

# Taking on an Employee



This factsheet is designed to explain the main areas to think about when taking on an employee in your business.

## Employers' Liability Insurance

The Employers' Liability (Compulsory Insurance) Act 1969 ensures that you have at least a minimum level of insurance cover against any claims made by your employees.

Employers are responsible for the health and safety of their employees while they are at work. Your employees may be injured at work or they, or your former employees, may become ill as a result of their work while in your employment. They may try to claim compensation from you if they believe you are responsible.

You can find out further details of this at the Insurance Shop at <http://www.shop.nixonwilliams.com>

## Remuneration

The majority of the additional employees for small limited companies are for general bookkeeping or administration work. For the expense of an additional employee to be allowable for corporation tax purposes it must be 'wholly and exclusively' for business use which basically means that the remuneration package as a whole must be at a reasonable market level for the work that is being completed. As a general guide, you should ensure you would be happy proving that the remuneration package is at a general market level.

Items that would form a remuneration package are as follows:

- Basic salary
- Bonus payments
- Pension Contributions
- Benefit in kind i.e. company cars, medical insurance etc
- Tax exempt benefits i.e. mobile phone, childcare etc
- Any other transaction that is a reward for service.

On the whole, there is generally not much bookkeeping or administration work to be done, maybe only a couple of hours a month. So, at say £10 per hour this would equate to just £20 per month (£240 annually) so is it really worth the effort of taking on the extra employee, especially when the possible extra costs of employers liability insurance are taken into account.

## Employers NIC

You should not only consider the cost of salary for the employee but also additional employers NIC that may be liable, i.e. an employee who receives a £12,000 annual salary would have additional employers NIC liability to your company of around £623 (based on tax year 2012/13). Therefore the actual cost to the business is £12,623, plus the cost of the employers' liability insurance.

## Increased accountancy fees?

If having the new employee will result in additional invoices and or expenses being raised through your company then our monthly accountancy fee would increase (currently by £25+VAT per month) to reflect the additional work.

## Information we require

In order to add a new employee to the payroll of your company we will need the following information:

- P45 / P46 for the new employee - this enables us to make sure the correct tax is being deducted from the salary
- Name, address, date of birth and national insurance number of the new employee would also be required
- Details of the desired salary level that the new employee will receive, please note the above points in relation to being in line with the duties that will be carried out.

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