

# Becoming an Employer - Things to Consider

## Check the status of your workers

You need to establish the status of your workers. Are they employees or self employed?

HMRCs general rule is a worker is:

**Employed** if they work for you and don't have the risks of running a business.

**Self-employed** if they're in business on their own account and are responsible for the success or failure of their business.

For more criteria visit: [www.hmrc.gov.uk/payee/employees/start-leave/status.htm](http://www.hmrc.gov.uk/payee/employees/start-leave/status.htm)

## Check that potential employees are eligible to work for you

Your employees should have a valid National Insurance number (if over 16) and be legally free to work in the UK.

Visit: [www.businesslink.gov.uk](http://www.businesslink.gov.uk) to find out how you can check that every potential employee is eligible to work in the UK and which identification you will need to see from them.

## Check you do need to operate PAYE

If all of your employees are continuously paid less than the National Insurance Lower Earnings Limit (LEL) of £102 per week or £442 per month, they do not have another job elsewhere, aren't receiving any other benefits from the employment and aren't receiving a pension, you do not have to register as an employer with HMRC.

## How to Register with HMRC as an Employer

Registering with HMRC as an employer is easy.

It can be done online: [www.hmrc.gov.uk/payee/intro/register-email.htm](http://www.hmrc.gov.uk/payee/intro/register-email.htm) or by calling **0845 60 70 143**.

## Employer responsibilities

As an Employer, legally you must:

- Give your employees a contract of employment.
- Provide a payslip for your employees with every payment.
- Provide your employees with a P60 at the end of the tax year and submit an end of year return (P35) to HMRC online with these details.
- Make PAYE payments to HMRC (these include the tax and national insurance deducted from your employees' wages and NI contributions incurred as an employer).
- Provide a P45 when an employee leaves your employment.
- Provide statutory payments (such as sick pay (SSP) and maternity pay (SMP)) and holiday entitlements.

## PAYE Payments Deadlines

Become familiar with the PAYE payment deadlines and ways you can pay.

(If your total PAYE each month is less than £1500, you can pay quarterly)

Visit: [www.hmrc.gov.uk/payee/file-or-pay/payments/index.htm](http://www.hmrc.gov.uk/payee/file-or-pay/payments/index.htm)

## Payroll Calculations

Set up reliable payroll software to process your payroll or save yourself even more time by outsourcing to a payroll specialist.

HMRC provide their own free software for small businesses called **Basic PAYE Tools** which can be downloaded via [www.businesslink.gov.uk](http://www.businesslink.gov.uk).

## Regional Employer National Insurance Contributions (NICs) Holiday for New Businesses

If you start a new business before 5<sup>th</sup> September 2013 in certain areas of the UK, you could save up to £5,000 per employee on your Employer National Insurance Contributions for the first 10 employees you take on during your first 12 months of trading.

Interested? Go to [www.businesslink.gov.uk/nicsholiday](http://www.businesslink.gov.uk/nicsholiday) for more information.



[www.zestpayroll.co.uk](http://www.zestpayroll.co.uk)

## Keep up-to-date Employee Records

For every new employee, always ensure you record the correct personal information for them **before** you make the first payment.

You should have their:

Address  
National Insurance Number  
Date of Birth  
First date of employment with you  
Either a P45 from their previous employer OR they should complete a P46 form\*

\* If your new employee comes to you without a P45 from their previous employer, ask them to complete a P46 form.

You can download the P46 form here: [www.hmrc.gov.uk/forms/p46.pdf](http://www.hmrc.gov.uk/forms/p46.pdf)

You should also do this for every employee being paid below the LEL threshold.

This will cover you in the event of the employee making a false statement or not telling you about other employment.

Without a P46 signed by the employee you could be liable to pay any underpaid tax.

## Holiday Pay

All employees are entitled to 5.6 weeks paid holiday (for someone working 5 days a week this totals 28 days, and for those working 4 days or less it is pro rata)

The 8 Bank Holidays in the UK can be included in this.

Holiday entitlement builds from the first day of employment.

If the employee leaves and has not taken the holiday they were entitled to, they must be paid for it instead.

## National Minimum Wage (NMW)

Employees must be paid at least the National Minimum Wage which is dependant on age.

From 1<sup>st</sup> October 2011 the NMW rates are:

<b>21 +</b>	<b>£6.08 per hour</b>
<b>18 - 20</b>	<b>£4.98 per hour</b>
<b>16-17</b>	<b>£3.68 per hour</b>

**Apprentice rate** (under 19 or over 19 and in the first year of their apprenticeship **£2.60** per hour.

## Statutory Sick Pay (SSP)

If you pay your employee £102+ per week or £442+ per month (before deductions) and they are sick for 4 consecutive working days or more, you should pay Statutory Sick Pay (SSP).

SSP is paid from the 4<sup>th</sup> day of sickness. The first 3 days are known as "waiting days".

Employees can "self certify" for the first week of sickness, either by informing you by phone or in writing. They can also complete a "Employees Statement of Sickness" from their doctor's surgery. These can also be downloaded from the HMRC website: [www.hmrc.gov.uk/forms/sc2.pdf](http://www.hmrc.gov.uk/forms/sc2.pdf)

From the second week of sickness, a doctor's certificate should be obtained to ensure that SSP can be paid.

SSP is paid at a weekly rate of £81.60.

You could be entitled to small employer's relief and recover some of the SSP you have paid. If the monthly total of SSP is greater than 13% of the total National Insurance you owe for the same month, the difference can be claimed back.

## Maternity Leave

All pregnant employees are entitled to Maternity Leave, regardless of how long they have been employed by you or how much they earn.

Maternity leave entitlement is 52 weeks.

All pregnant employees are entitled to paid time off for antenatal care.

Your employee can start her maternity leave up to 11 weeks before the week the baby is due or work right up until the baby is born.

If she is sick with a pregnancy related illness during the 4 weeks before the baby is due, maternity leave should start then. It is unlawful to treat a woman less favourably due to pregnancy or maternity leave.

For information on Statutory Maternity Pay (SMP) visit:

[www.hmrc.gov.uk/payee/employees/statutory-pay/smp-overview.htm](http://www.hmrc.gov.uk/payee/employees/statutory-pay/smp-overview.htm)



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