DANBRO
Accounting For Life

Thinking of taking on your first employee?

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Taking on your first employee is an important milestone of any business's development; every entrepreneur remembers their first member of staff.

However, when you first become an employer you'll have a number of administrative tasks and legal responsibilities to consider, so here we cover the main steps to taking on your first employee.

Step 1: Consider the cost

First of all, you should consider what it will cost the business to employ someone.

Salary

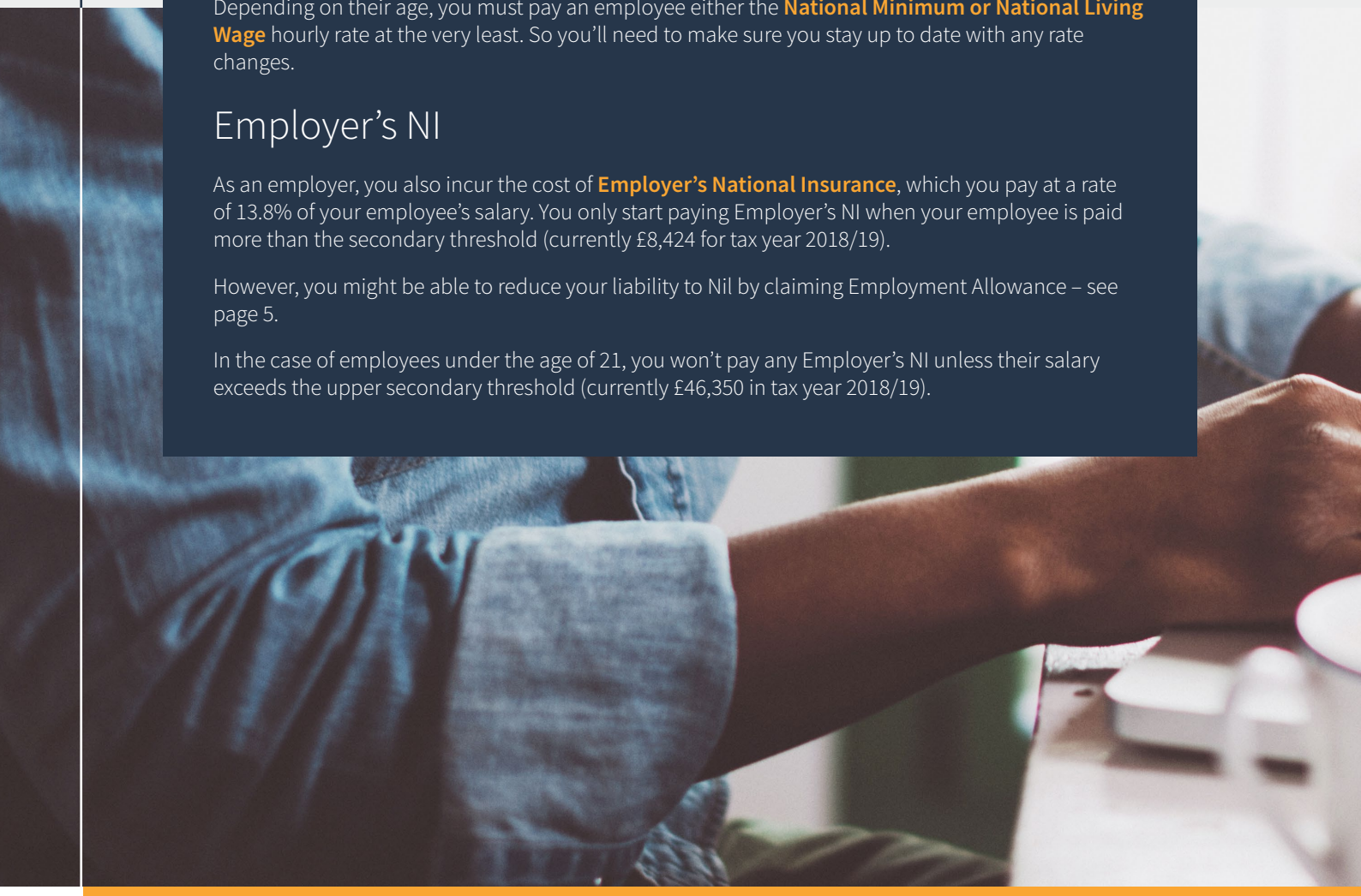
Depending on their age, you must pay an employee either the **National Minimum or National Living Wage** hourly rate at the very least. So you'll need to make sure you stay up to date with any rate changes.

Employer's NI

As an employer, you also incur the cost of **Employer's National Insurance**, which you pay at a rate of 13.8% of your employee's salary. You only start paying Employer's NI when your employee is paid more than the secondary threshold (currently £8,424 for tax year 2018/19).

However, you might be able to reduce your liability to Nil by claiming Employment Allowance – see page 5.

In the case of employees under the age of 21, you won't pay any Employer's NI unless their salary exceeds the upper secondary threshold (currently £46,350 in tax year 2018/19).



Auto-enrolment

You'll also have to check whether your employees are eligible for **auto-enrolment**.

All employers have a legal obligation to comply with auto-enrolment pension legislation. The first step is to assess your employee for their eligibility. Employees are eligible for auto-enrolment if they:

- are aged between 22 years and state pension age
- ordinarily work in the UK
- have qualifying earnings of £10,000 per annum or more (current tax year 2018/19)

If your employee is eligible for the scheme, you'll need to contribute to a workplace pension.

Find out more about workplace pensions **here**

Step 2: Choose a candidate

When creating a **job description**, think carefully about what you want your employee to do, what skills they'll need, and what hours they will work. You should also consider how they'll be supervised.

You should ensure that any potential employees have the **legal right to work in the UK**, by checking the appropriate documentation.

Depending on their role, you might also need to carry out a **criminal records check**, which you can do by applying to the Disclosure and Barring Service (DBS).

Once you've selected a candidate, you'll want to make it official. Whilst you don't need to have a written **contract** in place, it's best practice to issue one. If someone works for you for more than one month you must give them a 'written statement of particulars', agreeing the main conditions of employment, including (but not limited to) their job description, working hours, rate of pay and holiday entitlement.

Step 3: Before they start work...

- Make sure you **tell HMRC** that you're now an employer by registering with them. Registration is straightforward, can take up to 2 weeks and can be completed **online**. Once registered, HMRC will assign you with a PAYE reference number, which you'll need to start processing your payroll.
- Also, remember that as an employer, it is a legal requirement to have **Employers' Liability Insurance** in place.
- It's also important to be aware of current **employment law**, as well as your **Health & Safety** obligations. However, you won't need a written H & S Policy unless you have five or more employees.

Step 4: Pay your employee

If they've come from another job, you will need to obtain your new recruit's P45, otherwise you should ask your employee to complete HMRC's New Starter Checklist. This will help to assign them a tax code.

Processing Payroll

You have a few options for processing payroll. You can operate your own payroll by downloading HMRC's free Basic Tools online payroll software, or by purchasing an off the shelf payroll package, such as QuickBooks. However, this can prove difficult if you've no previous experience.

Another option is to pass this burden to an accountant who can remove some of the stress of running your own business, as well as ensuring your payroll is administered accurately and on time.

Real Time Information (RTI)

All businesses must report their payroll information online and in real time; in essence this means that you must file payroll figures with HMRC on or before you make a payment to your employees, and there are penalties for filing these late!

HMRC will have full visibility of your PAYE liability, so be sure to make an accurate payment on time.

Pay As You Earn (PAYE)

As an employer, you'll usually need to make deductions for PAYE.

PAYE is made up of Income Tax, Employee's National Insurance (deducted from your employee's pay), and Employer's National Insurance, all of which you pay over to HMRC.

PAYE is due to HMRC monthly if your liability exceeds £1,500 per month, or quarterly if less. The exact due date is the 22nd of the following month if paying monthly, or after the quarter if you're a quarterly payer. Details on how to pay your PAYE liability will be supplied by HMRC along with your PAYE registration pack.

CONTACT DANBRO ACCOUNTING AT: HELLO@DANBRO.CO.UK OR CALL 01253 600150

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CLAIM THE **EMPLOYMENT** ALLOWANCE

Most businesses can claim employment allowance and potentially reduce their PAYE bill.

The allowance can be claimed as part of the real time submission process and reduces the amount of your Employer's National Insurance by up to £3,000 per annum. If your Employer's NI bill is £2,500 you'll be able to reduce this to NIL, if it is £3,500 you can reduce this to £500.

Need help setting up your payroll?

Contact us now at:

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OR CALL 01253 600150

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