

E-BOOK

## The ultimate guide to payroll compliance

*Everything you need to know about payroll  
legislation and compliance.*



# Contents

<b>Introduction</b>	<b>03</b>	<b>Right to work</b>	<b>16</b>
<b>10 tips for staying compliant</b>	<b>04</b>	<b>Scottish rate of income tax</b>	<b>17</b>
<b>The General Data Protection Regulation (GDPR)</b>	<b>07</b>	<b>Tax-Free Childcare</b>	<b>18</b>
<b>Workplace pensions</b>	<b>09</b>	<b>Real-Time Information</b>	<b>19</b>
<b>Cycle to Work scheme</b>	<b>11</b>	<b>Payroll year end</b>	<b>20</b>
<b>The Apprenticeship Levy</b>	<b>12</b>	<b>National Living Wage</b>	<b>21</b>
<b>Gender pay gap reporting</b>	<b>14</b>	<b>Conclusion</b>	<b>22</b>



# Introduction

Compliance is one of the top challenges facing any payroll and HR department. It's up to you to ensure that all personnel business practices follow current laws and that you are keeping proper records to document your company's compliance.

While an efficient payroll system can help to enhance employee moral and boost your reputation, mistakes in record-keeping and compliance can result in punitive penalties – even lawsuits. Of course, no business wants to expose itself to such financial and reputational risk.

However, keeping up to date with payroll legislation can be a complex task. It's reported that as many as one in three small businesses are penalised for incorrect payroll.

To protect your company from costly fines and even litigation, you need to stay informed about employment laws, reporting rules, and changing workforce compliance issues. In this guide, we look at the challenges and the payroll solutions that will help your payroll department meet its compliance requirements with confidence.



# 10 tips for staying compliant

## 1. Accurate personal records

This may seem obvious, but make sure you have the right personal information for each employee. It's your responsibility to maintain employee records accurately for the duration of their tenure. Personal information that affects payroll can change regularly. But every change from payment to promotion, from retirement plans to maternity leave has to be processed accurately and run like clockwork. You need to keep on top of it all.

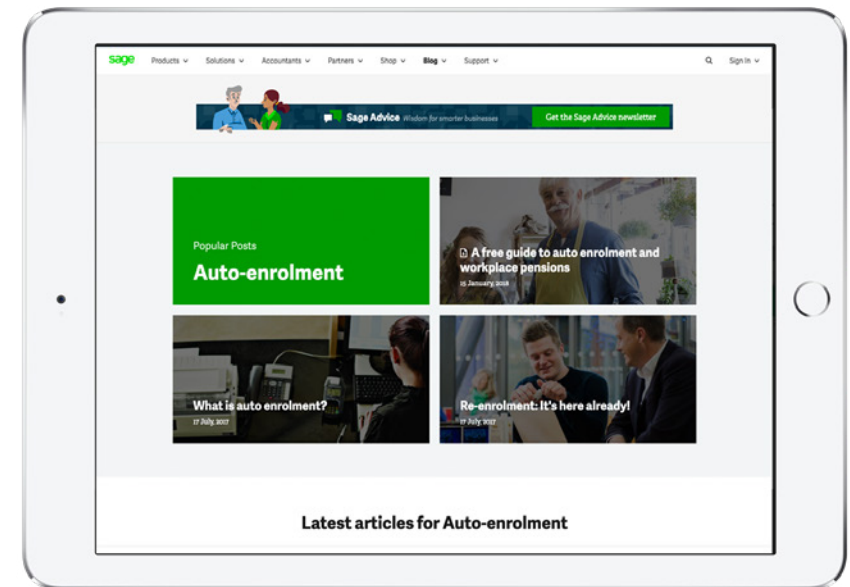
## 2. Employee expectations

Ensure your employees understand their obligations in terms of remaining compliant, such as adhering to your expenses policy or keeping overtime records accurate. Explain how to document expenses and overtime properly, so your employees don't leave you exposed. Create a comprehensive set of policies and practices for all issues that affect employees' pay. This provides a useful guide for employees to follow when inquiring about additions or deductions to their earnings.

## 3. Workplace pensions

It's not only payroll legislation you need to consider. Workplace pensions were introduced in 2012, and whether you're a hairdresser or florist, if you employ just one person, then you are an employer and have 'duties' under the pensions law.

Automatic enrolment means that employers must put certain staff into a pension scheme and pay into it. So it's important that you understand your duties. Start by researching key pension sites such as the [Pensions Regulator](#). Your payroll provider should also offer tips and advice. Sage has a range of straightforward information to get you started. [Visit the Sage Advice business hub](#).



#### 4. Audit trails

Audit trails are an incredibly useful tool to protect your business and your reputation in the event of an investigation. They enable you to link each transaction with supporting information – such as invoices or purchase orders – that will validate an unusual-looking payment.

As well as helping to guard against fraud, audit trails ensure that corporate accounts are as accurate as possible, and give the best insight into the health of your business. In fact, audit trails are likely to be mandated by investors or creditors, so it's well worth checking that your payroll systems can provide this function.

#### 5. Keep up to date with local payroll legislation

Payroll legislation is constantly changing. In the UK, it's important to keep up with any changes on the government's [website](#). Payroll seminars and industry conferences also offer a great opportunity for payroll professionals to enhance their knowledge. Seminars may be focused on a specific area such as payroll procedures, legislative changes, or a combination of several topics. Regardless, these seminars are dedicated to educating payroll personnel on the latest regulatory changes, future directions, industry trends and other issues that have an impact on payroll processing. Sessions are presented by experts in their field, giving your payroll team the chance to gain valuable insights.

#### 6. Understand international legislation

If you operate across multiple countries you have to deal with the complexities of international payroll. Each country has its own rules and regulations regarding wages,

deductions, remittances, and reporting, but it's your job to keep up to date with these regulations. In addition, more countries are moving towards real-time filing and electronic deposit and collection of taxes. Different currencies, customs and time zones make this process even more of a challenge.

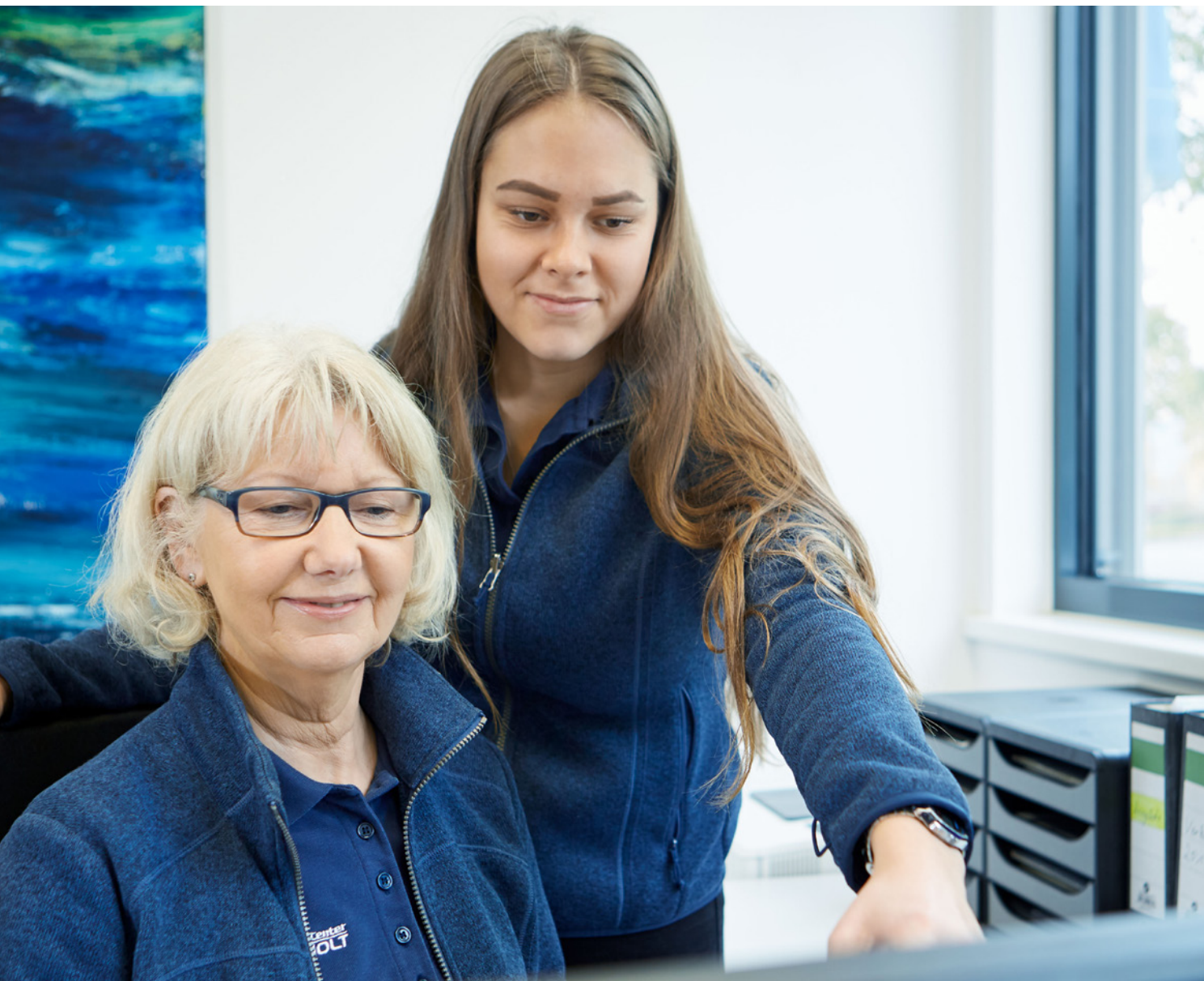
#### 7. Ask the experts

Your company accountant will have a thorough knowledge of payroll compliance and will be well versed with necessary regulations, important changes, or updates. They can help you maintain up-to-date records, remit taxes and file returns. They can also find solutions for discrepancies in records or provide valuable advice on payroll issues. If you don't have a full-time accountant, look out for accountancy firms that hold business and tax workshops in your area.

#### 8. Encourage employee feedback

Organisations need to monitor complaints and actively request feedback from employees about how processes can be improved. Once an issue has been identified, payroll staff can then conduct workflow analysis to identify bottlenecks, or areas where errors are creeping in. If employees feel comfortable about voicing their concerns, managers can be informed of problems before they get out of control.

Again, taking this approach will reassure employees that you have their best interests at heart, helping to maintain a happy and committed workforce.



## 9. Adopt a self-service model

There's no reason why the payroll department should have to chase and input every single piece of data about their employees' working life. Chasing timesheets or expense forms is extremely time-consuming and some workers don't recognise that if they don't submit this information it makes it more difficult to get paid. Give employees more responsibility by moving towards a self-service model. This makes it much easier to review and approve employee requests as they come in, and puts the responsibility on individuals to submit their personal information – freeing up valuable time for payroll workers.

## 10. Don't be late

Don't risk penalties for late submissions, factor in sufficient time. Payroll can be a complex beast, requiring several important considerations such as tax deadlines, shifting paydays, and quarterly reporting. Create a yearly calendar that outlines all the important dates such as submitting timesheets, invoices, and making payments.

This will help to ensure that important tasks are not missed, but also keeps employees informed about when they will get paid, and what tasks they need to complete for payday to run smoothly.

# *The General Data Protection Regulation (GDPR)*

## **Compliance summary**

The General Data Protection Regulation (GDPR) is the data protection law that came into effect on 25 May 2018 in the European Union, which has a direct effect in all EU Member States. The provisions of the GDPR were incorporated into UK law as part of the Data Protection Act 2018.

The GDPR's focus is the protection of personal data, i.e. data about individuals. In fact, the GDPR is one of the biggest shake-ups ever seen affecting how data relating to an individual should be handled and potentially it affects not just companies but any individual, corporation, public authority, agency, or other body in the EU that processes personal data of individuals who are based in the EU. This includes suppliers and other third parties a company might utilise to process personal data.

Further, unlike under the previous data protection legislation (EU Directive 95/46), the GDPR also affects any companies outside of the EU that offer goods or services to individuals in the EU or that monitor their behaviour within the EU.

## **What it means for payroll**

Considering people management and payroll involve processing large amounts of personal data, you need to make sure your processes comply with the GDPR.

With its extensive security requirements, you should consolidate all your personnel and payroll data into as few locations as possible.

You should also consider adopting other relevant rules and standards, such as ISO27001, which can help you meet some of the security obligations under the GDPR.

Your GDPR-compliant processes need to consider all sources of data, which can be challenging with people management. Work out how to securely store sick notes, or emails and text messages from staff requesting holiday leave, for example. The same goes for how to securely handle and store timesheets.

Payslips also need to be provided in a secure way. This has prompted many businesses to switch to online rather than printed payslips, where an employee must securely authenticate online before being able to view the information – and it may be worth your business doing the same if it isn't already.

**With the prospect of incurring fines of up to 4% of annual global turnover or €20 million, whichever is the greater, knowledge of the GDPR should be considered mandatory.**

---

### **Common pitfalls**

An audit by a suitably qualified individual is highly recommended and with the prospect of incurring fines of up to 4% of annual global turnover or €20 million, whichever is the greater, knowledge of the GDPR should be considered mandatory.

While it is easy to focus on your external client data, remember that the GDPR affects your employees too. You will need to put steps in place so you are managing your employee data correctly. You also need to make sure your employees understand how the GDPR affects their roles, what their rights are and how they manage data.

### **What it means to your business**

The GDPR affects all areas of your business where data collection and processing is concerned. Depending on the nature of your business, you may need to employ or assign a Data Protection Officer, who could be an existing employee or someone who contracts from outside your business. If you do assign a Data Protection Officer, you will have to make sure they are properly trained for the role. You'll also have to let the supervisory authority know who they are. In any event, it would be wise to appoint someone with responsibility for data protection in your organisation.

The legal framework requires your business to make data protection a key part of its process of designing and operating policies, processes, products and services. Meanwhile, you are only allowed to collect and process the necessary personal data required for each specific purpose.

### **What it means to your employees**

The GDPR means you potentially have to give staff full visibility of the data you hold about them. You must respond to subject access requests (SARs) and requests for erasure and rectification. Notably, you retain the right to refuse unfounded or excessive requests but will need to demonstrate how they are unfounded in your compliance documentation.

You'll need to create clear and GDPR-compliant privacy notices to ensure you provide all the information to which they are entitled under the GDPR's requirement for transparency. You need to provide easy-to-access functionality to allow your employees to opt out of the various ways you use their data. You cannot use their data for any other purpose without notifying them.



# Workplace pensions

## Compliance summary

Auto-enrolling employees into a workplace pension scheme and contributing towards it is a legal requirement for all businesses, whether you employ one person – or 100. Each employer will be given a date from which their changes will have to be in place. This is known as your staging date, and based on the number of people you have in your PAYE scheme.

There will be some employees who meet certain age and income requirements who must be auto-enrolled into the pension scheme. They should:

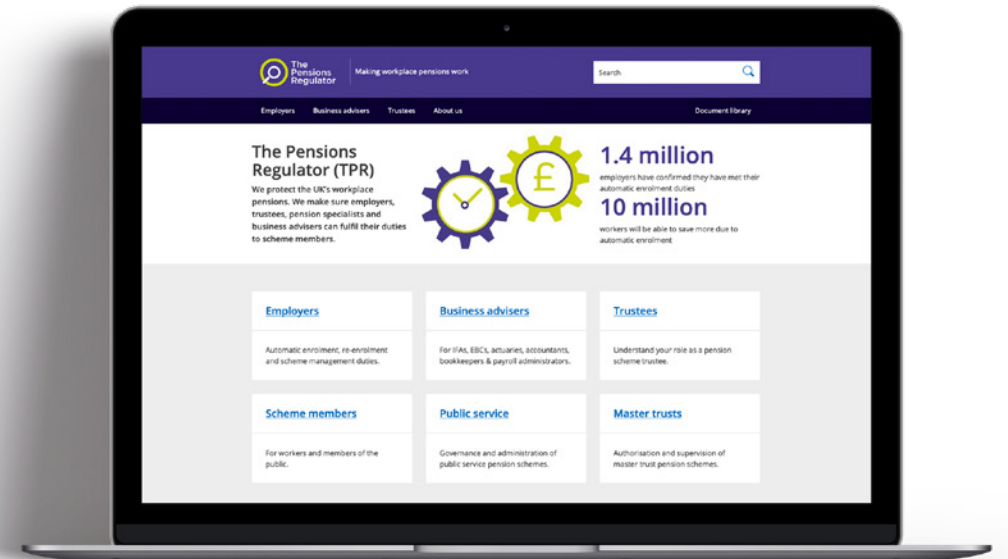
- Be aged between 22 and State Pension age
- Earn over £10,000 a year
- Work in the UK

There are also employees who may not be eligible to be auto-enrolled, but who you'll still need to make minimum pensions contributions for should they decide to join your pension scheme.

## What it means for your payroll

With [Sage 50cloud Payroll](#) you can manage your auto enrolment processes from end to end. Sage works closely with leading pension providers to ensure the additional duties are as seamless as possible.

Making sure you have the correct employee data within your payroll is key, and once integrated with your auto enrolment tools your payroll team will be required to calculate contributions and check employees' status every pay period. To be compliant, you will also need to make data submissions to [The Pensions Regulator](#). There's a lot of extra admin that sounds overwhelming, but the right solution will make processing auto enrolment easier and take the stress out of staying compliant.



## Common pitfalls

If your existing pension scheme doesn't qualify, or if you don't currently have a scheme in place, you will need to choose a provider and scheme that suits your business and employee needs. Seek advice from an independent financial advisor and shop around.

You must provide each employee with information in writing about the workplace pension scheme. This explains how it will affect them and how they can opt out if they want to. If you have software to manage auto enrolment, you may find that it offers the ability to generate these letters.

Auto enrolment applies to all employers, even those with high staff turnover, who have employees on zero-hours contracts or short-term contracts. You need to think about auto enrolment in the same way as you do with National Insurance contributions or tax returns – it's now business as usual.

## What it means to your business

There's no getting away from the fact that the workplace pension scheme does require a lot of extra admin. By using the right payroll software solution, you can manage your payroll and auto-enrolment duties quickly and cost-effectively now and for the future. It's easier to assess

your workforce, enrol your workers, and automatically create the right data files in the right format for submission. Once auto-enrolment is complete, you must continuously keep track of the changing circumstances within your workforce – such as assessing the eligibility of new employees. In addition, you will have to re-assess your workforce every three years from your staging date. All eligible employees who chose to opt-out on a previous occasion must be automatically re-enrolled. It is then the responsibility of that individual to opt-out. In addition to this you must also send letters to your employees to advise them of their rights.

## What it means to your employees

Auto enrolment makes joining a workplace pension scheme easier and makes saving into a pension more financially attractive.

In every business, there are processes that need to run smoothly, and the most fundamental is pay. All employees expect to be paid accurately and on time. So, a well managed pension scheme will make your payroll the lynchpin for job satisfaction and employee engagement.

To find out more about auto enrolment, visit [Sage Advice](#).

# Cycle to Work scheme

## Compliance summary

If you take part in the Cycle to Work scheme, your employees can agree to temporarily reduce their wages to pay for the hire of a bike, accessories and safety equipment. To be compliant with the National Minimum Wage (NMW), employees are not allowed to reduce their earnings below the NMW by way of salary sacrifice.

## What it means for your payroll

HMRC advises that the most appropriate way to deal with salary sacrifice is to set up a negative payment. This ensures that the employee's total gross pay is correctly reduced, so that other calculations, such as for average earnings, are correctly worked out. Sage payroll solutions have salary sacrifice settings that will correctly reduce the total gross pay value, so that any values submitted to HMRC are correctly recorded.

## Common pitfalls

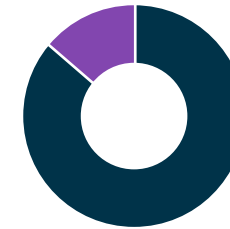
A salary sacrifice arrangement cannot be used if in so doing the employee's gross pay drops below the NMW. Sage 50cloud Payroll software will warn you automatically if this was attempted.

## What it means to your business

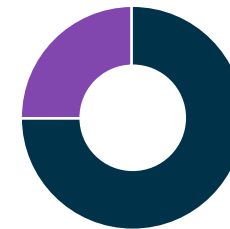
As the benefit is covered by a tax exemption, the employer will not have to account for Class 1A National Insurance contributions (NICs). In situations where an employer has staff near the NMW, you can always offer a lower-value cycle package or a longer hire period. As there is no Class 1 NIC paid on salary sacrifice payments the employer will also save at 13.8% of the cost of the bicycle.

## What it means to your employees

Employees get a brand new bike tax-free, saving at least 25% on its high-street value and spreading the cost. Offering schemes such as this can have a hugely positive impact on your workforce, boosting morale and engagement. Cycling has a positive effect on emotional health, improving levels of wellbeing, self-confidence and tolerance to stress.



Employers will save  
13.8% of the cost of  
the bicycle



Employees save at least  
25% on the high-street  
value of the bicycle

# The Apprenticeship Levy

Apprentices can offer extremely positive contributions to businesses - motivated and eager, they can make the workplace much more productive.

---

## Compliance summary

The way the government funds apprenticeships in England has changed. Since 6 April 2017, all employers with a wage bill of more than £3 million have needed to pay the Apprenticeship Levy, which is an additional charge of 0.5% added to an employer's NIC bill. It is paid to HMRC through the PAYE process.

## What it means for your payroll

Your pay bill is made up of the total amount of your employees' earnings that are subject to Class 1A National Insurance contributions. Employees' earnings include any money they make from employment, such as wages, bonuses, commissions, expenses and pension contributions. The government will not charge the levy on other payments to employees, such as benefits in kind.

There is a levy allowance of £15,000 per year. So, the total amount you need to spend is 0.5% of your pay bill, minus £15,000.

Each month, you will have to let HMRC know whether you need to pay the Apprenticeship Levy and include the levy in your usual NIC payment to HMRC – you should do this by the 19th (or 22nd if you report electronically) of the following month.

Sage is in constant contact with HMRC to ensure our software is in line with its legislation and that we keep up to date with any changes. Sage payroll software will be updated with all new PAYE legislation, including the Apprenticeship Levy.

## Common pitfalls

It's not just large employers who are affected. Some medium-sized businesses are impacted too, as a workforce of 100 people and an average salary of just over £30,000 will take companies over the threshold.





### **What it means to your business**

By identifying areas in your organisation where training is most needed, employers will have the opportunity to ensure that the Apprenticeship Levy works in favour of their organisation.

Smaller companies that do not have to pay the levy can benefit from the apprenticeship training fund. If they take on an apprentice, they will contribute 10% of the cost of training and the government will pay the remaining 90%. Businesses with less than 50 employees won't pay anything if they employ apprentices under the age of 18 (or between 19 and 24 and has additional learning needs or is from a disadvantaged background).

You can find out more about the Apprenticeship Levy on [gov.uk](https://www.gov.uk).

### **What it means to your employees**

Taking on an apprentice has many advantages, including the fact that you get an additional employee who can be trained and guided towards a skilled role, and it also means additional support for existing employees.

Apprentices can offer extremely positive contributions to businesses - motivated and eager, they can make the workplace much more productive.

# Gender pay gap reporting

**Initiatives such as the gender pay gap reporting should help push towards greater equality.**

---

## **Compliance summary**

All private and voluntary-sector employers with 250 or more employees have to calculate their gender pay gap and publish the details annually on their website and a government website. So, even if you currently employ fewer than 250 people, you should plan your own calculations sooner rather than later.

## **What it means for your payroll**

Check that your organisation collects the data needed to conduct gender pay gap and gender bonus gap reporting. Information must be collected on employees as defined under s.83 of the Equality Act 2010, which includes apprentices and workers who have a contract personally to do work.

A payroll solution can also help you collect additional data, such as the gender profile of your organisation, which might be useful in planning a strategy to ensure resources are dedicated to recruitment campaigns, learning and development and female mentoring.

## **Common pitfalls**

1. Accessing, collating and analysing the complex employee data the legislation demands is a significant task, but the right payroll software solution will make processing information easier.
2. Calculating the gross hourly rate for each team member must take into account factors such as paid leave, maternity pay, salary-sacrifice scheme value and overtime expenses, and separating this out, for example, can be time consuming.

## **What it means to your business**

Although commentary on the gender pay gap results is not required, organisations should consider adding a narrative to help employees and the public understand their results, particularly in cases where gender pay gaps seem significant. Alternatively, commentary can help highlight an organisation's strong performance relative to its competitors.



### What it means to your employees

A survey by the Resolution Foundation looked at the gender pay gaps of women in their 20s from recent generations. The report found that the gap fell from an average of 16% for baby boomers, to 9% for women in Generation X, and just 5% for millennials. Initiatives such as the gender pay gap reporting should help push towards greater equality.

Pay gap for baby boomer females in their 20s



Pay gap for Generation X females in their 20s



Pay gap for millennial females in their 20s





# Right to work

## Compliance summary

As an employer, you have a legal obligation to ensure that anyone you're employing has the right to work in the UK. This means carrying out a series of document checks (a list of acceptable documents is available from the Home Office). First, obtain the person's original documents; check them in the presence of the holder; make and retain a clear copy, and make a record of the date of the check.

You are responsible for conducting the visual inspection of the documents presented to you. You can be penalised if you employ someone who doesn't have the right to work and you didn't do the correct checks, or you didn't do them properly. If this happens, you might get a 'referral notice' to let you know your case is being considered and that you might have to pay a civil penalty of up to £20,000 for each illegal worker.

## What it means for your payroll

Although your payroll team may not be the ones who make the checks, a payroll solution can record details about the checks you carry out and the type of documents your employee provides to confirm their right to work. Sage Payroll advises in advance when documents expire to keep you compliant and your employees legally allowed to work.

## Common pitfalls

1. Delegating the task to someone who may not understand the importance of getting the check right.
2. Missing a follow-up check on people who have time-limited permission to work in the UK if you don't have the correct systems in place.

## What it means to your business

Ensure your organisation has a robust process in place for carrying out the right to work checks and that those responsible understand the consequences of getting it wrong.





# Scottish rate of income tax

## Compliance summary

The Scottish rate of income tax has applied since April 2016. For employees who live in Scotland, their tax code is the same as the rest of the UK, but includes an S prefix. Employees will be classed as a Scottish taxpayer if the address HMRC holds for them is in Scotland. It is the employee's responsibility (not the employer) to notify HMRC if their address has changed.

## What it means for your payroll

Employers do not need to change how they report or make payments for income tax to HMRC, other than to apply the Scottish rate of income tax code to their Scottish taxpayer employees. The Scottish parliament has power to change the bands as well as rates of PAYE so a different calculation for PAYE is required in Scotland versus the rest of the UK.

## Common pitfalls

1. Failure to notify change of address. Although this is the employee's responsibility, employers can help make them aware of this.
2. Being aware that different calculations are required for PAYE in Scotland.

## What it means to your business

You'll need to adjust your IT systems to enable you to report the S code and appropriate tax. HMRC is responsible for identifying Scottish taxpayers – not employers. Scottish taxpayers will be identified via address information held by HMRC but it's worth encouraging your employees to update their address changes so they pay the right amount of tax.

## What it means to your employees

Scottish taxpayers pay income tax at the following rates:

### Starter Rate

19%

### Basic Rate

20%

### Intermediate Rate

21%

### Higher Rate

41%

### Top Rate

46%

Check the HMRC website for the latest taxable incomes on the Scottish tax rate percentages.

# Tax-Free Childcare

## Compliance summary

Tax-Free Childcare is a government initiative that replaced the Childcare Voucher Scheme. For eligible families, Tax-Free Childcare offers to cover 20% of childcare costs (up to £2,000 per child, per year), for children up to the age of 12. It will also be available for children with disabilities up to the age of 17. There are no specific compliance issues for employers, but you can provide employees with guidance and information about the scheme – particularly if you currently have a Childcare Voucher Scheme.

## What it means for your payroll

Salary sacrifice schemes can allow you to replace taxable earnings with non-taxable benefits such as childcare vouchers. There are several schemes available for childcare provision, and you can process these within your payroll software.

## Common pitfalls

The tax allowances vary based on your income so those paying 40% tax will have a lower allowable Tax-Free Childcare than those on 20% to ensure the total savings across all employees is aligned.

## What it means to your business

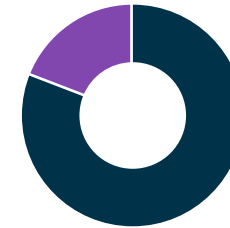
The Childcare Voucher Scheme (also known as Employee Supported Childcare) will continue to be available for employees who signed up before April 2018, for as long as they choose to remain in the scheme.

Many parents will save more money with childcare vouchers than they would with Tax-Free Childcare, so keeping your scheme open to existing users is important.

## What it means to your employees

For every 80p an employee pays in, the government will top up an extra 20p. This is equivalent of the tax most people pay – 20% – which gives the scheme its name, 'tax-free'. The government will top up the account with 20% of childcare costs up to a total of £10,000 – the equivalent of up to £2,000 support per child per year (or £4,000 for disabled children).

To qualify, both parents will have to be in work, and each earn around £115 a week and not more than £100,000 each per year.



**The government will top up 20% of childcare costs**

# Real-Time Information

## Compliance summary

Real-Time Information (RTI) was introduced in 2013 and means that you need to submit payroll information to HMRC each time you complete your payroll. You process PAYE in the same way but submit the payroll information to HMRC on or before the day you pay each of your employees. HMRC will penalise any employer not submitting a Full Payment Submission (FPS) or Employer Payment Summary (EPS) on time. It will also penalise you if your payments are late.

## What it means for your payroll

RTI hasn't changed the way you calculate PAYE, it just means you need to make more regular submissions. An FPS contains information about your employees' pay and any starters or leavers. If you don't need to pay any employees in a particular tax month, you must send an EPS by the 19th of the following tax month. This will make sure HMRC doesn't incorrectly send a penalty notice because it was expecting an FPS.

With the right payroll software and preparation, businesses can manage the process in-house. Many payroll solutions automate your payrun and ensure you record and submit the right information to HMRC to meet the RTI requirements. Ensure your software stays up to date with the latest legislation and you can submit your payroll data online to HMRC. Many payroll providers offer a support service which is great if you need a little extra guidance – it's a good idea to shop around to assess what the best solution is for your business needs.

## Common pitfalls

1. Late filing of in-year FPS and EPS.
2. Getting the details right. Different elements of pay may require different tax and National Insurance treatments and getting the calculations right relies on attention to detail. Pension payments, expenses and sick pay need to be dealt with accordingly.

If, like in many businesses, your employees have different working patterns, it's important to reflect these in your payroll processing.

## What it means to your business

The PAYE system had remained largely the same for the past 70 years, though employment patterns have changed significantly, with millions more people changing jobs every year. Reporting PAYE information in real time means employers send PAYE information every time they pay their employees, rather than at the end of the tax year. This makes PAYE quicker, easier and more accurate.

## What it means to your employees

RTI will also help to improve the accuracy of tax codes during the year resulting in fewer employees having to pay additional tax at the end of the year, and any overpayments or underpayments will be smaller in value.

# Payroll year end

Payroll year end can be a stressful time of year, but the right payroll solution can really streamline the process.

---

## Compliance summary

You are required by law to submit returns to HMRC and provide a P60 to all employees by 31 May. The payroll year runs from 6 April through to 5 April the following year. HMRC imposes strict submission deadlines and fines for late or incorrect submissions.

## What it means for your payroll

The amount of time it takes to run your year-end depends on the number of employees you need to produce P60s for. The period around payroll year end can be busy and daunting – particularly for a new business. Some small businesses believe that payroll year end has been made more complicated with auto-enrolment and Real-Time Information (RTI) but the key is to be prepared for each stage – from processing your final pay run to issuing a P60. And using a payroll solution gives you a helping hand.

## Common pitfalls

1. Improperly handling taxable gifts and rewards. Tangible items such as holiday gifts and rewards from competitions or contests fall into the payroll year end category and must be submitted in coherence with company property and life insurance.

2. The government can change policy at any time and it's imperative that you keep up to date with the current regulations/obligations that link to your specific company sector.
3. It's crucial for the success of your submission that you classify employees correctly, but one mistake some companies make is accidentally stating that some workers are independent contractors when they are not. You must comply with the relevant tax-filing for all employees.

## What it means to your business

Payroll year end can be a stressful time of year, but the right payroll solution can really streamline the process. Sage Payroll includes automatic updates to ensure you're always compliant, with direct links to HMRC.

## What it means to your employees

Payroll software will automatically generate HMRC-ready P60s – ready to provide to your employees. It also protects your employees from any unexpected payroll changes or bills. A smooth transition through payroll year end, ensures that employees have the correct deductions and are set up with new tax codes for the forthcoming year.



# National Living Wage

## Compliance summary

The government's National Living Wage was introduced in April 2016 for all working people aged 25 and over. This is in addition to the National Minimum Wage.

Employees need to be aged 25 and over to get the National Living Wage. They must be school leaving age to get the National Minimum Wage. Check the [government website](#) for the latest rates.

## What it means for your payroll

The National Living Wage can impact on a range of issues. Payroll managers will need to ensure that it is built into any forecasting of salary costs and that you keep track of any employees who might move into a different wage rate. This might also impact eligibility for auto-enrolment. Payroll software can identify minimum wage employees, including apprentices, and ensure that you always pay them enough. Intuitive solutions will know when an employee has a birthday that moves them up to the next minimum wage rate so you don't need to manage this manually. If the employee is being paid less than the minimum wage for their age band, you will be prompted to amend the rate.

## Common pitfalls

1. Not identifying staff who are eligible for the new rates.
2. Communicating the changes to staff.
3. Apprentices - they have lower rates of pay for their first year then move to the relevant ages related to the National Minimum Wage or the National Living Wage.

## What it means to your business

According to research by the Resolution Foundation, 6% of employers report that the National Living Wage has increased their wage bill by a large extent, with 21% reporting a small extent. Some 43% don't expect the National Living Wage to ever raise their wage bill.

## What it means to your employees

The National Living Wage provides a direct boost to more than one million workers in the UK. It's a key part of the government's plan to continue to move employees to a higher wage, and give families the security of well-paid work.

Employers reporting a large increase to wage bill due to NLW

6%

Employers reporting a small increase to wage bill due to NLW

21%

Employers who don't expect NLW to impact their wage bill

43%



## Conclusion

For a business to stay productive and successful, it needs to take care of its most important asset, its people. Whether you're a small business, a medium-sized business, or even an accountant or payroll bureau looking for the right solution for your practice, Sage can help you streamline processes, keep data and reports up to date, run accurate and on-time payroll, and meet essential compliance requirements. The result? Happier, more productive teams or clients, and a compliant, well-performing business.



Sage (UK) Limited  
North Park  
Newcastle upon Tyne  
NE13 9AA

[www.sage.com](http://www.sage.com)



©2020 The Sage Group plc or its licensors. Sage, Sage logos, Sage product and service names mentioned herein are the trademarks of The Sage Group plc or its licensors. All other trademarks are the property of their respective owners. NA/WF 183498.