



Payroll Procedures

There are only three ways of taking money out of a company - namely as expenses, salary or dividend. Taking money out in any other way is illegal.

Monthly payroll - overview

Competex operate a payroll on a monthly basis, following a set timetable, with at least 4 pay runs available throughout each month. Included in your fees are 13 runs per tax year for up to 4 employees on any 1 run. When you wish to take salary, you pay an amount (which will be inclusive of Employer's NI) from your company account into the Competex Client Salaries Trust. From this total cost figure, we calculate your gross salary, tax, employee and employer NI liabilities and pay your net salary into your personal bank account. We then submit the payroll details to HMRC to comply with Real Time Information (RTI) and send your PAYE and NI liability to HMRC on your behalf.

We act as your agent in all dealings with HMRC relating to PAYE, applying firstly to set up a new payroll scheme in the name of your company and, thereafter, liaising with them on all payroll matters.

Real Time Information (RTI)

RTI require us to electronically submit details of each and every salary payment to HMRC on or before the day you or your employees are paid and there are severe penalties for non-compliance. Therefore it is imperative that you do not take money directly from your company account. If you need an urgent transfer of funds, please contact us.

Payroll timetable

The latest salaries timetable is available to download from the our website. Cleared funds need to be received in our Salaries Account by close of business on the Thursday prior to the following Monday's pay run. Net salary will be available in employees' personal accounts no more than two working days later. An exceptional salary payment, outside of the normal timetable, can be processed but this is subject to an additional fee.

How much salary to pay

If the income from your assignment is subject to IR35 rules, you will be obliged to take 95% of the fees that you earn (after expenses) as salary for yourself. Application of the IR35 formula will invariably produce a different salary figure each month, and therefore you should complete a 'Payroll Calculation' form each month to calculate how much salary to take. The different VAT rate IR35 payroll calculation forms are available to download from our website. You should then pay the exact amount calculated as being due, into the Salaries Account. Please ensure that you email a copy of your IR35 form to payroll@competex.co.uk

If the income from your assignment is not subject to IR35, you are free to decide for yourself how much you wish to pay as salary each month, but do please remember that the funds you send us will be split between gross salary and employer's NI in accordance with the thresholds. Please be aware that we do not 'audit' your calculations, and we will process whatever funds you send us. Further advice regarding the split between a payment of salary or dividend is given on our handout available on the Competex website, or by going directly to the link below:

<http://www.competex.co.uk/existing/downloads/handouts/SalaryVersusDividendHandout.pdf>



It is important that you correctly determine the IR35 status of each of your contracts. We highly recommend that you obtain a contract review for every contract. Please contact us for further details.

Payroll Instructions

We will send you a basic template by email to copy and use each time you advise us of a salary requirement. This is to indicate to us who you will be paying, the amounts, and the number of months the payment covers for each person.

Roles within the company

Many consultants need part time secretarial help and often employ members of their family for this purpose. You are entitled to pay a reasonable wage for work done (based on local pay rates in your area for equivalent work), although this may not be possible if your work falls under IR35.

If there is more than one fee-earning director we will charge an additional administration fee for each extra director. Any change to the payroll must be notified to Competex as soon as possible.

Transferring Funds

We recommend, for speed and security, that you transfer funds electronically. When doing this please ensure that your unique company reference is used. To ensure we receive cleared funds by the due date and therefore to avoid missing a pay run, please consult your own bank to ascertain the transfer time of payments.

Payments should be made to the Competex Client Salaries Trust Account
Sort Code 15-20-25
Account No. 10076377

Although no longer recommended, you can pay by cheque, made payable to the 'Competex Client Salaries Trust'. Upon request, we will supply you with a booklet of bank giro credit slips, specifically allocated to your company and cheques can be paid in at a bank branch or be posted to RBS at the address shown on the booklet. Please note that cheques take longer for cleared funds to be available.

Please do not pay in one sum of money to be split between two months – a separate payment is required for each month. Please also ensure that cleared funds arrive in the month in which you require the processing.

Online payroll system

All payroll information for your company can be viewed and printed through our online payroll system and your unique login details and password will be emailed to you by the Payroll Dept once the first payroll has been processed.

Payslips for all company employees will be available to you, together with an up-to-date payroll summary for the company. The payroll summary shows the salaries that have been paid each month of the tax year to date, and this information will enable you to monitor your gross salary position.

These documents are updated to the system once salary payments have been made to personal accounts.



Year end procedures

Year end deadlines are very tight so before the end of the tax year we will ask you to consider your final salary requirements for the complete year. Please respond promptly to year end emails so that we can forward the final declaration for the year to you. Once you have confirmed that your last payment for the tax year has been made, we will make a final electronic submission with the declaration to HMRC. You will also receive emails regarding P11D expenses.

P60's and P11D's

A P60 is a certificate of pay, income tax and national insurance contributions for the year. P60's will be available by 31 May for you to view online and print. These will be available for all employees paid during the year and who are still on the payroll at the year end. Leavers in the year do not receive a P60 as a P45 replaces it.

A P11D is the return of expenses payments and benefits. You will be asked to complete a questionnaire and from this, a draft P11D will be prepared for your approval. The final date for submission to HMRC is 7 July and your final P11D will be posted to you by this date.

Correspondence from HMRC

As your agent, HMRC would normally correspond with us on all company matters, but continue to correspond with you on all personal matters. If you ever receive HMRC correspondence addressed to the company, rather than to you personally, would you please forward it to us so that we can deal with it on your behalf.

Pay As You Earn (PAYE)

As an employer you are obliged to pay your directors/employees through a PAYE scheme and pay all tax and NI contributions to HMRC on a monthly basis. Employers must keep certain records, and provide details to HMRC within certain time limits at the end of each tax year.

Under PAYE, tax is calculated via your tax code and represents the tax allowances you are entitled to and may be adjusted by HMRC to take into account small items of unearned income, P11D benefits, or underpayment of tax in earlier years.

As your agent, we should also receive notification of any tax code change directly from HMRC (but with no breakdown as to how the code was ascertained). If at any time, the tax code shown on your payslip does not correspond with a tax code notice you have received from HMRC, please notify us.

For full details of tax codes, their meaning and how they operate please go to:

<http://www.hmrc.gov.uk/incometax/codes-basics.htm>

National Insurance (NI)

You will need to consider both Employers NI and Employees NI. For both categories there is a band of NI-free income and the point at which NI becomes payable is referred to as the earnings threshold. Above the earnings threshold, the employers' contribution is payable on your entire salary without limit. The employee's contribution is payable on salary up to a point referred to as the upper earnings limit, at which point it is reduced.

For a director, no NI contributions are payable in the tax year until salary exceeds the annual earnings threshold, pro-rated for those directors appointed during the year.



For an employee who is not a director, NI contributions are payable each month as soon as salary exceeds 1/12 of the earnings threshold.

If you are an employee and you pay Class 1 contributions with two or more separate employers during the year, and you earn more than the upper earnings limit in any one of those employments, you may be able to apply for a deferment of contributions. If you have paid too much NI in any tax year (and have not applied for a deferment) HMRC will contact you later the following year with a view to confirming figures for a refund. For full details please go to: <http://www.hmrc.gov.uk/forms/ca72a.pdf>

Tax information sheet

Full information is available from the Competex website.

Help

If you require assistance with any aspect of your payroll, please contact the Payroll Department by email at payroll@competex.co.uk or by phone on the direct number 01737 234569.