



### Do You Have Employees?

Whether an individual is an employee or not in a particular situation is a question of fact depending on the terms on which he works. The question of whether an individual is employed or self-employed is very important for the business “employing” him or her, as that business has to comply with the reporting requirements. The “employer” should not just accept that the worker says he is “self-employed”.

In certain areas HMRC has placed emphasis on reclassifying individuals claiming to be self-employed and has issued leaflet IR56 entitled “Tax: employed or self-employed”. The booklet sets out the questions that should be answered to determine the problem.

If you have treated someone as self-employed and subsequently after a routine visit from HMRC it is clear that they were employees, then the tax and NIC which should have been paid will be assessed on the employer. Therefore, it is important to ensure when using the services of self-employed people that they are in fact self-employed. If doubt exists as to the status of an individual, the situation can be clarified with HMRC.

HMRC provide an interactive software tool to help employers and workers at:

<https://www.gov.uk/employment-status-indicator>

### The Operation of PAYE and Real Time Information

Most businesses operate a computerised payroll system these days and we can advise on the software to use if you wish to run the payroll yourself. Alternatively, we can prepare the payroll on your behalf if you provide us with employees’ hours, rates of pay and overtime on a timely basis each week or month.

A system of Real Time Information (RTI) has been introduced which will allow businesses to submit information electronically to HMRC every month. This will in due course eliminate the need for annual end of year returns of wages and salaries. You will need RTI-enabled software which is provided by several software companies. Alternatively, where there are 9 or fewer employees you can use HMRC’s Basic PAYE Tools which can be downloaded from the HMRC website.

The tax and national insurance should be paid to HMRC by the 19th of the month following that in which the salaries were paid (22nd of the month if paying electronically).

Under RTI, the employer tells HMRC about tax, NICs and other deductions when or before the wages and salary payments are made, instead of waiting until the end of the tax year. It is hoped that this system will make the PAYE process simpler and less burdensome for employers and HMRC. It removes the need for the end of year return on P35 and P14, although the end of year form P60 still has to be prepared and given to employees. RTI will also simplify the employee starting or leaving processes.

### Pensions Auto Enrolment

Recent changes to Pensions legislation require all employers to provide a pension scheme for their employees. This “Auto Enrolment” is now an obligation for all businesses with exception of one-man band companies.

New Businesses will be required to auto enrol relevant employees as at the date that the business makes its first payment to the employees. There are exceptions and additional procedures for businesses to follow so please contact us for further information.

For automatic enrolment there are minimum contributions you must pay in order to comply with your duties. These are a percentage of earnings and from 6 April 2019 onwards the employer is required to contribute a minimum of 3% of the employee’s earnings with a total minimum contribution of 8%, i.e. 5% from the employee.

Your worker may also wish to pay additional pension contributions, which you will need to make sure you deduct and pay to the scheme on time. Ongoing automatic enrolment responsibilities: [www.tpr.gov.uk/ongoing](http://www.tpr.gov.uk/ongoing)

After you have automatically enrolled your staff members, they may ask to ‘opt out’ of the pension scheme. You must then stop deductions of contributions and arrange a refund of any contributions they have paid to date.

You must set up a workplace pension scheme before your staging date if you don’t already offer one. If you already have a pension scheme, you may be able to use that scheme. We can advise you on your obligations and assist you in complying with the new rules.

### Benefits in Kind

In most businesses, the directors, and often the employees, have benefits that are not immediately taxed through the PAYE system, the most usual being the provision of a car and possibly fuel. Class 1A national insurance contributions (currently 13.8%) are due on the taxable value of these benefits in kind and are due on the 19 July following the fiscal year in which the benefits are made available. In addition, HMRC requires on an annual basis a form P11D (Return of expenses payments and benefits).

The form is also used to report reimbursed expenses, such as employee travel and subsistence, however where these are incurred by employees wholly, exclusively and necessarily in the performance of their duties they do not need to be reported. The form P11D(b) is required to declare the overall amount of Class 1A National Insurance contributions due on all the expenses and benefits you have provided.

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### Payroll Software

If you plan to operate and process your own employee payroll there are various software packages available including the free software from HMRC "Basic PAYE Tools" referred to above.

Information about expenses and benefits for employers can be seen here:

<https://www.gov.uk/employer-reporting-expenses-benefits/overview>

You can obtain more details at the HMRC website:

<https://www.gov.uk/topic/business-tax/payee>



Call: 01628 523700

Email: [info@sgaweb.co.uk](mailto:info@sgaweb.co.uk)

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Sterling Grove Accountants  
Thames House  
Bourne End Business Park  
Cores End Road  
Bourne End  
Buckinghamshire  
SL8 5AS

VAT Number: 227 785 572  
Registration Number: 09864643  
Registered in England and Wales

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