employee
- how many employees you will have initially
- the date you intend to pay them for the first time
- how often you intend to pay them.

If you have asked someone else to do your payroll for you, you'll need to tell us their name, contact details and address.

Regional Employer NICs Holiday

Under this three year scheme, eligible new businesses can take a 12 month 'NICs holiday' for each of the first 10 employees they hire in the first year of business, saving up to a maximum of £5,000 per employee. This means new businesses eligible to take advantage of the scheme could save up to £50,000 in total.

You can find further information on the scheme, including details on who can apply, at www.businesslink.gov.uk/nicsholiday

Business Link

As an employer you will have many issues to consider. Business Link provides a wide range of information to help you. You can get more information at www.businesslink.gov.uk/employingpeople

To view our short videos explaining the basics of PAYE and record keeping go to www.businesslink.gov.uk/taxhelp

Employer Bulletin

HMRC publishes this three times a year. It brings you the latest employer and payroll news. Go to www.hmrc.gov.co.uk/payee/employer-bulletin

Employer helpbooks

Our range of employer helpbooks will help you understand and operate PAYE, NICs and other payroll-related matters. You can view, download and order most of the range of helpbooks, forms and guidance at www.hmrc.gov.uk/payee/forms-publications

If you do not have internet access, you can order these from the Employer Orderline on **08457 646 646**.

Face-to-face support

Our UK-wide network of specially trained advice teams can help you understand your tax responsibilities, and give you the confidence to get it right, first time. We deliver free workshops on many payroll topics. For more information and to book onto a workshop go to www.hmrc.gov.uk/bst or phone **0845 603 2691**. Open from 8am to 5pm, Monday to Friday.

What will you receive from HMRC when you have registered

When you register by phone, we will ask if you can use the internet to access our basic PAYE tools. If you cannot, we will send you some printed guidance. In all cases we will send you your unique employer reference numbers, usually within a week of you registering. You must always use these references when you contact us to deal with your tax affairs as an employer.

Setting up your payroll

You need to decide how to keep and maintain your payroll records.

You can:

- ask a bookkeeper, accountant or payroll bureau to run your payroll for you
- use a payroll software package which can be purchased off the shelf from most software retailers or from the Internet
- run the payroll yourself by downloading the HMRC basic PAYE tool.

Whatever option you choose it is important to remember that you, as the employer, are still responsible for your payroll, even if you do not prepare the records yourself.

Doing it online

You should register with HMRC to use the PAYE Online for Employers service as soon as you can.

Most employers must send their Employer Annual Return to HMRC online and there are also a number of PAYE notices, forms and returns that have to be sent online. It's a fast, convenient and secure way of exchanging information with us. It cuts down on time, administration and errors, and it means that you'll get up to date PAYE information, such as employee tax codes, almost instantly from us.

Make sure you don't send forms or returns on paper when they should be filed online, or you may be charged a penalty.

Paying HMRC

You are responsible for calculating and deducting PAYE tax and NICs, from your employees' pay. There are monthly deadlines for paying these deductions to HMRC, as well as any Student Loan repayments or tax deducted from payments to subcontractors. We recommend that you pay electronically. You can get more information at www.hmrc.gov.uk/payinghmrc/pay.htm

Keeping on top of deadlines

Each tax year starts on 6 April in one year and ends on 5 April the following year. There is a regular cycle of filing returns and making payments to HMRC. You will find a comprehensive list of all the key dates on the HMRC website at www.hmrc.gov.uk/employers/January.htm

Do it online

To register to use the PAYE online service, go to www.online.hmrc.gov.uk or phone our Online Services Helpdesk on **0845 60 55 999**. Open from 8am to 8pm, Monday to Friday, and from 8am to 4pm Saturday.

Accredited software

We have awarded a payroll standard accreditation to software products that meet our minimum standards. You will find a list of HMRC accredited products, at www.hmrc.gov.uk/pay/intro/payroll-system.htm

Paying HMRC

You can find out more about paying HMRC at www.hmrc.gov.uk/payinghmrc

Deadlines

There is a free email alert service on the Business Link website which sends you reminders about key tax deadlines each month. Go to the 'Tax, payroll and company information' section of www.businesslink.gov.uk/ and *click on* 'get email alerts for key tax deadlines'.

Welsh Language Service Gwasanaeth Cymraeg

Os am gysylltu â ni drwy gyfrwng y Gymraeg gallwch un ai:

- mynd i'n gwefan yn www.hmrc.gov.uk/cymraeg/employers
- ffonio'r Ganolfan Gyswllt Gymraeg ar **0845 302 1489**.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.
Customer Information Team
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