

PAYE Guide



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What is PAYE?

PAYE stands for Pay As You Earn and is HMRC's method of collecting Income Tax and National Insurance contributions.

This is operated as part of your payroll if your employees are paid more than £183 per week.



Processing your payroll

We'll calculate the PAYE deductions from your employees' pay, such as tax and National Insurance contributions (NICs), calculating the employers' NIC and submitting your RTI return.

This process requires minimal effort from you as the employer:

- 1

We send you a reminder

We'll email you at the end of each pay period for the pay details of your employees have worked.
- 2

We send out your payslips

We process your payroll, send payslips & a summary of how much to pay your employees and HMRC.
- ✓

We submit your RTI return to HMRC

Once we've recieved your approval, we'll submit your RTI return to HMRC. Job done!



If your payroll is part of our bulk submission (i.e. low director's salary or consistent monthly amounts) we will process your RTI return automatically.

Holiday pay

All 'workers' (which includes full and part-time employees, agency staff, and those on a zero-hours contract) are entitled to holiday pay.

Our clients generally keep track of holiday pay for employees themselves. If you're not sure how to calculate your employee's holiday entitlement, [please feel free to use our holiday entitlement calculator](#).

If you're having trouble calculating holiday entitlements, don't hesitate to get in touch with us – we'll be happy to help you through the process.

Choosing a leave year

When calculating holiday pay you will need to choose a leave year (the year your holiday calculations are based on).

A leave year is usually the tax year, a calendar year, or your financial year, but you can choose any dates that work for you as an employer.

Holiday entitlements are then renewed for employees from the start of the new leave year.



Holiday records

You'll also need to keep records of annual leave and holiday pay showing:

- ✓ Annual leave taken
- ✓ Any annual leave carried over from previous years
- ✓ Holiday pay
- ✓ Payments in lieu of holiday



Interpreting your summary

Each pay date we will send you a summary, like on this page.

All employees

'Total Payments' is the employee's total monthly salary.

'Tax Deducted' is the amount of tax deducted from employees.

'Employee NIC' is the amount of National Insurance Contributions deducted from employees

'Net Pay' is the actual amount you pay to your employees.

'Employer's NIC' is the amount of National Insurance Contributions made by you on behalf of your employees.

Employer totals

In the second box you will see 'Total Tax & NIC Due' which is the total amount owed to HMRC for the pay period. The total for this example month is £512.72.

You can also see the 'Total Net Outlay', which is the total cost to you as the employer for the pay period.

Employer's Summary

Apr-2020

All Employees, Layout: Basic

Employee	Total Payments	Tax Deducted	Employee NIC	Net Pay	Employer NIC
Joe Bloggs	1,500.00	91.40	84.96	1,323.64	105.98
Josephine Bloggs	2,000.00	191.40	144.96	1,663.64	174.98
Total	3,500.00	282.80	229.92	2,987.28	280.96

Employer Totals:

	PAYE Month
Total Net Pay	2,987.28
TAX:	
PAYE Tax	282.80
Total Tax Due	282.80
NIC:	
Employee NIC	229.92
Employer NIC	280.96
NIC Employment Allowance	-280.96
Total NIC Due	229.92
Total Tax & NIC Due	512.72
HMRC ACCOUNT:	
Tax & NIC due for Apr-2020	512.72
Payment for Apr-2020	512.72
Balance carried forward to May-2020	0.00
OTHER PAYMENTS:	
TOTAL NET OUTLAY	3,500.00

Paying HMRC

Payments must be made to HMRC on every pay date. There are three main methods of payment:

Faster payment via BACS

You can transfer money to HMRC using the following details:

Account number: **12001039** | Sort Code: **08-32-10**

You will need to use your thirteen digit Accounts Office Reference number as the reference for the transfer. You will be able to find this on correspondence from HMRC. Alternatively we can provide this for you if you're one of our clients.

Pay online

You can pay online with your debit or credit card [here](#). Again, you will need your Accounts Office Reference number.

Direct debit

You can also set up a direct debit through your HMRC account if you are registered for one. The payments on your bank statement will show a reference 'HMRC NODS'. For additional methods of payment, please click [here](#).





Looking for more help with PAYE?

If you have any further questions simply phone us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

 [Get An Instant Quote](#)

