



PayrockPayroll

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MBKB Payroll Factsheet - New Starters

Introduction

There are various tasks an employer must undertake when taking on a new starter and whilst this factsheet focusses on the duties which must be undertaken by payroll, it is helpful for payroll practitioners to understand what other checks must be undertaken before they are able to pay a new starter.

Right to work checks

All employers in the UK have a responsibility to prevent illegal working. They do this by conducting right to work checks before they employ someone, to make sure the individual is eligible to work in the UK. Although these checks are often carried out by HR, it is good practice for payroll practitioners to assure themselves that the checks have been carried out and that the individual they are about to pay does have the right to work in the UK.

Employers who are found to be employing someone illegally and have not carried out the prescribed checks, may face sanctions including a civil penalty of up to £20,000 per illegal worker, and in serious cases, a criminal conviction carrying a prison sentence of up to 5 years and an unlimited fine.

There are two types of right to work checks; a manual check and an online check. Conducting either the manual check or the online check will provide an employer with a statutory excuse if it is later discovered that an individual does not have the right to work in the UK.

If conducting a manual check an employer should:

- Obtain original versions of one or more acceptable documents
- Check the document's validity in the presence of the holder
- Make and retain a clear copy, and record the date the check was made

More information about both the manual and online checks, along with the code of practice, is available on [GOV.UK](https://www.gov.uk)

Operating PAYE

An employer must tell HMRC about the payment of information of all its employees, if at least one employee earns above the Lower Earnings Limit (LEL), even if all other employees earn less than the LEL.

Working out what tax code to use

An employee's tax code tells an employer how much tax to deduct. It is therefore vital that employers obtain information from the new employee so they can work out which tax code to use. Employers will usually get this information from the employee's P45, but if the employee does not have a P45 then they will need to complete a New Starter Checklist. If an employee fails to sign the form or does not return this before the first payment is being processed the employer must apply a 0T tax code.

What is a P45?

When an employee leaves their job it is their employer's responsibility to issue a form P45. The P45 details how much taxable pay the employee has received over the course of the current tax year, along with how much tax has been deducted, the tax code at the time of leaving the employment, the tax period and the date the employment ceased.

The form has four parts - Part 1, Part 1A, Part 2 and Part 3. Part 1 is sent to HMRC, Part 1A is for the employee to keep for their records, and Parts 2 and 3 are for the employee to give to their new employer - or Jobcentre Plus if they aren't working. In each section, the P45 provides a record of how much has been earned and what taxes have been paid.

What is a New Starter Checklist?

If a new employee does not have a P45 the employer should ask them to complete a New Starter Checklist. This form enables an employer to obtain relevant information from the new employee which will enable them to determine which tax code to use. Indeed it would be good practice for employers to ask all new employees to complete a New Starter Checklist as it asks for information which is not included on a P45.

The New Starter Checklist asks an employee to select the relevant statement about their employment arrangements during the current tax year from three options. It also asks for detailed information identifying which type of student loan a new employee may have.

Informing HMRC

Using the information gleaned from the P45 and / or the New Starter Checklist, the employer must inform HMRC that they have a new employee. They do this by adding the employee to the payroll and including them on the Full Payment Submission (FPS) the first time that they are paid. An FPS must be sent to HMRC on or before the date the employees are paid.

More information

You can find information about right to work checks on from the [Home Office](#).

[GOV.UK](#) has detailed information about what to do when you take on a new employee.