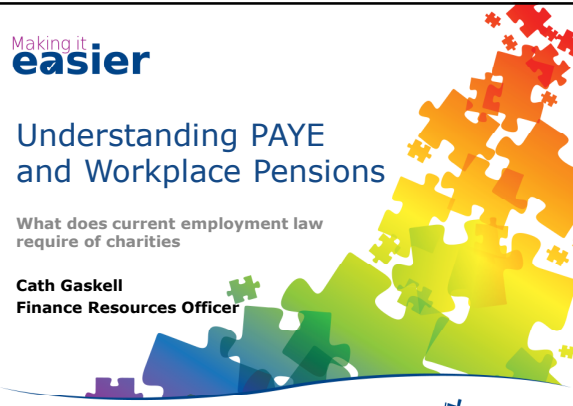



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## Understanding PAYE and Workplace Pensions

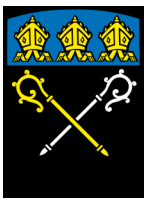
What does current employment law require of charities

**Cath Gaskell**  
Finance Resources Officer




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## Aims


- PAYE
- Pensions
- What are they?
- Who are they for?
- How do I ...?

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## Who for and Why?


- All Church Councils
  - Employer
  - Agent
- Changes in legislation and official guidance
  - From 6 April 2013  
Pay As You Earn rules and procedures
  - Pensions Act 2008  
Workplace pension requirement

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## And the winners are?


- Her Majesty's Revenue and Customs
- Department of Work and Pensions
- Individuals (according to the Government)

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## Easy Question, Complicated Answer

- Who could be the church council employees?
  - Administrator / Office Staff
  - Cleaner
  - Groundsmen
  - Organist
  - Verger
  - And others
- Why a church council decision?
  - HMRC ask CC to ensure tax/NI is paid

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## Status

- Employee/Worker
  - Employment rights from Church Council
- Self-employed
  - No employment rights
- Contractor
  - Employment rights from employing company
- Volunteer
  - No employment rights


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## Employee

- National Minimum Wage and National Living Wage (NLW) (from April 2017)

Year	25 and over (NLW)	21 to 24	18 to 20	Under 18	Apprentice
April 2017	£7.50	£7.05	£5.60	£4.05	£3.50


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## Employee


- UK Living Wage £ 8.75 from 6 November 2017
- Voluntary

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## Employee


- Statutory Sick Pay (SSP)
  - If paid at or above NI Lower Earnings Limit (£113 per week)
- Holiday entitlement
- Workplace Pension
- Redundancy
- Employment Tribunal Hearings
  - Unfair dismissal claims

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## Self-employed


- Registered with HMRC
  - Own unique tax code
  - Must complete annual tax self-assessment
- Payment
  - No minimum, profit or loss at own risk
- No Holiday or Pension Entitlement, nor SSP
- No Redundancy Payments

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## Volunteer


- No Payment
  - No tax liability, no SSP, no pension, no redundancy, no holiday pay
- Reimbursement of Justifiable Expenses
  - Till receipts
  - Invoices

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## Clergy

- Church council pay expenses
- Office Holder
  - Stipendiary
  - Self Supporting Ministers (SSM)
    - Non-stipendiary Minister (NSM)
    - Ordained Local Minister (OLM)
  - Retired
- Not an employee of church council
  - Statutory fees
- Assumed all complete Tax Self Assessment
  - SSM & Retired can be in PCC PAYE scheme

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## Pay As You Earn (PAYE)

- Normally only for employees
- Required when any employee
  - Is paid above Lower Earnings Limit (£112 pw), **or**
  - Receives any type of pension, **or**
  - Has any other job/employment
- Casual Workers?

Being paid through a PAYE scheme does **not** automatically mean the deduction of tax.

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## PAYE Options

- Local computer/laptop with internet connection
  - Data backup and storage procedures
  - Free for up to 9 employees
- Internet application
  - Accessed through web browser
  - Free for up to 9 employees
- Third party supplier
  - Charges from employee 1

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## PAYE Highlights

- Direct internet connection to HMRC systems
- Each payment now reported on or before the payment date (payroll period) – Real time information (RTI)
- Tax due transferred to HMRC each payroll period
- Immediate impact on certain benefits (Universal Credit)

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## Sequence of Events

- Identify all employees
- Register with Government Gateway
- Register with HMRC
  - For PAYE services
- Initiate PAYE scheme
- Set up pension scheme

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## New Employees

- HMRC Starter Checklist (replaces P46)
  - Full name and address
  - Date of birth
  - NI number
  - Employee statement/declaration
    - A. This is my only job
    - B. I have had another job prior to now, or received Jobseeker's
    - C. I have another job as well, or receive a pension
  - Student loan?

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The Pensions  
Regulator



**Pension Act 2008 –at least one employee will need a pension scheme**


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## Pension scheme setup (suggested)

1. Discover your staging date
2. Select 'Point of Contact'
3. Generate an implementation plan
4. Identify who must be enrolled
5. Write to all employee's
6. Check personnel records are correct
7. Verify PAYE software is compliant
8. Choose Pension Scheme
9. Enrol staff on staging date
10. Produce Declaration of Compliance
11. Pension re-enrolment – 3 years

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The Pensions Regulator

Employers Business advisers Trustees Individuals Public service Document Library

Employers

### Employers

Automatic enrolment

Under the Pensions Act 2008, every employer in the UK must put certain staff into a pension scheme and contribute towards it. This is called 'automatic enrolment'. If you employ at least one person you are an employer and you have certain legal duties.

Answer the questions below to help you find the information and guidance that's relevant to your duties.


Useful links

- Declaration of compliance
- Ongoing duties
- Need to re-enrol your staff?
- What happens if I don't comply?
- Setting up a business? What to do for automatic enrolment

Work out your duties

Did you employ anyone before 1 October 2017?

Yes No



**Declaration of compliance checklist**


This checklist has been designed to help you complete your declaration of compliance online. It shows you all of the information you will need and where you can find it.

You must complete your declaration of compliance to tell us how you have met your legal duties.

You need to provide all of the information below to the regulator. Make sure you start your declaration ahead of your deadline because the information you will need may take time to prepare.

You must complete your declaration with The Pensions Regulator within five calendar months after your duties start date or staging date.  
Visit: [www.tpr.gov.uk/online-declare](http://www.tpr.gov.uk/online-declare)

Information you'll need to provide	Guidance notes	
Government Gateway User ID	You will need a Government Gateway User ID to complete your declaration and will be asked to create one when you log in for the first time. You will need to register as an 'organisation' not as an 'individual'. When you have done this you will receive an email to say that you've registered with the Government Gateway. This does not mean that you've completed your declaration. If you are completing a declaration for only one employer select 'employer'. For more than one employer select 'acting on behalf of an employer'. For more help please go to: <a href="http://www.tpr.gov.uk/online-declare">www.tpr.gov.uk/online-declare</a>	<input checked="" type="checkbox"/>
PAYE scheme reference(s) for all PAYE schemes the employer uses	If you operate more than one PAYE scheme, you must provide details for each of them. Your PAYE reference can be found on the letter you received from us about automatic enrolment. You can also find it on your letter from HMRC when you first registered as an employer, or from your payroll software.	<input type="checkbox"/>
Letter code from The Pensions Regulator	Your unique 10-digit number shown at the top of each automatic enrolment letter you receive from us. If you need to contact a	<input type="checkbox"/>

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## Pension scheme setup (recommended)

Use pensions regulator help  
Step by step guide  
Booklet - Essential guide to Automatic Enrolment  
letter from The Pensions Regulator – staging date

Pension provider – existing or new

- NEST
- Other pensions



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## Who must be enrolled in a pension?


- Automatic Enrolment (**must be enrolled**)
  - Age 22 to 66 yrs
  - Monthly Gross pay over £833pm (£192pw)
- Opt out?
  - Individuals may choose to opt out of auto-enrolment
  - Illegal to induce an opt out decision
- [www.tpr.gov.uk/evaluate](http://www.tpr.gov.uk/evaluate)

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## What about everyone else?

- Right to opt in
  - Age 16 to 21 yrs / Gross pay >£833pm
  - Age 67 to 74 yrs / Gross pay >£833pm
  - Age 16 to 74 yrs / Gross pay <=£833pm and >£486pm
- Right to join
  - Age 16 to 74 yrs / Gross pay <=£486pm (<=£112pw)
  - No employer contribution

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Monthly gross earnings	Age			Weekly gross earnings
	From 16 to 21	From 22 to SPA*	From SPA to 74	
£490 and below	Has a right to join a pension scheme			£113 and below
Over £490 up to £833	Has a right to opt in			Over £113 up to £192
Over £833	Has a right to opt in	Must be enrolled	Has a right to opt in	Over £192

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## Minimum Contributions

- Staging date to 5 April 2018
  - Employer 1% / Employee 1%
- 6 April 2018 to 5 April 2019
  - Employer 2% / Employee 3%
- 6 April 2019 onwards
  - Employer 3% / Employee 5%

**Contributions only paid on any earnings above £489**

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## Other duties

- No employees due in a pension scheme need to
  - write to all staff individually
  - complete your declaration of compliance.
- On going duties – each month anyone now qualify ?
- **Automatic enrolment is a legal duty and if you don't act you could be fined.**

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## Tax and NI codes

- Initial Tax code (automatically set by software)
  - Only job – '1060L'
  - Have a pension – 'BR'
  - Tax Code Notice (P6/P9)
 (<https://www.gov.uk/employee-tax-codes>)
- National Insurance code
  - Below state pension age – 'A'
  - Past state pension age – 'C'
 (<https://www.gov.uk/national-insurance-rates-letters>)

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## Submissions and Payments to HMRC

- Full Payment Submission before each payroll period pay date
- Payment by cheque in envelopes provided
- Payment by internet banking (Faster Payments)
- Payments must be made by 19<sup>th</sup> of month

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## Helpful Web Links

- [www.gov.uk/pay-for-employers](http://www.gov.uk/pay-for-employers)
- [www.gov.uk/national-minimum-wage-rates](http://www.gov.uk/national-minimum-wage-rates)
- [www.livingwage.org.uk/](http://www.livingwage.org.uk/)
- [www.gov.uk/workplace-pensions-employers](http://www.gov.uk/workplace-pensions-employers)
- [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)
- [www.thepensionsregulator.gov.uk/docs/the-essential-guide-for-automatic-enrolment.pdf](http://www.thepensionsregulator.gov.uk/docs/the-essential-guide-for-automatic-enrolment.pdf)
- [www.nestpensions.org.uk](http://www.nestpensions.org.uk)

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