PAYROLL OPTIONS

Introduction
All employers have a payroll. This is the process of calculating how much you should pay your Personal Assistants (PAs) including relevant deductions such as National Insurance and Income Tax and any additions such as expenses and mileage payments. Most people who use their direct payment to employ PAs choose to use a payroll service to make these calculations for them and produce their payslips. You may however wish to calculate your payroll yourself and there is some advice on this as well.

Contents
1. Calculating your own payroll
   1.1 How easy is it to calculate my own payroll?
   1.2 Calculating your own payroll: next steps
   1.3 Calculating your own payroll: additional information for employers
   1.4 Using an accountant to calculate your payroll
2. Using a payroll service
   2.1 What is a payroll service?
   2.2 Payroll services

1. Calculating your own payroll
If you wish to calculate your payroll yourself rather than using a payroll service, you may find the following information a useful starting point.

1.1 How easy is it to calculate my own payroll?
If your direct payment is quite small you are likely to pay your PAs less per week. PAs who earn less than the relevant thresholds do not pay income tax and national insurance contributions.
For the tax year 2019/20 the thresholds are:

- PAYE (income tax) threshold: £240.00 per week
- National insurance: £118 per week

Please note these thresholds change every year and depend on whether your PA has any other paid jobs or income. If your PA does have more than one job and their total income combined is over the threshold, they will then have to pay income tax and national insurance contributions.

If your PA earns less than £118 per week your payroll calculation is only likely to consist of wages and holiday/sick pay. If this is the case, you may prefer to calculate the payroll yourself as it will be simple to work out.

If you have a larger direct payment you are more likely to employ PAs who pay income tax and national insurance contributions. This will make calculating your payroll more complex and so you may prefer to use a payroll service.

Either way, you should ensure that your PAs understand that they will be paying income tax and national insurance. If you wish you can give them Tax and National Insurance information for new PAs-employers template 4.0 for their information.

1.2 Calculating your own payroll: next steps

Working out your payroll yourself has the advantage of allowing you to be in complete control of your payments and may allow you to make useful savings if your budget is tight. HM Revenue & Customs (HMRC) provides a wealth of advice and useful tools on how to run your payroll and comply with the relevant legal obligations. To view this information visit:

www.hmrc.gov.uk/employers

If you choose to calculate the payroll yourself, you will need to register yourself as an employer with HMRC for PAYE purposes. For more on this visit:

www.hmrc.gov.uk/paye/intro/register.htm

All employer forms and guidance are available in Braille, large print or audio call and can be ordered by calling 0300 123 1074.
When you pay your employees, you must provide them with a payslip detailing all payments and deductions. You can buy a book of blank payslips from most stationery shops.

The PA’s payslip must contain the following information:

- total wages before deductions (this is called ‘gross wages’)
- individual amount of any fixed deductions
- individual amount of any variable deductions e.g. tax, national insurance, pension & student loans
- net amount of their wages (this is the total after deductions)

In addition, the PA’s employment contract must state:

- the day or date when they will be paid e.g. the last working day of the month
- how they will be paid e.g. by cheque or directly to their bank

**1.3 Calculating your own payroll: additional information for employers**

HMRC has a New Employer Helpline which you can contact to find out more about calculating your own payroll. You can contact this helpline on 0300 200 3211 (8.00am to 8.00pm Monday to Friday and 8.00am to 4.00pm Saturday).

In addition, HMRC offers free workshops covering all payroll topics. These workshops are available online and at locations nationwide. Further information is available on their website at [http://www.hmrc.gov.uk/startingup/help-support.htm](http://www.hmrc.gov.uk/startingup/help-support.htm)

If you choose to calculate your own payroll there are software packages available to help you do this and it may be useful to consider whether this would be a cost-effective option for you. HMRC has published a list of software programs which you can use to calculate your payroll at:

[https://www.gov.uk/payroll-software](https://www.gov.uk/payroll-software)

Please note neither HMRC or Independent Lives specifically endorse any of these products.
1.4 Using an accountant to calculate your payroll

Many small businesses pay an accountant to calculate their payroll. However, unless your accountant specifically runs a payroll service, using an accountant is usually more expensive than using a payroll service unless they are providing other services for you.

2. Using a payroll service

2.1 What is a payroll service?

A payroll service can calculate your payroll for you and produce pay slips for your PA. Most payroll services are designed with the small employer in mind, although they may not know specifically about direct payments. Most payroll services will offer some or all the following services:

- register you as an employer with HMRC for PAYE purposes
- communicate with HMRC on your behalf and deal with any correspondence
- calculate your employee hours weekly or monthly based on the information that you supply
- comply with all statutory requirements including statutory sick pay and maternity pay as well as student loans
- provide assistance when setting up pension schemes
- provide payslips and summary information for you to pay your employees and HMRC
- submit end of tax year documentation to HMRC

Please note some services may incur additional charges over and above the standard weekly or monthly charge depending on which payroll service you choose to use. Some services will charge a start-up fee and an additional fee each time you add/remove a PA on your payroll.
You may wish to make the following enquiries when you are thinking about using a payroll service:

- how much does the payroll service cost? Is there a ‘start-up’ fee? What additional charges are there? Is VAT included? Are they cost effective for employers with less than 10 employees?
- do they provide pay slips showing total pay, hours worked, holiday pay, income tax deductions and employees’ national insurance contributions?
- are they willing to answer telephone queries?
- will they complete the end of year tax return including P60s and P14s?
- how are payments to employees made? Usually the payroll service will send you the payslips and a summary sheet and you then write a cheque for the amount listed on the payslips.

2.2 Payroll services

We have listed four payroll services that other DP recipients are using.

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This factsheet has been produced by Independent Lives for use within its advice and support services. We aim to ensure the information is as up to date and accurate as possible but do be aware some of the content is subject to change.

If you would like further advice on this topic or to access to any of the factsheets or support sheets referred to in this document please visit www.independentlives.org or call us on 01903 219482 or 08456 0123 99

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