

LAMBERT CHAPMAN LLP

TERMS OF ENGAGEMENT: Payroll Services

Updated 6 April 2018

The purpose of this schedule and our Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to your payroll services and to clarify our respective responsibilities in respect of that work.

We are bound by the ethical guidelines of The Institute of Chartered Accountants in England and Wales and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

1. RESPONSIBILITIES AND SCOPE FOR PAYROLL SERVICES

1.1. Recurring compliance work

1.1.1. We will prepare your UK payroll for each payroll period to meet UK employment tax requirements, specifically:

- a) calculating the pay as you earn (PAYE) income tax deductions, including at the Scottish rate of income tax, if applicable;
- a) calculating the employees' national insurance contributions (NIC) deductions;
- b) calculating the employer's NIC liabilities;
- c) calculating statutory payments, for example, statutory sick pay and/or statutory maternity pay;
- d) calculating employee and employer pension contributions for employees who are members of workplace pension schemes on the basis of the information that you provide to us;
- e) processing any employee and employer pension contribution refunds through the payroll on the basis of the information that you provide to us. Unless we have access to your pension scheme.
- f) calculating other statutory and non-statutory deductions [including apprenticeship levy]; and
- g) submitting information online to HMRC under Real Time Information (RTI) for PAYE.
- h) Assisting with holiday pay calculations although we will not be maintaining holiday records on behalf of your employees as this responsibility lies with the employer.

1.1.2. Before the time of payment through the payroll or due date, we will prepare and send to you the following documents for delivering information to HMRC:

- a) payroll summary report showing the reconciliation from gross to net for each employee and all relevant payroll totals;
- b) a payslip for each employee;
- c) a form P45 for each leaver;
- d) a report showing your PAYE and NIC liability, student loan repayments, apprenticeship levy and due date for payment; and
- e) a workplace pension contributions report showing
 - i) any employee and employer pension contributions payable in respect of each employee to the respective workplace pension scheme(s) of which they are members and the due date(s) for payment;
 - ii) any employee pension contribution refunds payable to any employee; and
 - iii) any employer pension contribution refunds due to you for any employee who has ceased membership of the scheme(s)..

1.1.3. We will submit FPS online to HMRC after the data to be included therein has been approved or on the basis of the data provided by you. (FPS must normally reach HMRC on or before the contractual payday, ie, the date that employees are entitled to be paid). You must ensure the data provided to us is complete and accurate and your attention is drawn to your legal responsibilities as set out below.

- 1.1.4. For each tax month we will prepare, if appropriate, an Employer Payment Summary (EPS) from the information and explanations that you provide to us. (Examples of EPS data include statutory payments, employment allowance, construction industry scheme deductions, apprenticeship levy allowance allocated to that PAYE scheme and apprenticeship levy payable to date and confirmation that no payments were, or will be, made to employees.)
- 1.1.5. We will submit EPS online to HMRC after the data to be included therein has been approved or on the basis of the data provided by you. (EPS must reach HMRC by the 19th of the month following the tax month to which they relate.) You must ensure that the data provided to us is complete and accurate and your attention is drawn to your legal responsibilities as set out below.
- 1.1.6. At the end of the tax year we will:
 - a) prepare the final FPS (or EPS) and submit this to HMRC after the data to be included therein has been approved or on the basis of the data provided by you; (the due date for submitting final FPS is on or before the last contractual payday of the tax year, failing which, the final EPS for the year must reach HMRC by 19 April following the end of the tax year;) you must ensure that the data provided to us is complete and accurate and your attention is drawn to your legal responsibilities as set out below;
 - b) prepare and send to you Form P60 for each employee on the payroll at the year-end so you can give them to employees by the statutory due date of 31 May following the end of the tax year;
- 1.1.7. We will deal with any online secure messages sent to us by HMRC in respect of your payroll, for example, code number notifications, student loan repayment notices, and generic notification notices.
- 1.1.8. We will submit national insurance number (NINO) verification requests as appropriate to verify or obtain a NINO for a new employee.
- 1.1.9. If specialist advice is required, we may need to seek this from, or refer you to, appropriate specialists.
- 1.1.10. We will deal with amendments to payroll data where instructed by you and will file this information electronically wherever possible.

1.2. Changes in the law, in practice or in public policy

- 1.2.1. We will not accept responsibility if you act on advice given by us on an earlier occasion without first confirming with us that the advice is still valid in the light of any change in the law, practice, public policy or in your circumstances.
- 1.2.2. We will accept no liability for losses arising from changes in the law (or the interpretation thereof), practice or public policy that are first published after the date on which the advice is given.

1.3. Your responsibilities

- 1.3.1. Even though you are engaging us to help you meet your payroll obligations, you are legally responsible for:
 - a) ensuring that the data in your payroll submissions is correct and complete;
 - b) complying with auto-enrolment obligations;
 - c) making any submissions by the due date; and
 - d) paying tax and NIC on time.

Failure to do any of the above may lead to penalties and/or interest.

- 1.3.2. Employers cannot delegate these legal responsibilities to others. You agree to check that submissions we have prepared for you are correct and complete before approving them or submissions are submitted based on the information provided.
- 1.3.3. You are no less responsible for errors in unapproved returns, submitted on the basis of the information provided to and processed by us, than if you had confirmed your approval of the returns.
- 1.3.4. To enable us to carry out our work, you agree:
- a) that all information required to be delivered online is submitted on the basis of full disclosure;
 - b) to provide full information necessary for dealing with your payroll affairs and workplace pension scheme contributions and refunds; we will rely on the information and documents being true, correct and complete and will not audit the information or those documents;
 - c) to agree with us the name(s) of the person(s) authorised by you to notify us of changes in employees and in rates of pay and other information relevant to the services provided under this schedule; we will process the changes only if notified by that/those individual(s);
 - d) to advise us in writing (email is acceptable) of changes of payroll pay dates;
 - e) to notify us at least 3 working days or such other period as agreed with us before the payroll pay date of all transactions or events which may need to be reflected in the payroll for the period, including details of:
 - all new employees (including full names, address, date of birth, gender, national insurance number, their start date and starter form) and details of their remuneration package including benefits-in-kind to be payrolled;
 - for employees whose benefits-in-kind are being payrolled, their names, the identity of the benefits-in-kind, and the cash equivalent amounts to be included in payroll;
 - for employees who are active pension scheme members, name of pension scheme, pensionable pay, employee and employer contribution rates, dates from/to which contributions payable;
 - names and dates of birth of all apprentices aged under 25;
 - names and dates of birth of all employees aged under 21;
 - all changes to remuneration packages including benefits-in-kind to be payrolled;
 - employee expenses which need to be included in payroll to account for either income tax or Class 1 NIC or both;
 - expenses for each employee if the expense is to be reimbursed gross through payroll as an addition to net pay;
 - information necessary to enable us to calculate statutory payments, ie, statutory sick pay, statutory maternity pay, statutory adoption pay, statutory paternity pay, statutory shared parental pay;
 - irregular and/or ad hoc payments and the dates to be paid; and
 - all leavers, their leaving date, termination payments, and any payments made after the leaving date.
 - f) to notify us within 5 working days or such other period as agreed with us of your receiving or becoming aware of any opt-out notices or any other requests to cease membership of a scheme, so that we can cease to calculate any relevant pension contributions and process any required refunds;
 - g) to register with HMRC in advance of the tax year, to notify which benefits-in-kind are to be payrolled for which employees, and to notify in-year changes to HMRC (as agents, we cannot do this);
 - h) to keep us informed of changes in circumstances that could affect the payroll; if you are unsure whether a change is material, please tell us so we can assess its significance;
 - i) to authorise us to approach such third parties as may be appropriate, for information that we consider necessary to deal with your payroll; [and]
 - j) to approve:
 - in-year and final FPS by at least 2 working days before payroll pay dates so that they can be submitted on or before payday, or as agreed with us;
 - in-year and final EPS by at least 2 working days before the 19th of the month following the tax month;
 - earlier year updates (EYU) within 2 days of notifying you of the data therein.

- 1.3.5. If we do not hear from you by the above deadlines, subject to any other agreement between us, we will take your silence as your approval for us to submit the return.
- 1.3.6. If the information required to complete the payroll services set out above is received later than the dates specified above or agreed with us, we will still endeavour to process the payroll and returns to meet the filing deadlines; but we will not be liable for any costs or other losses arising if the payroll is late or the returns are filed late in these circumstances. We may charge an additional fee of £25 for work carried out in a shorter time period.
- 1.3.7. If you require us to make a correction after the FPS or EPS has been submitted, you will let us know as soon as possible and, ideally, before the next payroll run. This will be subject to a separate fee of £15.
- 1.3.8. We will provide you with an HMRC form 64-8 for you to sign and return to us for submission to HMRC. This authorises HMRC to communicate with us as your agent, although they consider that you should still take 'reasonable care' over your tax affairs.
- 1.3.9. You will forward to us any communications received from HMRC, in sufficient time to enable us to deal with them as may be necessary within the requisite time limits. Although HMRC has the authority to communicate with us when form 64-8 has been signed and submitted, it is essential that you let us have copies of any correspondence received, because HMRC are not obliged to send us copies of communications issued to you and, in most cases, will not do so. You should also keep a note of any telephone communication you have with HMRC's tax credits helpline, including the date and time of the call, and the name of the helpline operator(s).

1.4. Fees

- 1.4.1 Our fees are computed on the basis of a fixed tariff dealing with each processing element. Invoices are due for payment 30 days from the date of the invoice.
- 1.4.2 We reserve the right to charge interest on amounts due over 30 days at a rate approximating the cost of borrowing to us.
- 1.4.3 Where fees remain outstanding in excess of 60 days we may cease to provide payroll services with immediate effect.