

What do I need to do when employing staff?

This may be your first time as an employer or you haven't employed staff for some time. Either way it is important to know what to expect when employing people, and what taxes would be paid by you.



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Employing staff for the first time.

PAYE? To employ staff you will usually need to be registered for [PAYE](#)

PAYE (Pay As You Earn) is the system HMRC use to collect income tax and national insurance payments from employees through their employer.

Wages and deductions

Your employee's payments are wages, tips, bonuses and perhaps Statutory Sick Pay ([SSP](#)) or Statutory Maternity Pay ([SMP](#)) are collectively included in their "GROSS pay".

Deductions are then applied. These can be [income tax](#), [national insurance contributions](#), [workplace pensions](#), [student loan repayments](#), and perhaps a deduction from earnings order such as [child maintenance](#).

Once these deductions are factored in , you then get what is known as "NET pay". This is the amount that you will pay your employee.

wages.cloud can deal with all of this for you, provide you with the summary of what to pay, and email payslips directly to your employees.

Tips and Tronc

As mentioned above, for some businesses, tips form part of an employee's income and should be declared as such to HMRC. The employee is then taxed on this income.

A form of processing tips called [Tronc](#) is also an option. Tronc was traditionally used in businesses where employees received a large portion of their income from tips and is a bit more complicated than simply declaring it as income. Since COVID furlough scheme rules barred this income from being included in claims,

Tronc is becoming less popular, but lets take a quick look at it, as it might be right for you.



Tronc is a bit like a second payroll run, just for tips, gratuities and service charges.

It is usually operated by a senior employee who is designated the 'Troncmaster'.

A separate PAYE system is required to process this system, and this work is chargeable by whoever processes your payroll.

This is one of the downsides of Tronc, it can be expensive for the employer to process, but employees may pay less tax.

Employing staff when you take over an existing business.

Many people 'inherit' staff when they take on a new business that is already trading.

The process of transferring employees from one employer to another is called

TUPE (Transfer of Undertakings (Protection of Employment) regulations.) which is pronounced too-pee.

It is important that you take this process seriously as if you break employment law, even by mistake, you could leave yourself open to legal action.

[Wages.cloud](#) can offer FREE 24/7 HR support as standard for our clients to make sure they are able to keep on the right side of the law.

Consulting is the important first step. Before the change of business ownership takes place, you must tell either the relevant trade union or a representative of the employees about the transfer, when and why it is happening, how it will effect employees, any reorganisation or new/agency workers. Consulting is about communication and employees accepting changes.

Failure to do this can mean employers are penalised.

Remember, all employees contracts and rights carry over to the new employer.



Workplace pensions

Another responsibility you have as an employer is to ensure that, where needed, you have a pensions scheme set up and properly managed.

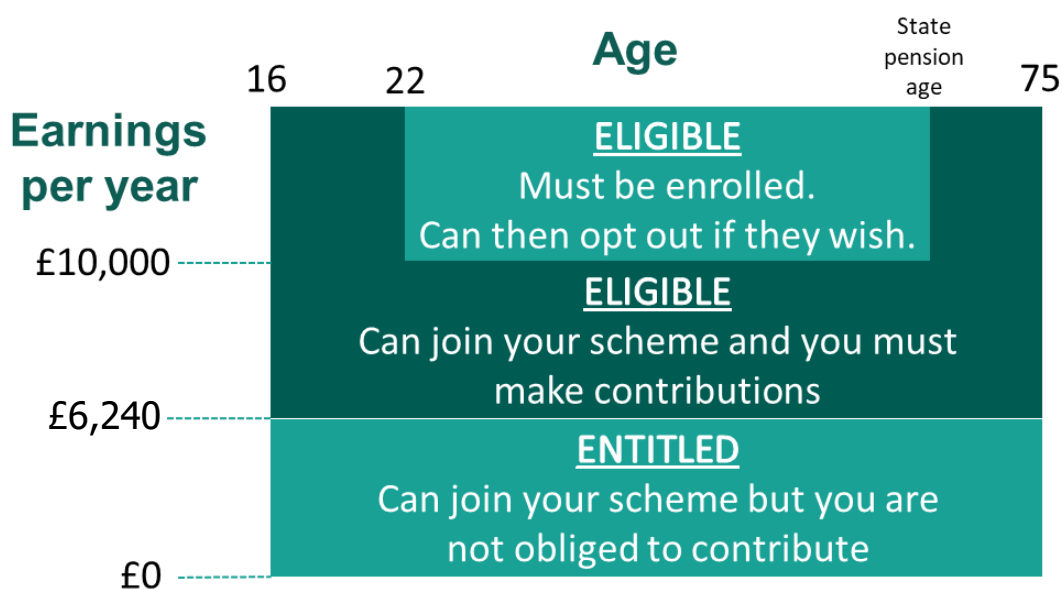
This can result in fines if not done.

The first step is to set up your pension scheme.

Then you must establish who automatically qualifies to be in your scheme, who wants to be in, and who wants to opt out.

As an employer, you cannot opt out of setting up a scheme.

It is important to understand who qualifies:



Who contributes what towards a workplace pension? *

<u>Employer</u>	<u>Employee</u>	<u>Total</u>
3%	5%	8%

(% = a percentage of the amount earned as wages)

As with all other aspects of payroll, wages.cloud can look after this as part of the service for our clients. Go to The [Pensions Regulator](#) for more detail on workplace pensions.

*Remember, there can be different rules for Scotland, Wales and Northern Ireland. [Get in touch with us](#) to find out.

This has just been a brief, simple guide.

We're very aware that being an employer is a complex part of running a small business.

wages.cloud not only understand this,

but we're part of the solution.

[Get in touch](#) to find out how we make it easy to be an employer.



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