



PAYE

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## PAYE Guide (2024/25)

The Pay As You Earn (PAYE) system is used by employers to handle Income Tax and National Insurance contributions for employees.

As an employer, you have to operate PAYE as part of your payroll. Running an efficient payroll process is key to growing businesses.

Keeping up to date with the latest HMRC legislation and adopting the right processes, can ensure your business is able to operate at its full potential.

### When You Must Register

You must register for PAYE if any of the following applies to an employee in the since 6 April (current tax year):

- they get expenses and company benefits
- they've had another job
- they're paid £123 or more a week
- they're getting a pension
- they've received Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit

Even if you are not required to register for payroll, you are still required to keep payroll records.

### What Are My Key Responsibilities?

**Verify employees:** Before you can pay employees, you would need to proof their Identification and ensure they have the right to work in the UK. For PAYE purposes, it is important to retain a copy of their ID and National Insurance details. You will also need to get a complete 'new starter form' or a request a copy of their latest P45 to ensure the correct tax code is used.

**Register as an Employer:** Ensure you're registered with HMRC as an employer before making the first payment to staff. This can be done through your business government gateway account.

**Set Up a Payroll Software:** Use HMRC-approved payroll software to calculate tax and National Insurance contributions (NICs) for each pay period. Majority of software's will also allow you to manage the HR aspects of payroll such as sending payslips and managing other correspondence.

**Submit RTI (Real-Time Information):** Every time you pay employees, submit a Full Payment Submission (FPS) to HMRC with details of pay, deductions, and NICs. This may also need to be accompanied by an EPS in certain circumstances.

**Pay HMRC:** Make monthly or quarterly payments of Income Tax, NICs, and other deductions.

### PAYE Tax Codes

Understanding Tax Codes is important for employers as they determine how much tax is deducted from employees. Common codes like 1257L reflect the personal allowance.

However this can vary depending on the employees circumstances. There could be scenarios where they maybe in receipt of state benefits or have another part time job.

HMRC may change an employee's tax code based on their circumstances. As an employer, it is important to implement updates promptly to avoid under or over-deductions.

### Deadlines and Key Dates

An FPS must be submitted on or before the employee's payday. This reports key information to HMRC about your employees and a breakdown of the necessary deductions. A tax month runs from the 6th of one month to the 5th of the next.

You must send an Employer Payment Summary (EPS) to HM Revenue and Customs (HMRC) if you've not paid any employees in a tax month.

PAYE liabilities are usually due by the 22nd of the following month if paid electronically or by the 19th if paid by cheque.

As a employer you are required to provide employees with their P60s by 31 May 2025.

At the end of the tax year , submit final payroll reports and inform HMRC if no further payments will be made before the end of the tax year (5 April 2025).

**Payrolling Benefits:** From 2024, employers must register to payroll employee benefits. Deadlines for reporting are 6 July 2025. These would need to be declared on a P11D(b) form, with any Class 1A NICs on benefits due by 22 July 2025 if paying electronically.