

## PAYE Implementation & FAQs

The prime intention of the new HM Revenue & Customs (HMRC) guidance is to set out the correct tax and NIC treatment of the earnings of parish and community council clerks. The HMRC guidance is not a consultation and the Society of Local Council Clerks (SLCC) has worked extensively with the National Association of Local Councils (NALC) and One Voice Wales (OVW) and HMRC to make sure that the guidance was fair to all councils regardless of size and number of employees. HMRC will be undertaking checks during the tax year 2011-12 to ensure that Councils are operating PAYE.

The issuing of the new guidance has generated some questions from clerks and the SLCC has collated these and sought the correct answers from the HMRC Policy Unit.

### 1. I don't earn enough to pay tax & NIC – does my Council have to register?

*You may have income from other sources such as a pension, taxable state benefits or earnings from another employment. These are all income and your Council still needs to register as an employer so that HMRC can collect the tax due on your earnings as a clerk. Exceptionally if the income from your work as a clerk is your sole source of income and less than £5304 per year (the National Insurance Lower Earnings Limit) and you have absolutely no other sources of income your council may agree with HMRC that they do not need to register however they will need to ensure that they keep this under review should circumstances change e.g. you get another job, a new clerk is appointed so that they do not become liable for any underpayment of tax & NIC.*

### 2. The HMRC website says “You don't necessarily need to register as an employer once you take someone on.” So why does my Council have to register? The Practitioners Guide agrees with this.

*This guidance is specific to parish & community councils and supersedes the advice in the Practitioners Guide. Your Council has to register where **any** of the following apply:*

- *The Clerk already has another job*
- *The Clerk is receiving either a state or an occupational pension*
- *The Clerk is being paid at or above the PAYE threshold*
- *The Clerk is being paid at or above the National Insurance Lower Earnings Limit*
- *The Clerk is being provided with employee benefits*
- *The Clerk is in receipt of taxable state benefits*

*Once the Council has registered the Clerk must complete form P46 to inform HMRC of this so that the correct tax code is issued. Form P46 is included in the New Employers Starter pack and is also available online here: <http://www.hmrc.gov.uk/forms/p46.pdf>.*

### **3. Does my Council have to pay me the National Minimum Wage?**

*Yes – clerks are employees and entitled to the National Minimum Wage. Rates of pay for clerks have been agreed by SLCC & NALC under the national terms and conditions agreement. Details are available from the SLCC Advisory Service and County Associations.*

### **4. What will happen to my tax code once my Council has registered?**

*HMRC will apportion your tax allowance to ensure that you do not under or over pay tax. They will notify the Council which tax code to use. This may mean you pay more tax via your main employer.*

### **5. Councils have to make online returns and electronic payments – how do I do this?**

*If the Council does not have access to a computer it may choose to use an agent or specialist payroll bureau to carry out online filing. Electronic payments can be made over the counter of most high street banks and post offices.*

### **6. I rang HMRC when I became a clerk and they wrote to me saying I am self employed and I can report my income on my self assessment form each year.**

*This arrangement is void. The Council must operate PAYE on the income it pays the Clerk and Employers National Insurance Contributions may be due from the Council. You will need to enter your P60 information from the Council onto the employment pages of your self assessment form. It is possible that the Clerk will no longer need to complete Self Assessment tax returns; however this depends on your particular circumstances so you will need to discuss this with your tax office.*

### **7. What is the best way to contact the HMRC and register?**

*Using the online option to register by email on the HMRC website <http://www.hmrc.gov.uk/payee/intro/register-email.htm#6> choosing the sole trader option at the bottom of the webpage.*