

## Payroll

### Casual Wages and Cash in Hand

When an employee works for 1 week or less, they can be classified as a casual employee. A P46 is not required to be completed if the employee works for the employer for less than a week.

If they are paid at a rate that exceeds the PAYE or NIC thresholds (£110 in 2009/10) deductions must be made and a form P11 will need to be completed.

An Employer must use a separate form P11 for each employee if any of the following apply:

- The employee is paid an amount that's equal to or above the Lower Earnings Limit (LEL). For the tax year 2009/10 the LEL is £95 in any week or at least £410 in any month.
- HMRC has issued the employer with a tax code for the employee.
- The employer is required to operate a tax code taken from the employee's form P45.
- The employer has to operate tax code BR (Basic Rate tax) for an employee. (Generally when the form P46 wasn't completed in time for the employee's first pay day, or because box C on their P46 was ticked.)

The P11 figures are then used to complete forms P14 End of Year Summary and form P35 Employer Annual Return.

If the employer does not need to fill in form P11 for an employee – i.e. the pay does not exceed £95 per week, a note of the employees name and address must be taken. The P38 (A) form, which is a supplementary to the P35, should be returned with that instead.

If the pay is liable to PAYE or NIC, and the employer knows that the employee has other employment, tax should be deducted at the basic rate (Code BR). Otherwise the emergency code 647L (2009/10) on a week1/month1 basis should be applied. A P45 should then be issued when the employee leaves as normal.

If the employee works for longer than 1 week all the standard forms should be completed and filed as normal.

Where ever possible cash wages should be avoided. Where the use of cash is unavoidable, the employee should be asked to sign a receipt for the cash. This may at first appear excessive, but it gives the employer a proof of payment for a cash transaction put through the books.