

## Staff Payroll



### SUMMARY

Although it may be very tempting to avoid paying tax and National Insurance contributions for your staff by paying cash in hand, particularly if you are a small business with part-time staff, it is really worth it for you and your employees to do it 'by the book'. The potential costs of being caught out far outweigh any short-term benefits. HMRC are very, very friendly if you approach them for advice and information on getting it right. They're also very, very unfriendly if they approach you because there is a problem! This section of the website gives information on the National Minimum Wage and other issues in relation to paying your staff.

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An important issue in relation to employment is the amount of pay for the job. The National Minimum Wage sets the minimum rate that employees can be paid. Additional information can be obtained from the National Minimum Wage help line 0845 600 0678 (free publications include "National Minimum Wage – a short guide for employers" URN 00/663 and National Minimum Wage – a short guide for employees" URN 00/664)

<http://www.berr.gov.uk/employment/pay/national-minimum-wage/>

For more senior positions you will be offering more than the national Minimum Wage. It is worth considering salary scales with annual increments. It is critically important that all employees feel that they are being paid fairly. Job evaluation provides a systematic and consistent approach to defining the relative worth of jobs within a workplace. Thus, jobs are placed in a rank order according to overall demands placed upon the post-holder and leads to a fair and orderly grading structure. Several techniques of job evaluation have been developed - some involve an examination of jobs according to criteria such as skill, responsibility and working conditions, others are less complex.

Once you have decided how much to pay staff you need to establish processes for paying staff. You will also have to develop systems for paying tax and National Insurance contributions to HMRC. Nearly all employees (apart from contract staff/self employed) are entitled to an itemized pay statement, which shows gross wages with details of deductions (fixed and variable) and the net pay arrived at.

Go to <http://www.berr.gov.uk/employment/employment-legislation/> for further information.



### KEY POINTS

- Paying cash in hand is not worth the hassle
- The minimum rate you can pay is set by the National Minimum Wage
- You may consider job evaluation to ensure that pay for more senior positions is seen to be fair by all employees
- Most employees are entitled to an itemized pay statement identifying gross wages and details of deductions