



# Outsourcing payroll

## 125 YEARS OF EXPERTISE – PROVIDING BESPOKE SOLUTIONS FOR YOUR PAYROLL PRIORITIES

### DOES IT MAKE SENSE FOR YOUR BUSINESS?

At the end of 2018 around 1.4 million businesses in the UK employed members of staff, and all of them shared one thing in common: the legal requirement to run a payroll.

This task is time consuming and laborious with multiple processes to ensure each company complies with the legislation and pays workers on time.

Imagine the consequences of failing to pay your staff on time!

### DEDUCTIONS FROM SALARY

Whether or not you pay your workers weekly or monthly, you must make certain deductions from their gross pay.

Gross pay is the term for total earnings before any income tax, national insurance contributions (NICs), workplace pension contributions, or student loan payments are deducted. What's left is what your employees receive as their net, or take-home pay.

You must pay your employees at least the national living wage, which for over-25s is £7.83 an hour until 5<sup>th</sup> April 2019. The minimum hourly wage increases on 6<sup>th</sup> April each year.

All pay and deductions must be notified to HMRC in real time, so if you pay staff weekly you need to complete a full payment submission with all the pay and tax details every week.

### AUTO-ENROLMENT

Part of an employer's responsibilities is to automatically

enrol workers into a workplace pension scheme if they are aged between 22 and the state pension age and are earning more than £10,000 a year.

From 6<sup>th</sup> April 2019 all employers will be required to contribute 3% (currently 2%) of an employee's salary, whilst employees will be required to contribute 5% (currently 3%).

Employers responsibilities include:

- setting up a workplace pension scheme
- identifying staff who qualify
- advising employee's they have been enrolled
- enrolling those staff in the pension scheme
- deducting employee contributions from their pay
- paying those deductions and your employer contributions into the pension scheme
- completing a declaration of compliance
- re-enrolling employee's every 3 years

For this purpose, your business should maintain accurate and up-to-date records, while your payroll system needs to integrate with your chosen pension system.

To maintain accurate auto-enrolment records you need to keep details of all staff enrolled, their contributions, staff who have opted out, and those who have left your business.

### PAYING EMPLOYEE'S SALARIES

The easiest and most secure way to pay salaries is via BACS. As a firm we are BACS registered which allows us to make direct payments into employee's bank or building society accounts on behalf of our clients.

### REPORTING TAXABLE BENEFITS

Businesses are spoilt for choice when it comes to providing employment benefits (such as cars and health insurance), and they have until 6<sup>th</sup> July each

year to report any employee benefits provided to their staff on a form P11D.

Although it is not currently mandatory to report expenses and benefits through the payroll, HMRC are looking at implementing online reporting within the next few years.

The tax on each taxable employee benefit can now be calculated and deducted through payroll, if you've registered with HMRC before the start of the tax year on 6<sup>th</sup> April.

If you haven't registered to report benefits through the payroll, you may need to submit P11D and P11D(b) forms to HMRC for any member of staff who received taxable benefits.

This informs HMRC how much you need to pay in class 1A NICs, as well as how much PAYE is due from the employee on the benefit.

The PAYE is then normally collected from the employee by adjusting their tax code.

### LATE FILING PENALTIES

You need to submit a full payment summary to HMRC, detailing staff pay and deductions from their gross pay, before you pay your employees.

If for whatever reason there are no payments in a tax month, an employer payment summary is still needed.

You need to submit these summaries ahead of the deadline or risk being penalised for late filing.

The fines range between £100 and £400 per month.

An additional penalty of 5% of the tax and NICs due may be charged if your report is submitted more than three months late.

## WHY OUTSOURCE PAYROLL?

Typically, the benefits of outsourcing payroll can outweigh the problems but bear in mind:

- if you choose the wrong firm, it can make things worse rather than better
- outsourcing the work doesn't mean outsourcing ultimate responsibility for compliance.

For most business owners, though, outsourcing payroll reduces stress and leaves more time to reinvest in growth.

Assuming you pick an experienced, expert firm, it also frees you up from the burden of having to keep up with the latest legislation and best practice.

This ensures compliance with HMRC and auto enrolment regulations.

## PAYROLL: THE COSTS

Fees for outsourcing your payroll to a firm of accountants will vary depending on how many staff you employ and how frequently the payroll is run.

In general, however, the cost of paying an employee

to run your payroll usually far exceeds the amount you have to pay an experienced team to handle it on your behalf.

Please speak to our payroll team for more detailed information of our costs.

## IS THE TIME RIGHT?

For most firms with employees in the UK, there comes a tipping point when handling payroll in-house is no longer feasible, although when that point arrives varies from business to business.

Keeping up to date with constantly evolving regulations can be difficult and time consuming for business owners, and the introduction of real-time information (RTI) legislation to the PAYE system will see businesses fined for failing to submit information to HMRC each time a worker is paid.

Indeed, since RTI took effect in 2013, more businesses have chosen to outsource either certain aspects of their payroll or their entire payroll amid fears of becoming non-compliant.

If you throw in GDPR legislation, which was introduced in May 2018, this meant keeping your employees' data confidential and secure has never been more important.

## SECURITY

Research from Sage, which polled 850 accountancy practices in the UK in 2018, found that 62% of respondents had adopted cloud-based solutions.

We offer a secure exchange of confidential payroll information through our portal 'myePayWindow' and maintain your data securely in an encrypted online environment.

In conclusion, we believe that outsourcing your payroll to Wilson Wright can save you money, give you more time, and provide peace of mind that you will never miss a deadline with HMRC.

**To find out more, please call  
020 7832 0444 or visit  
wilsonwright.com**

## MEET THE TEAM

Talk to us about your business's payroll needs.

For more information, please contact a member of our team.



Alison Callahan  
**Head of Client Payroll**

020 7832 0444  
alison.callahan@wilsonwright.co.uk



Ryan Barker  
**Client Payroll & Pension Administrator**

020 7832 0444  
ryan.barker@wilsonwright.co.uk



Caroline Tuson  
**Client Payroll Manager**

020 7832 0444  
caroline.tuson@wilsonwright.co.uk

## PARTNERS



Adam Cramer  
**CEO and Partner**

020 7832 0444  
adam.cramer@wilsonwright.co.uk



Michael Lerner  
**Partner**

020 7832 0444  
michael.lerner@wilsonwright.co.uk



Warren Baker  
**Partner**

020 7832 0444  
warren.baker@wilsonwright.co.uk



Jamie Grossman  
**Partner**

020 7832 0444  
jamie.grossman@wilsonwright.co.uk



Craig Nicholson  
**Tax Partner**

020 7832 0444  
craig.nicholson@wilsonwright.co.uk



Nikki Crane  
**Partner**

020 7832 0444  
nikki.crane@wilsonwright.co.uk



Lee Davy-Martin  
**Partner**

020 7832 0444  
lee.davymartin@wilsonwright.co.uk



Michael Biggs  
**Partner**

020 7832 0444  
michael.biggs@wilsonwright.co.uk



Emma Brown  
**Partner**

020 7832 0444  
emma.brown@wilsonwright.co.uk



Tom Tesfay  
**Partner**

020 7832 0444  
tom.tesfay@wilsonwright.co.uk

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