

calculations on each payday and are handed over to HMRC with the PAYE and NIC deductions at the end of the month or quarter.

There are also annual Class 1A NIC to be paid on taxable benefits provided to employees. For example, the Class 1A charge on each company car will be several hundred pounds.

PAYE diary

19th of each month	Pay last month's deductions
22nd of each month	Extended payment deadline for electronic funds transfer
19th May	Make year-end returns P35, P38, P14
31st May	Give annual certificate P60 to workers
6th July	P11D form to HMRC and workers
19th July	Pay Class 1A NIC for last year
19th October	Pay PAYE settlement agreement

How we can help

Payroll is a complex area where there are many penalties for failing to deal with all the required forms at the right time. Having to worry about it distracts you from the business you want to run.

We can advise you on all aspects of payroll, including help with some of the software solutions that are available.

We can help identify ways to reduce the tax – by giving the employees benefits that are tax-efficient – or the paperwork – by agreeing with HMRC that some things can be ignored because they aren't taxable. We can't remove the hassle of PAYE and NIC altogether, but we can try to make it bearable.

OUR SERVICES

Essex Abel are here to help guide you through the issues detailed in this guide or any other business or taxation issue you may have.

We offer a FREE initial consultation to discuss your individual requirements, from which we will be able to provide a clear and concise plan of action to address the issues discussed.

All our clients (whatever their size or needs) all have something in common – they receive the same professional, reliable, friendly, quality service that forms the basis of our core business values.

We offer an extensive range of services, including the following:

- Tax Planning Advice
- Tax Returns
- Business Start-up Support
- Business Plans & Forecasts
- Year End & Management Accounts
- VAT Returns & Bookkeeping
- Payroll & CIS Bureau
- Statutory Audits
- Company Secretarial Services

For further information on our services, please see our website www.essexabel.co.uk or contact us directly on 01509 267827

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PAYE and NIC



Essex Abel
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PAYE and NIC



Working for the taxman

If you are an employee working for someone else, your pay is usually simple – the money arrives each month with Pay-As-You-Earn tax (PAYE) and National Insurance Contributions (NIC) deducted. You’d rather not pay them, but at least someone else has worked the numbers out.

When you start running your own business and employing other people, that “someone else” might have to be you. You probably want to get on with your business idea and make money, but you have all sorts of legal responsibilities with complicated rules to catch you out and reams of paperwork to fill in. If you set up a company for a business which you have previously run as a sole trade, you will become an employee of the company and you have to run PAYE for yourself, even if there aren’t any other workers.

Where do I start?

The first thing you have to do is notify your tax office that you have employees and you need to open a PAYE scheme. They will send you a great deal of information for operating the system – some of it is “user-friendly”, such as a regular newsletter which publicises new rules and procedures, but quite a lot of it is hard to digest.

Running PAYE

The idea of PAYE is that the employer takes the right amount of tax and NIC off the employees’ pay before they ever see it, and hands it over to the

taxman throughout the year. If it works properly, the workers don’t have to fill in a tax return – they will have already paid exactly what’s due. They avoid the forms, and the authorities don’t have to chase all those individuals.

So it’s up to the employer to get the tax calculations right. You will be sent a “notice of coding” for each employee, which you use to calculate the tax that the Revenue think is due. Every time you make a payment to an employee – whether it’s every week or every month, or an annual bonus – you have to work out how much tax and NIC should be taken off. You then have to pay all the deductions over to the tax collector each month – or once a quarter if your total deductions average no more than £1,500 a month.

There are many other rules to remember – for example, you are supposed to tell the tax office if you give a company car to an employee, or if you change an employee’s car.

The Government has over the years put a number of other responsibilities on employers through the PAYE scheme – for example, you could be told to collect repayments on a student loan.

End of the year

At the end of the year, you have to make a number of returns to summarise the PAYE deductions you’ve made and paid during the year. There are strict deadlines and substantial penalties for missing them or getting the figures wrong.

You want to get on with your business idea, but you have legal responsibilities with complicated rules and reams of paperwork to fill in.

For example, the form P11D that lists taxable benefits given to employees – things like company cars, private health insurance, providing a telephone at home – has to be submitted for each employee by 6 July, and penalties can be charged for each form that is late or wrong.

If minor benefits are paid to a number of employees, it may be easier to enter into a “PAYE settlement agreement” where the employer pays the tax instead of returning individual benefit forms.

Online filing

The Government is keen for more of its communications with taxpayers to be electronic, and PAYE is one of the places they have already made significant moves in this direction. Nearly all employers now have to file their PAYE returns electronically, either using a proprietary payroll software package or the HMRC website. If you want to do this yourself, you need to register with HMRC in good time.

Once you are signed up for electronic filing, you can receive some Revenue communications by e-mail – for example, notices of coding will be sent out into a secure inbox that you can log into from the Revenue’s website.

National Insurance Contributions

NIC are paid by the worker (as a deduction from gross salary) and by the employer (as an additional charge over and above the salary). The employer’s contributions are worked out as part of the payroll