

An introduction to PAYE

Whether an individual is an employee or self-employed in a particular situation is a question of fact depending on the terms under which he or she works. When you engage someone to do work for you, you have to decide whether or not to apply the PAYE rules. It is up to you to get it right or suffer the consequences.

In certain areas, HMRC has placed emphasis on reclassifying individuals claiming to be self employed. HMRC guidance can be found [online](#). This covers the following principal factors:

- The degree of control and supervision exercised over the individual's work
- Whether services are performed mainly or wholly for one business
- Where the duties are performed
- Terms of pay, holiday time, pension arrangements, and other benefits
- Whether the work has to be performed personally, or whether a substitute may be supplied
- Provision of items of equipment
- The financial risk and responsibility for loss undertaken by the individual

Please note: We strongly recommend that if you are in any doubt as to the status of an individual, ask HMRC to clarify the situation. Obtaining their approval will avoid the risk of you having to make a settlement of liabilities to tax or NI that you failed to deduct from the employee's remuneration.

Setting up as an employer for PAYE is now best done online; HMRC's guidance on GOV.UK will lead you through the steps, which include creating a user ID and password for accessing government systems. If your business already has a Government Gateway account you will be able to set up a PAYE scheme from there.

Upon registration, HMRC will send you information about where to access help on GOV.UK on operating PAYE under the RTI system, national insurance, statutory sick pay, statutory maternity pay, statutory paternity pay and statutory adoption pay.

HMRC also offers webinar training sessions free of charge on a variety of PAYE and employment matters. Details of these will be sent to the email address you register for your scheme. We would be happy to register your business as an employer if you prefer.

The tax and NI should be paid to HMRC by 22nd of the month following payment if paid electronically, and 19th of the month otherwise. Employers whose average monthly payments of PAYE and NI are less than £1,500 in total are allowed to pay quarterly rather than monthly (i.e. by 19th of July, October, January and April). This should be requested using form P31.

PAYE can be a tortuous procedure for the new businessperson. We would be pleased to show you how to operate it properly or provide a service for the maintenance of your PAYE records.

Electronic payment of PAYE

Employers who pay electronically have until the 22nd of the month to pay. Where the 22nd falls on a weekend or is a bank holiday, payment must be received by the previous bank working day.

Incorrect PAYE code?

A Coding Notice (Form P9) is normally issued over the period from mid-February and should, in any event, be received by the end of March. If you do not consider this to be correct it is important to take action. This can include contacting us or using the structured email service to let HMRC know if a notice is wrong.

The online form called a PAYE Coding Notice query allows the taxpayer to provide details of salary, company, personal pension, state pension/benefits, company benefits and other income.

HMRC will then send an email to acknowledge that it has received the information and will aim to deal with the query within 15 working days.

Alternatively a taxpayer can call the HMRC online services helpdesk on 0300 200 3310.

To conclude: 7 things to do when taking on an employee:

1. The rate of pay. This needs to comply with NMW and living wage rules
2. The employee's legal right to work in the UK
3. Carry out a Disclosure and Barring Service (DBS) check for certain jobs or voluntary work with children, in healthcare or security
4. Employers' liability insurance
5. Send the employee a written statement of terms and conditions of employment within 2 weeks of starting, or if they are going to work abroad, before they go
6. Register with HMRC as an employer and obtain a PAYE scheme reference number. This can be done up to four weeks before the first payday
7. Check whether the staff need to be auto-enrolled into a workplace pensions scheme, and if necessary set up a scheme. The obligation to deal with auto enrolment starts on the date you take on your first employee, so you will need to act promptly on this

