

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.

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' too 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.

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**.

For more 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.hmrc.gov.uk/payee/tools/basic-payee-tools.htm 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.

Workers from abroad

Before you take on an employee you will need to check that they are eligible to work in this country. You can get more information at www.hmrc.gov.uk/payee/employees/start-leave/new-employee.htm

Registering with HMRC

To find out whether you need to register as an employer, go to www.hmrc.gov.uk/payee/intro/register.htm

To tell HMRC you have started in business, taken on an employee for the first time or if you need to register for VAT, you can use HMRC's online tax registration service. Go to online.hmrc.gov.uk/registration/options

The service allows you to register for the following business taxes:

- Self Assessment
- PAYE
- Corporation Tax
- Value Added Tax (VAT).

Once you have enrolled to use either HMRC's Corporation Tax or Self Assessment online service you can set up a Business Tax Dashboard. You can use your dashboard to see the tax position for your business across different business taxes as it brings together information from your HMRC online services.

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

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

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, and it means that you'll get up to date PAYE information, such as employee tax codes, almost instantly from us.

If you register using the online tax registration service, you'll also be automatically enrolled for PAYE Online for employers, although you'll still have to activate it. HMRC will send you an Activation Code (also known as an Activation Pin) and this may take up to ten days.

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

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-updates/index.htm

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 a workshop, go to www.hmrc.gov.uk/bst or phone **0845 603 2691**. Open from 8am to 5pm, Monday to Friday.

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/payee.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

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/payee/intro/payroll-system.htm

Paying HMRC

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

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 **0300 200 1900**.

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 rights of appeal. Customer Information Team
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