

Payroll – how to deal with new starters

Introduction

From a payroll perspective, there are various tasks that an employer has to perform when they take on a new starter.

For 2019/20 an employer needs to operate PAYE where the employee earns more than £118 per week (the lower earnings limit for National Insurance purposes). However, if any employees earn more than £118 per week, the employer must comply with RTI and report all payments to employees to HMRC (even those below £118 per week).



Work out what tax code to use

The tax code is fundamental to the operation of PAYE and it is important that the correct tax code is used. To ensure that a new employee is taxed correctly, the employer will need to know the correct tax code to use.

If the employee has a P45 and left their last job in the current tax year, the employer can simply use the code shown on the P45. If the employee left their last job in the 2018/19 tax year, the code on the P45 can be updated by adding 65 to codes ending in L, 59 for codes ending in N and 71 for codes ending in M.

If the employee does not have a P45, the employer will need to ask the employee to complete a new starter checklist.

New starter checklist

The new starter checklist enables the employer to gather information on the new employee. Even if the employee has a P45, it is still useful for the new starter to complete the checklist as it contains information which cannot be gleaned from the P45 (such as the type of loan where the new starter has a student loan which has not been repaid).

As far as establishing which tax code to use, the employee will need to select one of three statements:

- **A:** 'This is my first job since 6 April and I have not been receiving taxable Jobseeker's Allowance, Employment and Support Allowance, taxable Incapacity Benefit, State or Occupational Pension'.
- **B:** 'This is now my only job but since 6 April I have has another job or received taxable Jobseeker's Allowance, Employment and Support Allowance or taxable Incapacity Benefit. I do not receive a State or Occupational Pension.'
- **C:** 'As well as my new job, I have another job or receive a State or Occupational Pension'.

The following table indicates what code should be used for 2019/20 depending on what statement the employee has ticked.

Statement ticked	Tax code to use
A	1250L on a cumulative basis
B	1250L on a Week 1/Month 1 basis
C	BR

Does the employee have a student loan?

The employer will also need to establish whether the employee is making student loan repayments. If the employee has a P45 and is making loan repayments, the student loan box will be ticked. However, the P45 will not provide details of the type of loan. Student loan information can be provided on the new starter checklist, enabling the employer to ascertain whether the employee

has a student loan, and if so what type, and also whether the employee has a post-graduate loan.

Tell HMRC about the new employee

The employer will need to add the new employee to the payroll and also tell HMRC that the employee is now working for the employer. This is done by including the new starter details on the Full Payment Submission (FPS) the first time that the employee is paid.

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