

Oury Clark

# How to Get Payroll Right

(and Avoid Fines)





A GUIDE FOR UK BUSINESSES

# How to Get Payroll Right

Managing payroll accurately and efficiently is crucial for any UK business to ensure compliance with legal requirements and avoid costly fines.

This guide provides a practical overview of employer responsibilities, key deadlines, common pitfalls, and a simple setup checklist.

Whether you're running payroll yourself, using a software platform, or looking to switch from a service that's not quite cutting it, this guide will help you spot what's missing and how to get it right.

We offer a **free payroll health check** – quick, no pressure, no obligation.

We'll tell you if there's anything worth fixing.

# Employer Responsibilities

Payroll software doesn't catch everything. And doing it yourself? That's time-consuming and risky.

Whether you're a hands-on founder or using a system that's "mostly working," this is what you are legally obligated to do:

## Your Obligations

### Pay Employees Accurately and On Time

Pay net salaries in line with each employee's contract and pay schedule.

### Keep Accurate Employee Data

Maintain up-to-date records including personal info, pay details, tax codes, and NI categories.

### Issue Payslips

Provide detailed payslips showing earnings and all deductions.

### Comply with HMRC and Pension Rules

Follow Real Time Information (RTI) rules, pension auto-enrolment, and other regulations.

### Protect Employee Data

Stay GDPR-compliant and ensure employee data is securely handled.

### Administer Pensions Correctly

Assess eligibility, enrol employees, provide communications, and calculate contributions accurately.

### Report and Pay to HMRC on Time

Submit RTI files and pay PAYE and NI liabilities by each month's due date.

### Common Misunderstandings:

- Incorrectly applying parental pay recovery
- Overlooking eligibility for Employment Allowance
- Forgetting to deduct Apprenticeship Levy (when applicable)
- Applying incorrect Tax Codes or NI letters

# Key Deadlines



## HMRC Deadlines:

- **FPS (Full Payment Submission):** On or before pay date for each employee payment
- **EPS (Employer Payment Summary):** By the 19th of the following tax month
- **PAYE/NIC Payments:** By the 22nd (electronic) or 19th (cheque) of the following month
- **P60s:** By 31st May for all employees employed on 5th April
- **P45s:** For all leavers

## Pension Deadlines:

- **Contributions:** Pay to provider by the 22nd of the following month
- **Declaration of Compliance:** Within 5 months of duties start date
- **Re-enrolment:** Every 3 years with a 6-month window
- **Re-declaration:** Within 5 months of re-enrolment

## Penalties for Late Filing or Payment:

### HMRC:

- Late RTI = Fixed monthly penalties (£100–£400 depending on number of employees)
- Late PAYE = 1–4% of unpaid liability (plus 5% extra at 6 and 12 months overdue)

### Pension Regulator (TPR):

- Missed declarations or payments = £400 fixed penalty
- Continued non-compliance = Daily fines of £50 to £10,000

Wondering what half these abbreviations mean?

There's a glossary at the end. But if you're looking things up, that's probably a sign you need Oury Clark.

# Common Pitfalls

## (And How to Avoid Them)

Even with software in place, payroll errors happen, especially when the setup isn't quite right or updates are missed. Here are the issues we see most, and how to stay on the right track.



## 1. Missing the Employment Allowance

Many businesses are eligible for the £5,000 Employment Allowance but fail to claim it - often because they've never been told it exists.

**How to avoid it:** Check your eligibility and confirm your software is submitting the EPS correctly.




**Real-world example:** We secured backdated refunds of £7,000 and £18,000 for two clients whose software wasn't set up to claim the allowance.



## 2. Incorrect National Insurance Category

Using the wrong NI letter can result in incorrect contributions. Most software won't flag this.


**How to avoid it:** Review employee categories regularly, especially when onboarding or after changes in age or employment status.

 **Real-world example:** One employee was on the reduced-rate 'B' category - wrongly. We spotted it, flagged it, and resolved it before HMRC intervened.

## 3. Tax and NI Treatment of Gross Pay

Incorrectly classifying earnings (like bonuses or expenses) can skew PAYE, NI, and reporting.

**How to avoid it:** Check each pay item is correctly treated in the system. Don't rely solely on default settings.

 **Real-world example:** A payroll review revealed bonus payments had been set up as non-taxable. We corrected the treatment in the first payroll run and resolved the compliance issue, bringing the payroll back into line with HMRC requirements.



**Not sure if your current payroll setup is working as well as it should?**

We offer a free payroll health check. We'll take a quick look - no pressure, no obligation - and let you know if there's anything worth fixing.

#### 4. Incorrect Handling of Payrolled Benefits

Some benefits incur Employer NI only but are mistakenly set up to deduct from employees.

**How to avoid it:** Review your payrolling setup for each benefit and check if deductions are being taken when they shouldn't.



**Real-world example:** We corrected a client's setup where staff were incorrectly charged National Insurance on company cars.

#### 5. Confusion Around Pension Setup

Pension deductions can be calculated in several ways. The wrong method affects tax and NI for all involved.

**How to avoid it:** Understand the difference between net pay, relief at source, and salary sacrifice and choose the most efficient.



**Real-world example:** We helped a client switch to salary sacrifice and deliver savings across the board.

#### 6. Incorrect Pay Frequency Setup

Weekly pay, monthly reporting? That's a mismatch that causes chaos in reporting and employee records.

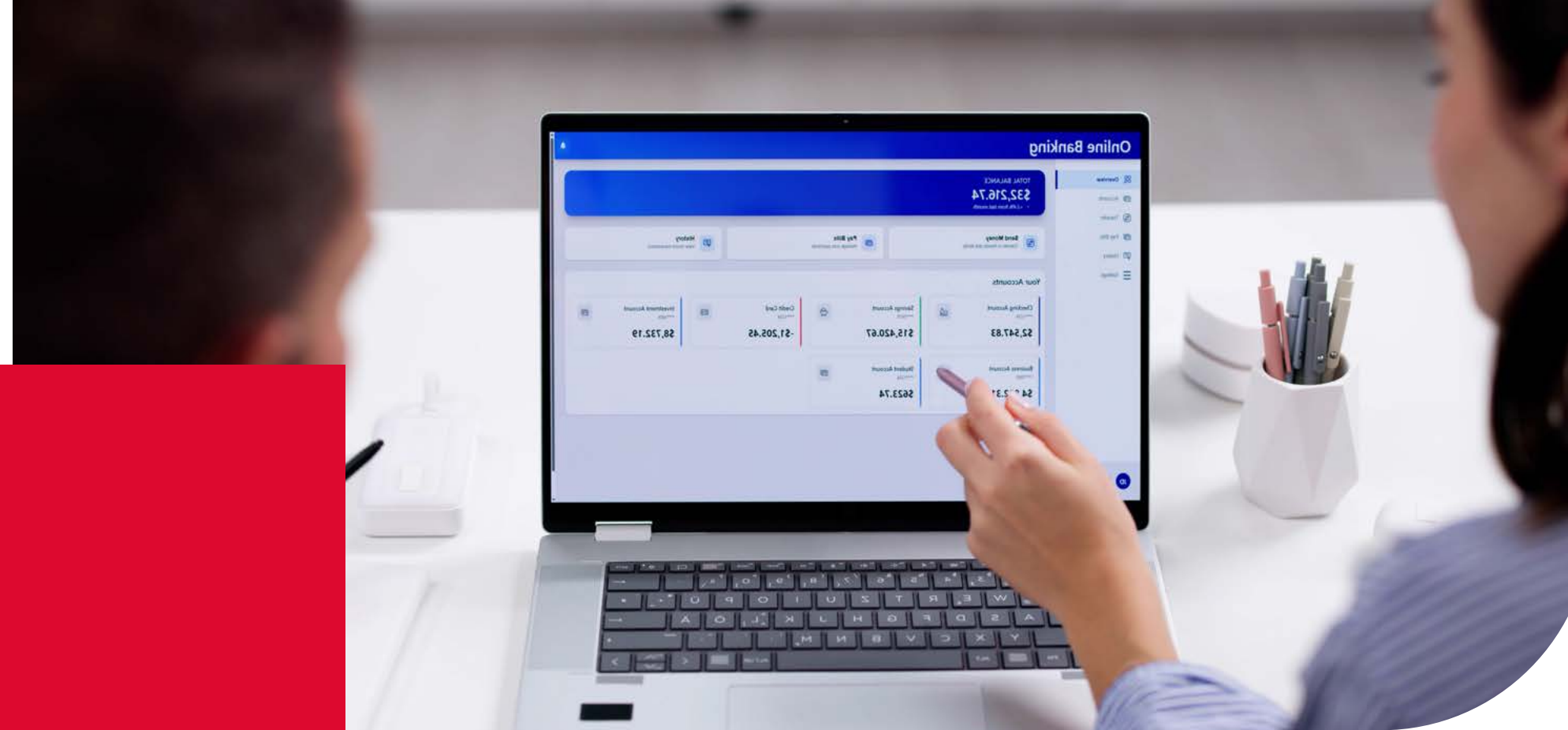
**How to avoid it:** Align your reporting schedule to your pay frequency or get advice before changing it.



**Real-world example:** One client's weekly staff had mismatched payslips due to monthly submissions. We corrected it and realigned the system.

# Simple Setup Checklist

A quick checklist if you're starting fresh, switching providers, or just want to make sure nothing's been missed:



## Your Checklist

Choose your payroll software or outsourced provider

Register for a PAYE scheme with HMRC (allow a few weeks for references)

Set up your pension scheme and decide if you'll use salary sacrifice

Collect employee contracts, data, and agreed pay terms

Prepare your first payroll run – check references, codes, and contributions

Review payroll for accuracy

Confirm eligibility for Employment Allowance

Make payments and issue payslips

Submit FPS (and EPS if claiming Employment Allowance)

Pay PAYE/NIC by the 22nd of the following month

COMPARING OPTIONS:

# DIY vs Oury Clark



Remember, payroll software doesn't always flag when the wrong NI category is selected, it just processes what's entered.

We've seen this error go unnoticed for years. Some systems also apply default settings for pension deductions, so if you're not confident choosing the method, you could be missing out on major savings.

You can try and figure it all out yourself or you can let Oury Clark Payroll sort it out.



What You Get	Doing it Yourself	Using Payroll Software	Oury Clark Payroll
RTI Submissions and Payslips	✓	✓	✓
Ongoing Compliance Checks	✗	✗	✓
Real People to Speak To	✗	Sometimes	✓
Pension Scheme Guidance	✗	✗	✓
Error Detection and Fixes	✗	✗	✓
Tailored Support for Directors/Freelancers	✗	✗	✓
Backdated Claims and Allowance Checks	✗	✗	✓
Peace of Mind	✗	Sometimes	✓

# Glossary

**RTI (Real Time Information):** The system HMRC uses for employers to report payroll data every time employees are paid.

**FPS (Full Payment Submission):** A report submitted to HMRC on or before an employee is paid, detailing gross pay, deductions, and tax codes.

**EPS (Employer Payment Summary):** A monthly submission used to claim things like Employment Allowance or recover statutory payments.

**NI (National Insurance):** Contributions taken from employee pay and paid by employers to fund state benefits.

**PAYE (Pay As You Earn):** The system through which income tax and NI are deducted from salaries.

**Salary Sacrifice:** A pension contribution arrangement where employees agree to reduce their gross pay in exchange for pension contributions, providing tax and NI savings.

**Relief at Source:** A pension tax relief method where contributions are deducted from net pay and the pension provider claims tax relief directly from HMRC.

**P60:** An annual summary of an employee's total pay and deductions for the year.

**P45:** A document given to an employee who leaves a job, showing pay and tax paid to date.

At Oury Clark, we don't just press buttons; we advise, check, fix, and simplify.

From salary calculations and HMRC reporting to pension admin and beyond, we make payroll painless.

Whether you're new to payroll, stuck with clunky software, or fixing inherited issues, we're here to help.

**Need help with payroll?**

**Contact us today:**

**+44 (0) 1753 551111 | [payroll@ouryclark.com](mailto:payroll@ouryclark.com)**

