Setting up and running payroll

Choosing a payroll provider if you decide you don't want to run it:

- Decide if you want a full payroll service or just a payslip service
- You will need to keep details of the hours worked and records of payments both to the employee and HMRC. It is also your responsibility to ensure that staff are aware the data is collected and stored for the purpose of paying them and pensions.
- You should ensure that the provider has a basic agreement about data security and privacy. But the provider is acting as your agent The payroll information input should be destroyed once entered in to whatever software they use. In some cases the software license belongs to the client so technically they are holding the employee data.

Registering with HMRC as an employer

- Start by completing the survey at https://www.gov.uk/register-employer

If you are a CIC choose company, everybody else choose the other option

At the end of this you will be take to the form to sign up

- You will need a Government gateway sign in to do the form. If you don't have one you can get it from the start page for the form

You may also be asked to supply a UTR

You will need to provide details of Directors if a CIC

Information you need from employees

- Use the new starters checklist from HMRC to gather all of the details you need. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1106535/Starter_checklist.pdf

- Your employee will need to provide:-

Name, address, DOB, National Insurance Number, Start date, also the employee needs to tick a box regarding a number of options on other income

Privacy notice for employees

- You will need a privacy notice about how you will deal with the information that you capture and how it will be stored (this should be part of your Data Protection Policy)
- You have a contractual right to gather this information

Record keeping

You will need to keep

- employee's gross pay (before deductions)
- their National Insurance contributions
- the amount of tax you deduct under Pay As You Earn (PAYE)
- student loan deductions
- tax code
- any statutory payments made, like Statutory Sick Pay and Statutory Maternity, Paternity or Adoption pay
- details of any taxable benefits and expenses.

If you are using software to do the payroll it should keep all of the details. Make sure you take regular backups in case of issues.

Information HMRC will need

- As an employer running payroll, you need to report your employee's pay, any payrolled benefits, and deductions in a Full Payment Submission (FPS) on or before their payday (unless an exception applies).

- You will also need to send an Employer Payment Summary (EPS) by the 19th of the following tax month for HMRC to apply any reduction (for example, statutory pay) on what you'll owe from your FPS.

- If you've not paid any employees in a tax month, send an EPS instead of a FPS.

If you are using software for the payroll it should do this for you

Payslips

The employer must provide a payslip. Your payslips can be used as proof of your earnings, tax paid and any pension contributions.

Your payslip must show:

- your earnings before and after any deductions
- the amount of any deductions that may change each time you're paid, for example tax and National Insurance
- the number of hours you worked, if your pay varies depending on time worked

- Employers must also explain any deductions fixed in amount, for example repayment of a season ticket loan. They can choose to do this either on a payslip, or in a separate written statement.

- This separate statement must be sent out before the first payslip. Employers must update this every year.

Deductions you need to make

- Tax

- National Insurance

- Student Loan repayments

- Pension schemes

Different software available

- There are a lot of different payroll systems available. Make sure the one you choose is recognised by HMRC. A list is available at

- https://www.gov.uk/payroll-software

You can also use the HMRC free payroll system

Basic PAYE Tools

- You can download Basic PAYE tools from
https://www.gov.uk/government/publications/basic-paye-tools-first-time-users-download-and-install/first-time-users-download-and-install-basic-paye-tools

- There is a simple guide to using the system at
https://www.gov.uk/government/publications/basic-paye-tools-user-guide/basic-paye-tools-user-guide#introduction