

Overview

This standard is for entrepreneurs who prepare and pay wages. If you employ staff you will agree a salary with them, how it will be paid and when. As an employer, you have to operate PAYE as part of your payroll. PAYE is HM Revenue and Customs' (HMRC) system to collect income tax and National Insurance from employment. Salaries may become increasingly complex with pension payments, bonus payments, tips, maternity pay, Furlough, statutory sick pay, Payroll Giving Scheme, or repayment of loans. You may need to use professional expert advisers to save time, money and avoid wasting energy. Preparing wages involves calculating wages for your staff and asking for professional help when required.

You might need to do this if you:

1. starting a business that employs staff;
2. setting up a Limited company with yourself on payroll;
3. reviewing your business processes;
4. hiring new staff.

Performance criteria

You must be able to:

1. register with HM Revenue and Customs (HMRC) and get a login for PAYE Online
2. choose payroll software to record employees' details, calculate pay and deductions, and report to HMRC
3. seek professional advice on paying wages, employment legislation and pension obligations
4. work out how much you need to pay each member of staff
5. work out any variations to pay and statutory or contractual payments, including any tips or bonuses, statutory sick or maternity pay
6. work out if any additional payments need to be paid, such as overtime or bonus payments
7. work out income tax, pension contributions, national insurance contributions for each member of staff
8. identify any other deductions you need to make from staff's salaries or wages
9. report your employees' payments and deductions to HMRC on or before each payday
10. claim any reduction or amendments to what you owe HMRC following their process
11. contact HMRC's payment enquiry helpline when you need more information
12. report to HMRC any employees joining or leaving your organisation, and any change of circumstances
13. find out if your staff are owed any tax credits
14. pay wages to your staff as agreed in their contracts of employment
15. pay National Insurance, tax and student loan payments to the Inland Revenue
16. keep up-to-date relevant records for each employee
17. ensure your records are reported accurately and retained for the required duration of time
18. comply with data protection requirements in relation to employees' records
19. submit your final payroll tax year report to HMRC
20. notify HMRC of any estimated and provisional figures in your final report
21. comply with all government legislation and legal obligations

Knowledge and understanding

You need to know and understand:

Paying wages

1. how to register with HM Revenue and Customs (HMRC) and get a login for PAYE Online
2. the different payroll software systems available for keeping employees' details, calculating their pay and deductions
3. the reporting procedures to HMRC including deadlines and penalties
4. the information to notify HMRC about your employees, such as joining the organisation, leaving it or a change of their circumstances
5. the ways to run your business's payroll system
6. the basic wages or agreed salary for each member of staff
7. how to work out national insurance and income tax
8. the deductions or additional payments you need to make for each member of staff, such as pension contributions, Furlough, statutory sick pay or maternity pay
9. when and how to pay income tax, national insurance to HMRC
10. how to find out about and deal with any tax credits your staff are owed
11. how and when to contact the HMRC payment enquiry or other specialists for advice
12. the agreed time and method of paying wages to staff and the disadvantages and advantages of each
13. the final payroll report to HMRC, how this links with employee final year records, and why this is important

The records

14. what you pay your employees and the deductions you make

15. the reports you make to HM Revenue and Customs (HMRC)
16. the payments you make to HMRC and the Inland Revenue
17. the records that document employee leave and sickness absences
18. how to process tax code notices
19. the taxable expenses or benefits that your employees are entitled to
20. the data protection requirements in relation to employees' records
21. the Payroll Giving Scheme documents, including the agency contract and employee authorisation forms

Information and advice

22. the sources of information and advice available on government portals and through the HMRC's payment enquiry helpline
 1. the professionals who can provide advice on paying wages, employment legislation and pension obligations

Developed by Skills CFA

Version Number 1

Date Approved 14 Jan 2022

Indicative Review Date 01 Mar 2027

Validity Current

Status Original

Originating Organisation Instructus

Original URN CFAMN10

Relevant Occupations Business, Administration and Law, Managers and Senior Officials

Suite Business Enterprise

Keywords success, business, idea, social, enterprise, customers, products, service, support, creative, idea, skills, needs, suppliers, cash, flow, legislation, marketing, market, trends, competitors, health and safety, VAT, equipment, costs, profit, staff, product
