

PAYE

- **Why do I need to register?**
- **How do I register?**
- **Key information that is needed**
- **Key deadlines and dates**
- **Employees**
- **Sub-Contractors (CIS)**

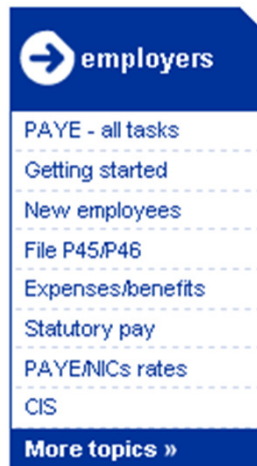
PAYE

- **Why do I need to Register?**
- The moment you take someone on to help you and they are paid anything that could be construed as an income and
- the employee already has another job
- they are receiving a state or occupational pension
- you're paying them at or above the PAYE threshold
- you're paying them at or above the National Insurance lower earnings level
- you're providing them with employee benefits
- **Where do I go for information?**
- Business link is a really good start and better than HMRC web pages.



PAYE

- How do I register?
- On the HMRC website – best option



Introduction to PAYE for employers

[PAYE for employers: the basics](#)

An overview of PAYE – key rules to follow, forms to be familiar with, records to keep, and dates and deadlines to remember

[National Insurance for employers: the basics](#)

An overview of National Insurance - employer responsibilities, the different classes of National Insurance contributions, and rates and category letters

[Register as an employer](#)

Find out when you need to register with us, how to go about doing so – and when you don't need to register

PAYE

How to register

Most employers can register with HMRC by telephone or Internet.

Registering by telephone or email

In most cases the easiest way to register as an employer is to use HMRC's website registration tool to generate an email giving HMRC all the information they need from you.

However, this tool won't work if your business is in one of the following three categories, in which case you'll have to register by telephone instead:

- a simplified PAYE scheme with more than ten employees
- a limited company with more than nine directors
- a partnership with more than ten partners

To register by telephone, contact HMRC's New Employer Helpline.

[Register as an employer by email](#)

[Find contact details for HMRC's New Employer Helpline](#)

PAYE

Register as an employer by email

You can register as an employer by email up to four weeks in advance of your first payday using the links further down this page. However if your business is in one of the categories below, you'll need to register by telephone or through an HM Revenue & Customs (HMRC) office:

- simplified PAYE schemes with more than ten employees
- limited companies with more than nine directors
- partnerships with more than ten partners

If any of the above applies to you, please return to our guide on registering as an employer.

[Go to our guide on registering as an employer](#)

On this page:

- [Important information you'll need before you email](#)
- [Email security](#)
- [Limited company \(including limited liability partnerships\)](#)
- [Partnership \(excluding limited liability partnerships\)](#)
- [Simplified Deduction Scheme users](#)
- [Sole traders, charities, committee-run organisations etc](#)


PAYE

- **Registration Information**
- **Business name and address and contact telephone number**
- **a contact email address if registering by email**
- **National Insurance numbers**
- **Unique Taxpayer Reference (where applicable)**
- **Type of business**
- **Trading address**
- **The date the business employed the first employee**
- **How many employees**
- **The date of first pay day (5th/6th)**
- **Payroll frequency**
- **The address from which the payroll is run**
- **The name, address and contact telephone number of whoever looks after your payroll**

PAYE

- **An Agent can register an employer on their behalf**
- **The owner/director is the **only** contact that HMRC will talk to register for the Construction Industry Scheme (CIS)**
- **New Employer Helpline Tel 0845 60 70 143.**
 - (8.00 am to 8.00 pm, Monday to Friday and 8.00 am to 5.00 pm on Saturday and Sunday.)
- **Or online but the tool won't work for the following three categories:**
 - simplified PAYE schemes with more than ten employees
 - limited companies with more than nine directors
 - partnerships with more than ten partners
- **Online up to 4 weeks in advance**
- **<http://www.hmrc.gov.uk/employers/new-emp-email.htm>**

PAYE

 HM Revenue & Customs Online Services
HMRC home | Contact us | Help

Register as an employer - Sole Trader

*Indicates required information

General Information

Are you an agent acting on behalf of an employer? (Tick if yes)

> Agent

If you do not want a Starter Pack tick here [?](#)

Employer Details

Proprietor Name*

Unique Taxpayer Reference [?](#)

National Insurance Number [?](#)

Business Details

Trading Name (if appropriate)

Business Address (not a PO Box no.)* [?](#)

Business Address - line 2*

Business Address - line 3

Postcode*

Business Telephone Number

Nature of Business Being Registered* [?](#)

Number of employees you employ or expect to employ in this tax year

> Number of employees [?](#)

Will you be engaging any subcontractors in the construction industry during this tax year?

PAYE

- **As an employer is a legal obligation to operate PAYE on the payments made to employees if their earnings reach the National Insurance Lower Earnings Limit (LEL).**
- **For the tax year 2010-11 this is £97 a week, £421 a month or £5044 a year.**
- **The employee's tax code and National Insurance category letter is required to work out how much Income Tax and NICs to deduct from their pay and how much Employer's Class 1 NICs is owed on their earnings.**
- **By the 19th of each month (22nd if electronic payments) HMRC must have received the amounts owed. Payments can be every quarter if average monthly payments are likely to be less than £1,500.**
- **Since April 2010 late payment of PAYE whether monthly or quarterly will result in a potential fine of £100 per late payment.**

PAYE

- **Salary and payment includes**

- salary and wages
- overtime, shift pay and tips - unless these are paid directly to an employee or they come out of an independent tronc
- bonuses and commission
- certain expenses allowances paid in cash
- Statutory Sick Pay
- Statutory Maternity, Paternity or Adoption Pay
- Childcare vouchers
- lump sum and compensation payments - like redundancy payments - unless they're exempt from tax
- non-cash items like vouchers, shares or premium bonds - must apply PAYE to the cash value of items like this.

PAYE

- **The PAYE thresholds (the level of earnings at which tax becomes payable) are:**
 - £125.00 weekly
 - £540.00 monthly
- **The tax rates are:**
 - basic rate - 20 per cent up to £37,400
 - higher rate - 40 per cent over £37,400
- **The emergency tax code is 647L.**

PAYE

- **PAYE on expenses and benefits**

- Employees are also taxed through PAYE on benefits in kind, such as a company car, medical insurance and other benefits. The employer has to pay Class 1A NICs on some benefits.
- These contributions under the PAYE system – are paid separately at the year end.
- PAYE is also applied to any expenses allowances that you pay to your employees - unless they're covered by a dispensation. A dispensation allows you to make the payments free of tax and NICs and can cut out a lot of form filling and other paperwork.

PAYE

- **As well as deducting Income Tax and NICs each pay period, a business may also be asked to use the PAYE system to deduct other items, like:**
 - student loan repayments
 - employees' pension contributions
 - payments under an attachment of earnings order (CSA)
 - repayment of a loan you've made to an employee

PAYE

- **Who is an employee?**
 - full and part-time workers
 - temporary and casual workers
 - directors or other office holders
 - It is essential to record full details of every employee from the start, and in a timely manner.

PAYE

PAYE Employee Details	
Surname	
Forename 1	
Forename 2	
Address	
Postcode	
<u>Date started employment</u>	
Telephone number	
Title	
Married	
Date of Birth	
P45 details if after 6th April 2009	Please supply section 2 for new employer
National Ins Number	/ / / /
Bank name	
Sort code	- -
Account Name	
Account number	
last updated : 16/07/2009	

PAYE

- **What about Self employed workers?**
- **If a worker claims to be self-employed, and intends to make their own tax and National Insurance arrangements, the employer must to establish their employment status.**
- **If there are any doubts HMRC recommends that the employer treats that worker as a normal employee.**
- **EMPLOYMENT STATUS INDICATOR**

PAYE

- **The Employment Status Indicator (ESI) tool enables employers to check the employment status of an individual or group of workers - that is, whether they are employed or self-employed for tax, National Insurance contributions (NICs) or VAT purposes.**
- **The ESI tool is helpful for anyone who takes on workers, such as employers and contractors. Individual workers can also use the tool to check their employment status.**
- **However, the tool can't be used to check the employment status of some workers:**
 - company directors and other individuals who hold office
 - agency workers
 - anyone providing services through an intermediary (sometimes referred to as IR35 arrangements)

PAYE

- **Employment Status Indicator**
- <http://www.hmrc.gov.uk/calcs/esi-01.htm>
- **The latest version of the tool is V1.3.0.2 which was released on 10 August 2010.**
- **Employment status is determined by the contractual terms of an engagement. Normally, this will be the written agreement between the parties. However, where the written document does not represent the whole bargain, or where the terms have been varied either by express agreement or by practice, or where there is no written agreement, then the information entered into the ESI tool may reflect the terms of the contract, what the parties carry out in practice, or a combination of both.**
- **The information you provide should, to your knowledge, accurately reflect the working arrangements. HM Revenue & Customs routinely carries out compliance activities. In the course of these activities, we will check that the working arrangements reflect the information provided.**
- **If you wish to use the ESI tool for a group of workers then they must all have the same material terms of engagement. Otherwise you must submit a separate ESI enquiry for each individual worker.**

PAYE

- **Payroll Forms**
- **Form P45.** New employees who've had a previous job, or have had a have have a period on state benefits, should have a P45 when they start. When they leave the employer gives them a completed P45 for their new employer.
- **Form P46.** The employee will usually need to complete a form P46 if they don't have a P45. Part 1 gives the employee's personal details, including NI number, current/recent work history and any student loan details. Part 2 gives details about the employer's PAYE scheme and the employee's tax code.
- **Form P60.** A form P60 is issued to each employee who was working for a business at 5 April whose earnings reached the National Insurance Lower Earnings Limit during the tax year. The P60 shows the employee's pay and tax for the whole year.

PAYE

- **New P45 and P46 rules**
- **Currently the employer files form P46 and operates code BR cumulatively until the new code arrives, but this means higher-paid employees pay less tax than is due. From April 2011, employers should operate code 0T (zero allowances), so employees pay tax at the basic, higher and additional rate as appropriate.**
- **The change to 0T should ensure that high earners cannot delay payment of their full liability by neglecting to hand over a P45 or sign a P46, leading to deduction at 20% until HMRC issues a coding notice. It also means that very high earners get no allowances and pay some tax at 50% from the first payday.**
- **To clarify, the process mentioned above only applies where the employee does not provide a P45 and does not sign a P46, or tick box C on the P46. Where the employee ticks box A (first job since 6 April) or box B (only job now but have had others in the tax year), the normal rules about emergency code (A: 747L cumulative, B: 747L week 1 basis) should still apply, so the employee should pay tax at roughly the right rate from the outset.**

PAYE

- **Two new code rules**
- **Employer makes a payment after an individual has left**
- **Currently the employer must deduct tax at BR on any payments not included on the P45, which means higher-paid employees may not pay enough tax. From April 2011 the employer should operate code 0T.**
- **Employer continues to make payments to an employee and begins paying a pension**
- **Currently employers must use the existing code against employment income until HMRC issues a new code, and against the pension payments on a Week 1/Month 1 basis. As an employee may receive too much personal allowance and pay too little tax, from April 2011, the employer must operate code 0T against the occupational pension where the person is still employed.**

PAYE

- **Start of tax year forms**
- **Forms P9(T), P9X. These tell an employer about the tax codes to use for their employees for the following tax year - from 6 April.**
- **Form P7X. This form tells an employer about any more changes that they will need to make to employees' tax codes as a result of the recent Budget. These changes usually apply from May.**

PAYE

- **Form P11 Deductions Working Sheet: Records details of the pay and deductions throughout the year.**
- **Form P14. At the end of each tax year a P14 must be completed for each employee whose earnings reached the National Insurance Lower Earnings Limit. Received no later than 19 May.**
- **Form P35 Employer Annual Return. A list of all employees on form P35 and the amount of Income Tax and NICs deducted from each of them. This form must also reach HMRC no later than 19 May.**

PAYE

- **Form P9D, form P11D or form P11D(b). Forms to tell HMRC about all the taxable benefits or expenses employees have received.**
 - Use form P11D for company directors and employees who earn £8,500 a year or more and
 - form P9D for employees who are paid less than £8,500.
 - Use form P11D(b) to enter details of the NICs due on the benefits that have been recorded on the P11Ds.
 - all these forms reach HMRC by 6 July.
- **Form P11D(X). Form to apply for a dispensation to cover the benefits and expenses paid to employees. If HMRC gives the dispensation, there is no need for details of the expenses and benefits it covers on forms P11D or P9D.**
- **Form P46 (Car). To inform HMRC about a company car – changes since April 2009**

PAYE Online

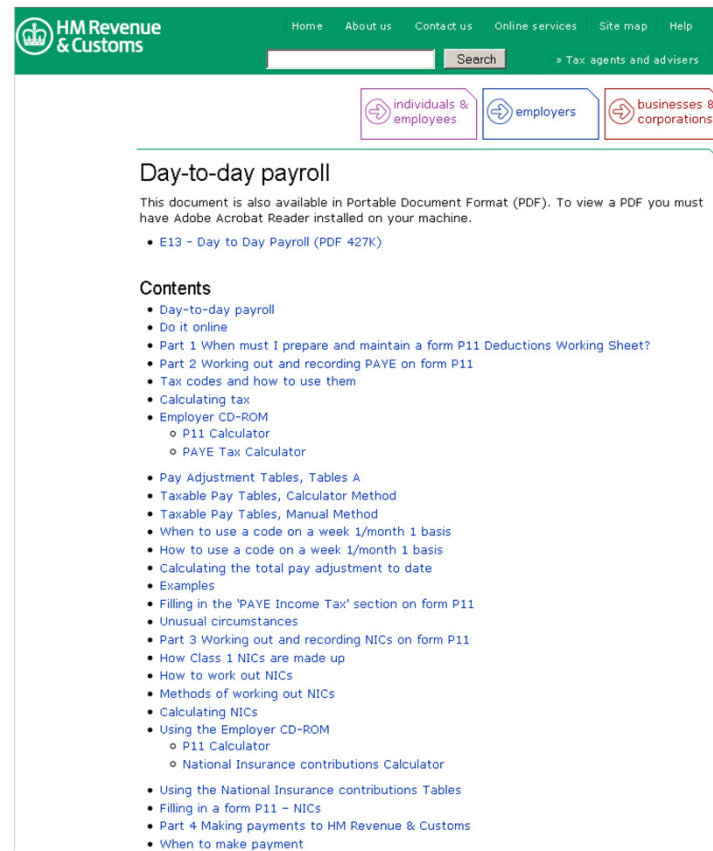
- **From 6th April 2011 all these forms must be sent online:**
 - P9(D) Return of Expenses Payments and Income
 - P11D Expenses and Benefits
 - P11D(b) Return of Class 1A National Insurance contributions due
 - P14 End of Year Summary
 - P35 Employer Annual Return
 - P38A Employer Supplementary Return
 - P45 Part 1 Details of Employee Leaving Work
 - P45 Part 3 New employee details
 - P46 Employee Without a Form P45
 - P46 (Car) car provided for the private use of an employee or director

PAYE

- **Online filing**
- **Use HMRC website and online filing**
 - Advantage is that is free
 - Disadvantage is it is often poorly designed, does not have good user interfaces and crashes when the system is swamped
- **Use Third Party Software**
 - Well designed
 - Cost Efficient – saves time, therefore money
 - Allows filing even when HMRC are down.

PAYE Day to Day Payroll

- http://www.hmrc.gov.uk/employers/working_out.htm



The screenshot shows the HM Revenue & Customs website. The header includes the HMRC logo, navigation links (Home, About us, Contact us, Online services, Site map, Help), a search bar, and a link to 'Tax agents and advisers'. Below the header are three tabs: 'individuals & employees', 'employers', and 'businesses & corporations'. The main content area is titled 'Day-to-day payroll' and includes a note about PDF availability and a list of links. A detailed 'Contents' section follows, listing various topics and tools available on the page.

HM Revenue & Customs Home About us Contact us Online services Site map Help

Search > Tax agents and advisers

individuals & employees employers businesses & corporations

Day-to-day payroll

This document is also available in Portable Document Format (PDF). To view a PDF you must have Adobe Acrobat Reader installed on your machine.

- [E13 - Day to Day Payroll \(PDF 427K\)](#)

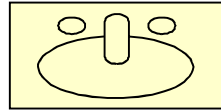
Contents

- Day-to-day payroll
- Do it online
- Part 1 When must I prepare and maintain a form P11 Deductions Working Sheet?
- Part 2 Working out and recording PAYE on form P11
- Tax codes and how to use them
- Calculating tax
- Employer CD-ROM
 - P11 Calculator
 - PAYE Tax Calculator
- Pay Adjustment Tables, Tables A
- Taxable Pay Tables, Calculator Method
- Taxable Pay Tables, Manual Method
- When to use a code on a week 1/month 1 basis
- How to use a code on a week 1/month 1 basis
- Calculating the total pay adjustment to date
- Examples
- Filling in the 'PAYE Income Tax' section on form P11
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- How Class 1 NICs are made up
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- Part 4 Making payments to HM Revenue & Customs
- When to make payment

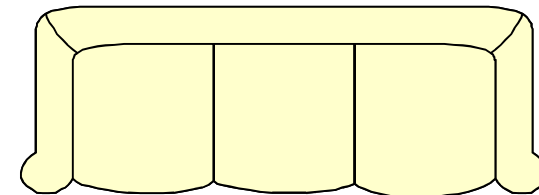
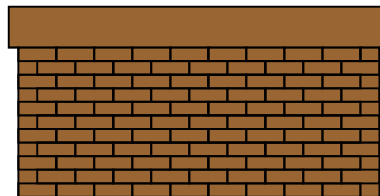
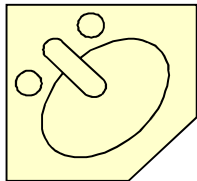
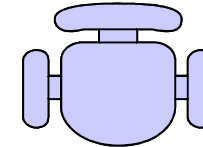
Construction Industry Scheme

- **The Construction Industry Scheme (CIS) sets out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry.**
- **The scheme applies mainly to contractors and subcontractors in mainstream construction work, however businesses or organisations whose core activity isn't construction but have a high annual spend on construction may also count as contractors and fall under the scheme.**
- **The scheme was extensively revised in April 2007**
- **Payments of CIS deductions are paid through the PAYE system.**

CIS



- building things
- making things
- putting things together
- assembling things



CIS

- <http://www.hmrc.gov.uk/cis/decide-if-cis.htm>
- **CIS can apply to all types of businesses that work in the construction industry in the UK. These include:**
 - self-employed individuals working as sole traders
 - partnerships
 - companies
 - limited liability partnerships (LLPs)
- **The scheme can also apply to businesses like:**
 - labour agencies and staff bureaux
 - gangmasters - or gang leaders
 - property developers

CIS

- **The scheme includes almost any work that's done to a:**
 - Permanent building
 - Temporary structure
 - Civil engineering work or installation
 - Site preparation
 - General construction - bricklaying, roofing, plastering and so on
 - Alterations and extensions
 - Repairs and refurbishment
 - Decorating
 - Dismantling work
 - Demolition
 - HMRC's fact sheet CIS348

CIS

- **Businesses which do not include construction operations aren't covered by the CIS rules as long as they spend less than £1 million a year on construction work.**
- **Property investment businesses - but not property developers - aren't covered by the CIS as long as they spend less than £1 million a year on construction operations. Property investors buy properties to let out - or to make money when they sell them on.**
- **Private householders who get construction work done on their own property - or have a new house built for themselves - aren't CIS contractors.**
- **Charities don't have to apply the CIS to payments they make for construction work. But this doesn't apply to their trading arms.**
- **The CIS rules don't apply to payments for construction work made by the headteachers and governing bodies of maintained and voluntary aided schools on behalf of the local authority.**

CIS

- **Managing the Scheme**

- Subcontractor Verification – VERIFY first
- Best to have software
- Monthly returns by paper or online
- Filing by 19th of each month
- Payment by 19th or 22nd (if electronically)
- Each subcontractor requires a voucher as proof of deduction
- Limited companies that have CIS deductions can offset them against the PAYE payments.
- Sole traders and partnerships offset CIS deductions against their self assessments.

Good Places to Find Information



<http://www.businesslink.gov.uk>



<http://www.hmrc.gov.uk/cis>

<http://www.hmrc.gov.uk/employers/>



www.helpaccountants.co.uk