UK - Small Business Compliance: Play Book

Version 1.0

——------------------🪷——-------------------

📳 +1 7738854084 📩 ganesh@klgworld.com 🔗Ganesh Kumar (CA I CMA I IFRS)
🌐www.klgworld.com 📍 5445 N Sheridan Rd, Chicago, IL 60640

UK - Small Business Compliance: Play Book

Prepared By: GaneshKumar Last Updated Date: Jun 13th, 2025

Background: Ensuring comprehensive compliance for our small business clients is a cornerstone of our service. The dynamic nature of UK tax and administrative regulations necessitates a robust and up-to-date internal framework. This guide serves as our essential checklist, meticulously detailing the critical VAT, Corporation Tax, and PAYE requirements, alongside other crucial HMRC considerations, to guarantee that every small business client consistently meets their obligations and benefits from effective tax management.

Definitions:

A. **HMRC** stands for His Majesty's Revenue and Customs. It is the UK government's tax, payments, and customs authority.
B. **VAT** stands for Value Added Tax. It is a consumption tax levied on most goods and services sold by businesses that are registered for VAT. In the UK, it's a tax on domestic consumption, meaning it's generally applied to goods and services bought and sold within the UK, and on imports.
C. **MTD** stands for Making Tax Digital. It's a major UK government initiative led by HMRC to modernise and digitalise the UK tax system.
D. **FRS** stands for Flat Rate Scheme. This is a simplified VAT accounting scheme designed to reduce the administrative burden for small businesses.
E. **TOMS** stands for Tour Operators Margin Scheme. It's a special VAT accounting scheme designed to simplify the VAT treatment for businesses that buy in and resell certain travel services.
F. **Tapering** means that a tax allowance or relief is gradually reduced or completely removed once a taxpayer's income (or other relevant financial metric) exceeds a

specific, higher threshold. In simple terms it is an allowance once exempted is fully taxed.

G. **PAYE** (Pay As You Earn) is the UK system where employers deduct Income Tax and National Insurance directly from employees' wages or salaries before they are paid, and then pass these deductions on to HMRC.
H. **FPS** (Full Payment Submission): This is "we've paid our employees" report. You send it to HMRC every time you pay staff, telling them what each employee earned and how much tax and National Insurance was deducted. It's usually sent on or before payday.
I. **EPS** (Employer Payment Summary): This is your "here are our special adjustments" report. You only send this to HMRC if you need to tell them something extra that changes how much you owe, like claiming back statutory pay (e.g., sick pay or maternity pay) or if you didn't pay any employees that month. It's sent less frequently than an FPS.

VAT Requirements:

Value Added Tax (VAT) is a consumption tax levied on goods and services.

1. **VAT Registration: Applicability and Annual Turnover Threshold**
   - **Applicability:** You **must** register for VAT if:
     - Your total **taxable turnover** for the last 12 months (on a rolling basis, not a fixed accounting year) goes over the **VAT threshold**, which is currently **£90,000**.
     - You expect your taxable turnover to go over £90,000 in the next 30 days.
     - You are based outside the UK and supply any goods or services to the UK.
   - **Taxable Turnover:** This includes the total value of everything you sell that is not VAT exempt or "out of scope" goods and services. It includes standard-rated, reduced-rated, and zero-rated goods and services.
   - **Registration Deadline:** If you exceed the threshold, you must register within 30 days of the end of the month when you went over. Your effective date of registration is the first day of the second month after you go over the threshold. If you expect to exceed the threshold in the next 30 days, you must register by the end of that 30-day period, and your effective date of registration is the date you realised you would exceed it.
   - **Voluntary Registration:** Businesses with turnover below the threshold can choose to register voluntarily. This can be beneficial if your business primarily

makes VAT-able sales and incurs significant input VAT on its purchases, allowing you to reclaim this VAT.
   - **Late Registration:** Failing to register on time can lead to penalties and you'll still be liable for VAT on sales made since the date you should have registered.
   - **Deregistration Threshold:** You can deregister for VAT if your taxable turnover falls below the deregistration threshold, currently **£88,000**.
2. **VAT Rates: Different Sales**
   - The UK has three main VAT rates:
     - **Standard Rate (20%):** This is the default rate for most goods and services.
     - **Reduced Rate (5%):** Applies to certain goods and services, such as children's car seats and domestic fuel.
     - **Zero Rate (0%):** Applies to items like most food, children's clothes, books, and public transport. While VAT is charged at 0%, businesses can still reclaim input VAT on related purchases.
   - **Restaurant Sales (Food and Drink):**
     - **Standard Rate (20%):** Generally applies to food and drink consumed on the premises. This includes items that would be zero-rated if sold for takeaway (e.g., cakes, plain biscuits, fruit, vegetables, bread).
     - **Hot Takeaway Food and Drinks:** Always subject to the standard rate of 20%. This includes items advertised as hot (e.g., "freshly baked" or "roasted").
     - **Cold Takeaway Food and Drinks:** Generally zero-rated (0%), with exceptions. Food items requiring further preparation by the customer (e.g., reheating) are usually zero-rated.
     - The distinction between "eat-in" and "takeaway," and the temperature of the food, are crucial in determining the correct VAT rate for restaurants and cafes.
3. **VAT Returns: VAT Returns Frequency and Forms**
   - **Frequency:** Most VAT-registered businesses typically submit VAT Returns to HMRC every **3 months**. This is known as your 'accounting period'.
   - **Deadlines:** The deadline for submitting your return online and ensuring payment clears HMRC's account is usually one calendar month and 7 days after the end of your accounting period.
   - **Forms:** VAT returns are submitted online, usually through Making Tax Digital (MTD) compatible software. The main form is the **VAT100**, which is effectively generated by your software. It requires you to report:
     - Output VAT (VAT charged on sales).
     - Input VAT (VAT paid on purchases).

        - Total sales and purchases.
        - Any adjustments.
    - **Mandatory Submission:** Even if you have no VAT to pay or reclaim for a period, you must still submit a VAT Return.
4. **Input VAT Recovery: Input VAT Claim Rules on Business Expenses**
    - **Eligibility:** Only VAT-registered businesses can reclaim input VAT.
    - **General Rule:** You can generally reclaim VAT on goods and services purchased for your business use. This is called 'input VAT'.
    - **Key Conditions for Recovery:**
        - The expense must be **wholly and exclusively for business purposes**.
        - You must hold a **valid VAT invoice** for the purchase.
        - The supplier must be VAT-registered.
    - **Common Exceptions and Specific Rules:**
        - **Personal Expenses:** You cannot reclaim VAT on goods or services used for personal purposes.
        - **Entertainment:** Generally, you cannot reclaim VAT on business entertainment expenses.
        - **VAT-Exempt Goods/Services:** If your business makes VAT-exempt supplies (e.g., insurance, financial services, education), you may not be able to reclaim all your input VAT (this is known as partial exemption).
        - **Cars:** You can usually only reclaim VAT on the purchase of a car if it is used 100% for business purposes (e.g., a taxi, driving instructor's car). If there is any private use, you generally cannot reclaim the VAT.
        - **Fuel:** If you use your car for both business and private mileage, you can reclaim VAT on the business fuel, but you must either keep detailed mileage records or apply HMRC's 'fuel scale charges' to account for the private use.
        - **Goods taken for personal use:** If you take goods from your business for personal use, you must account for output VAT on them.
        - **Pre-registration expenses:** You can sometimes reclaim VAT on goods bought up to 4 years before VAT registration and services bought up to 6 months before VAT registration, provided they are still used in your business and relate to taxable supplies you now make.
    - **Record Keeping:** It's vital to keep accurate records, including all purchase and sales invoices (both paper and digital), bank statements, and details of goods taken for personal use, as HMRC can request proof at any time.
5. **Special Schemes: Applicable Schemes like Flat Rate Scheme (FRS) or the Tour Operators Margin Scheme (TOMS)**
    - **Flat Rate Scheme (FRS):**

        - **Purpose:** A simplified VAT scheme for small businesses that makes calculating VAT easier. Instead of calculating output VAT on every sale and input VAT on every purchase, you pay a fixed percentage of your gross (VAT inclusive) turnover to HMRC.
        - **Eligibility:** You can join if you're a VAT-registered business and expect your VAT taxable turnover to be £150,000 or less (excluding VAT) in the next 12 months.
        - **How it works:** You charge customers the standard VAT rate (20%) but pay a lower flat rate percentage (which varies by business sector) of your total VAT-inclusive turnover to HMRC. You generally cannot reclaim input VAT on purchases, with a few exceptions (e.g., capital assets over £2,000).
        - **Limited Cost Business Rule:** If your business spends less than 2% of its turnover on "relevant goods" (or less than £1,000 a year if this is more than 2%), you are considered a "limited cost business" and must use a higher flat rate of 16.5%. This means FRS is often not beneficial for service-based businesses with few goods purchases.
        - **First Year Discount:** You get a 1% discount on your flat rate in your first year of VAT registration.
        - **Leaving the scheme:** You must leave the scheme if your total VAT-inclusive turnover in the last 12 months exceeded £230,000, or you expect it to exceed £230,000 in the next 30 days.
    - **Tour Operators' Margin Scheme (TOMS):**
        - **Purpose:** A special VAT accounting scheme designed for businesses that buy in and resell travel services (e.g., accommodation, transport) as a package.
        - **Applicability:** Applies to tour operators, travel agents, and other businesses that package and sell travel services where they act as principal (i.e., they buy and sell the services in their own name).
        - **How it works:** Under TOMS, VAT is only charged on the **profit margin** made on the package, rather than on the full selling price. This simplifies VAT accounting as businesses don't need to account for VAT on each individual component of the travel package.
        - **Input VAT Block:** A key consequence of TOMS is that businesses generally cannot reclaim input VAT on the travel services they buy in from other suppliers, as this VAT is already accounted for within the margin scheme.
        - **Complexity:** TOMS is complex and has specific rules depending on whether the services are supplied to business or private customers, and

where the travel takes place.

💡 **VAT Compliance Documents check List:**

Description	**Applicability**	**Availability**	**Comments**
VAT Registration Documents:			
• VAT Registration Certificate (if applicable)	Yes / No		
• Confirmation of VAT Scheme used (Standard, Flat Rate, Cash Accounting, TOMS, etc.)	Yes / No		
• Correspondence with HMRC regarding VAT registration/deregistration	Yes / No		
VAT Returns and Reconciliations:			
• Submitted VAT Returns (VAT100) for the relevant period.	Yes / No		
• Underlying VAT reports from accounting software	Yes / No		
• VAT calculation workings (e.g., reconciliation of sales/purchases to VAT returns)	Yes / No		
• VAT account reconciliation (showing VAT control account balance matching VAT due/reclaimable)	Yes / No		
VAT Transaction Documents:			
• Sample of sales invoices (to verify correct VAT application and invoice format).	Yes / No		
• Sample of purchase invoices (to verify valid VAT invoices for input VAT recovery).	Yes / No		
• Records of any adjustments made (e.g., partial exemption calculations, capital goods scheme adjustments, fuel scale charges).	Yes / No		

• Details of imports and exports (with supporting customs documentation if applicable).	Yes / No		
• Evidence for zero-rated or exempt supplies (e.g., certificates, specific contracts).	Yes / No		

Tax Requirements

1. **Corporation Tax: Different Tax Return Types**
   - **Corporation Tax Returns (CT600):** This is the tax return form for **limited companies** and other organisations (like clubs, societies, associations) that pay Corporation Tax on their profits. A Company Tax Return includes the CT600 form, supplementary pages, the company's accounts, and tax computations. Companies must file a CT600 even if they have no Corporation Tax to pay.
   - **Individuals (SA100 - Self Assessment):** This is the main tax return for **individuals**, including:
     - Sole traders (self-employed).
     - Partners in a partnership.
     - Individuals with other untaxed income (e.g., rental income, significant savings interest, dividends).
     - Company directors (unless all income is taxed via PAYE and no benefits in kind).
     - Those with Capital Gains Tax to pay.
     - Individuals whose income exceeds certain thresholds or who have complex tax affairs.
   - **Partnership (SA800):** This is the tax return form for partnerships. The partnership itself files an SA800, which declares the partnership's income and how it's allocated among the partners. Each individual partner then includes their share of the partnership profits on their personal SA100 Self Assessment tax return.
2. **Tax Computations: Thresholds for Return Filing, Deductions, Exemptions, Schemes etc.**
   - **Tax Year:** The UK tax year runs from 6 April to 5 April.

- **Income Tax (for individuals/sole traders/partners):**
  - **Personal Allowance:** The amount of income you can earn in a tax year before paying Income Tax. For 2024/25 and 2025/26, this is £12,570. The Personal Allowance reduces for high earners, being tapered away(gradually decrease) if your income is over £100,000, and is zero if your income is £125,140 or more.
    - The Tapering Rate: For every £2 that adjusted net income is above £100,000, the Personal Allowance is reduced by £1.
    - This tapering mechanism creates a significant marginal tax rate for income falling within the £100,000 to £125,140 band. For every additional £1 earned in this band, it is **taxed at the 40%** higher rate of Income Tax.
  - **Tax Bands (England, Wales, and Northern Ireland):**
    - Basic Rate (20%): £12,571 - £50,270
    - Higher Rate (40%): £50,271 - £125,140
    - Additional Rate (45%): Over £125,140
  - **Scottish Income Tax:** Scotland has different income tax rates and bands.
    - Up to £12,570 0% Personal Allowance
    - £12,571 to £14,876 19% Starter rate
    - £14,877 to £26,561 20% Basic rate
    - £26,562 to £43,662 21% Intermediate rate
    - £43,663 to £75,000 42% Higher rate
    - £75,001 to £125,140 45% Advanced rate
    - Over £125,140 48% Top rate
  - **Deductions & Exemptions:**
    - **Allowable Expenses:** Sole traders and partnerships can deduct a wide range of business expenses (e.g., office costs, travel, marketing, professional fees) to reduce their taxable profits.
    - **Trading Allowance:** A £1,000 tax-free allowance for self-employment income (or property income). If your gross income from these sources is £1,000 or less, you don't need to declare it to HMRC.
    - **Capital Allowances:** Businesses can claim capital allowances on qualifying assets (e.g., machinery, equipment, vehicles) purchased for business use, allowing them to deduct a portion of the asset's cost from their profits each year.
    - **Pension Contributions:** Personal and employer pension contributions can provide tax relief.
    - **Gift Aid:** Donations to charity under Gift Aid can extend your basic and higher rate tax bands.

    - **Return Filing Thresholds (Self Assessment):** You usually need to file a Self Assessment tax return if:
        - You are self-employed with gross income over £1,000.
        - You are a partner in a partnership.
        - You have untaxed income over £2,500.
        - You have rental income from property over £10,000 (gross) or £2,500 (net).
        - Your PAYE income is over £100,000.
        - You need to pay the High Income Child Benefit Charge.
        - You have Capital Gains Tax to pay.
- **Corporation Tax (for limited companies):**
    - **Taxable Profits:** Corporation Tax is charged on a company's taxable profits, which include trading profits, investment income, and capital gains.
    - **Tax Rates:** The main rate of Corporation Tax in the UK is currently **25%** for companies with profits over £250,000. A small profits rate of **19%** applies to companies with profits of £50,000 or less. There's a tapering relief for profits between £50,001 and £250,000.
        - Instead of a sudden jump from 19% to 25% when profits hit £50,001, Marginal Relief ensures a smooth transition. The effect is that **profits within this "tapering band"** are effectively taxed at a marginal rate of **26.5%.** This means that for every additional £1 of profit earned within this band, the company's overall tax liability increases by £0.265.
    - **Deductions & Exemptions:** Companies can deduct legitimate business expenses when calculating their taxable profits. This includes salaries, rent, utility bills, travel costs, and capital allowances on qualifying assets.
    - **Loss Relief:** Companies can claim relief for trading losses, which can be offset against other profits or carried back/forward to reduce tax liabilities.
    - **Research & Development (R&D) Tax Credits:** Significant relief is available for companies undertaking qualifying R&D activities, particularly beneficial for small and medium-sized enterprises (SMEs).
    - **Annual Investment Allowance (AIA):** Allows businesses to deduct the full value of qualifying plant and machinery up to a certain limit (currently £1 million) from their profits in the year of purchase.
    - **Corporation Tax Payments:** Companies pay their Corporation Tax in installments if their profits exceed certain thresholds (£1.5 million or more for a single company). Smaller companies generally pay within 9 months

and 1 day after the end of their accounting period.

💡 **Tax Compliance Documents check List:**

[Corporation Tax (for Limited Companies) / Self Assessment (for Sole Traders/Partnerships)]

Description	Applicability	Availability	Comments
Tax Returns:			
• Submitted Company Tax Returns (CT600) and computations (for limited companies).	Yes / No		
• Submitted Self Assessment Tax Returns (SA100) for individuals, including supplementary pages (SA101, SA102, SA105, SA108, etc.) (for sole traders/partners).	Yes / No		
• Submitted Partnership Tax Returns (SA800) (for partnerships).	Yes / No		
Tax Computations & Supporting Workings:			
• Detailed tax computations showing adjustments from accounting profit to taxable profit.	Yes / No		
• Capital allowances calculations and supporting asset purchase invoices.	Yes / No		
• Loss relief claims (if applicable).	Yes / No		
• Research & Development (R&D) tax credit claims and supporting documentation (project details, cost breakdown, technical justification).	Yes / No		
• Loan relationships and derivative contract schedules.	Yes / No		
• Dividend vouchers/records (for limited companies).	Yes / No		

• PAYE Settlement Agreements (PSAs) if applicable.	Yes / No		
Payment Records:			
• Proof of Corporation Tax payments to HMRC.	Yes / No		
• Proof of Income Tax and NICs payments on account (for Self Assessment).	Yes / No		

PAYE Requirements

Pay As You Earn (PAYE) is HMRC's system to collect Income Tax and National Insurance Contributions (NICs) from employment.

1. **PAYE Registration: Registration Requirements for PAYE**
    - **Applicability:** If you employ one or more staff in the UK earning above the Lower Earnings Limit (LEL) (currently £123 per week for 2024/25), you are obliged to register as an employer with HMRC to operate a PAYE scheme.
    - **Directors:** If a company director is a UK resident and takes more than the LEL as a salary or benefits, the company must also register for PAYE. Directors who only take dividends do not need to be in a PAYE scheme.
    - **Information Required:** To register, you'll need details such as your company name and number (if applicable), business trading address, description of activities, number of employees, and the date of the first payday. HMRC will then provide you with a PAYE reference number.
2. **Employee Data: Rules for Maintenance of Employee Data, including Personal Details, Tax Codes, and Payment Information**
    - **Mandatory Data:** Employers must maintain accurate records for each employee, including:
        - Full name, address, and National Insurance (NI) number
        - Date of birth and gender
        - Start and (if applicable) leave dates.
        - Tax code (e.g., 1257L for the standard Personal Allowance)
        - National Insurance category letter
        - Gross pay, deductions (Income Tax, NI, student loan repayments, pension contributions), and net pay
        - Statutory payments (e.g., Statutory Sick Pay, Statutory Maternity Pay)

        - Pension scheme details
        - P45s (from previous employment) and P60s
        - Real Time Information (RTI) submissions (FPS, EPS)
    - **Record Retention:** Payroll records must be kept for at least **3 years** from the end of the tax year they relate to. Many employers choose to keep them for 6 years to align with the Limitation Act, which allows legal claims within that timeframe.
    - **GDPR Compliance:** Payroll data is personal data under the General Data Protection Regulation (GDPR). Employers must ensure data is stored, processed, and disposed of securely. Key principles include:
        - **Lawful basis:** Legitimate reason for data collection (e.g., legal obligation).
        - **Storage limitation:** Data kept no longer than necessary.
        - **Data security:** Protection against unauthorised access, loss, or breaches.
        - **Employee rights:** Employees can access, correct, or request deletion of their data.
3. **Payroll Processing: Payroll Related Procedures and Compliance like Tax Deductions, National Insurance Contributions (NICs), and Other Deductions.**
    - **Regular Payroll Runs:** Payroll must be processed regularly (e.g., weekly, fortnightly, monthly).
    - **Gross Pay Calculation:** Calculate employees' gross pay, including salary, wages, bonuses, and any other taxable benefits.
    - **Statutory Deductions:**
        - **Income Tax (PAYE):** Deduct Income Tax based on the employee's tax code and earnings.
        - **National Insurance Contributions (NICs):** Deduct employee's Class 1 NICs and calculate employer's Class 1 NICs based on earnings thresholds and NI category letter. Employers must pay both employee and employer NICs to HMRC.

          Key Thresholds (for 2024-2025 Tax Year - per week / per month / per year)

          - Lower Earnings Limit (LEL): £123 / £533 / £6,396 Earnings below this mean no NICs are actually paid, but the employee is treated as having paid them for benefit purposes (provided they earn at or above LEL).
          - Primary Threshold (PT): £242 / £1,048 / £12,570 Employees start paying NICs on earnings above this threshold.
          - Secondary Threshold (ST): £175 / £758 / £9,100 Employers start paying NICs on earnings above this threshold.

- Upper Earnings Limit (UEL): £967 / £4,189 / £50,270 The main rate of employee NICs applies up to this limit; a lower rate applies above it.

For employers, the main rate typically applies across all earnings above their threshold, but some categories have different upper thresholds.

When running UK payroll, every employee falls under a National Insurance (NI) category letter that determines their and your employer's contribution rates. Most employees are under Category A, the standard rate. Other common letters include C for those over State Pension age (who don't pay NI themselves), and H for apprentices under 25 or M for employees under 21, both of which offer employer NI savings. Less frequently, you might see B for certain married women with reduced rates, J for those deferring NI from another job, or X for employees not liable for NI at all. Additionally, specific categories like V for veterans and letters for Freeport (F, I, L, S) or Investment Zone (N, E, D, K) employees provide targeted employer NICs relief in special circumstances.

  - **Student Loan Repayments:** If applicable, deduct student loan repayments based on employee earnings and loan plan type.
  - **Pension Contributions:** Deduct employee pension contributions (if applicable, especially for auto-enrolment).
- **Other Deductions:**
  - **Attachment of Earnings Orders:** Deductions mandated by courts (e.g., for child maintenance, unpaid fines).
  - **Voluntary Deductions:** Deductions agreed with the employee (e.g., trade union subscriptions, workplace savings schemes).
- **Payslips:** Provide employees with a payslip on or before payday, detailing gross pay, deductions, and net pay.
- **HMRC Payment:** Remit all PAYE (Income Tax and NICs) deducted from employees, plus employer NICs, to HMRC by the 22nd of the next tax month if paying monthly (or 19th if paying by post).

4. **FPS and EPS: Filing Requirements for Full Payment Submissions (FPS) and Employer Payment Summary (EPS) when required.**
   - **Real Time Information (RTI):** UK payroll operates under the RTI system, meaning employers report payroll information to HMRC "in real time."
   - **Full Payment Submission (FPS):**
     - **What it is:** The primary RTI submission, sent to HMRC **on or before** every payday.
     - **What it includes:** Employee earnings, Income Tax and NICs deducted, student loan and pension deductions, statutory payments, and employee

start/leave dates or tax code changes.
    - **Importance:** Timely and accurate FPS filings are critical. Late or incorrect submissions can lead to penalties and affect employee tax codes and benefits.
  - **Employer Payment Summary (EPS):**
    - **When it's sent:** An EPS is sent when you need to report adjustments or additional information not covered in the FPS, or if you didn't pay any employees in a tax month.
    - **What it includes:**
      - Reclaiming statutory payments (e.g., Statutory Maternity Pay, Statutory Paternity Pay).
      - Declaring Employment Allowance claims (which reduces your employer NICs liability).
      - Reporting that no employees were paid in a tax month.
      - Apprenticeship Levy details.
      - Adjusting the amount you owe HMRC if it's less than what the FPS shows.
      - Notifying HMRC of your bank details (if you haven't already).
      - A 'final submission indicator' at the end of the tax year or when your PAYE scheme ceases.
    - **Frequency:** Typically sent monthly or quarterly if required, usually by the 19th of the month after the tax month it relates to.
5. **P45 and P60: Issue P45s to departing employees and P60s to employees at the end of the tax year.**
  - **P45:**
    - **Purpose:** A document issued to an employee when they leave your employment. It provides details of their pay and tax deductions for the current tax year up to their leaving date.
    - **When issued:** As soon as an employee leaves (whether they resign, are dismissed, etc.) and you process their final pay.
    - **Parts:** A P45 has four parts:
      - Part 1: Sent to HMRC (often automatically by payroll software).
      - Part 1A: Given to the employee for their records.
      - Parts 2 & 3: Given to the employee to pass to their next employer.
    - **Importance:** Helps the new employer set up the employee's payroll correctly and ensures the employee is taxed appropriately, preventing emergency tax codes.
  - **P60:**
    - **Purpose:** A summary of an employee's total pay and the tax deducted

from it during the tax year.

        - **When issued:** By **31 May** each year, to all employees who were still working for you on 5 April (the end of the tax year).
        - **What it includes:** Gross pay, Income Tax paid, National Insurance contributions paid, and any student loan repayments.
        - **Importance:** Employees use their P60 for various purposes, including proving income for loans/mortgages, completing Self Assessment tax returns, claiming tax refunds, or applying for tax credits.

6. **Auto-Enrolment: Compliance related to auto-enrolment pension requirements, including enrolling eligible employees into a pension scheme.**
    - **Purpose:** A government initiative requiring employers to automatically enrol eligible employees into a workplace pension scheme. The aim is to help people save more for retirement.
    - **Employer Responsibility:** All employers, regardless of size, must comply with auto-enrolment duties.
    - **Key Responsibilities:**
        - **Choose a Pension Scheme:** Select a qualifying workplace pension scheme (e.g., NEST, The People's Pension, NOW: Pensions).
        - **Assess Employees:** Identify "eligible jobholders" based on age, earnings, and working in the UK:
            - Aged between 22 and State Pension age.
            - Earning above the earnings trigger (currently £10,000 per year for 2024/25).
            - Working or ordinarily working in the UK.
        - **Automatically Enrol:** Enrol eligible jobholders into the chosen pension scheme.
        - **Contributions:** Both employer and employee must make contributions. The minimum total contribution is currently 8% of "qualifying earnings" (a band of earnings, not all earnings), with at least 3% from the employer and the remaining 5% from the employee (including tax relief).
        - **Communication:** Inform employees about their enrolment, their rights, and how to opt-out if they wish.
        - **Opt-Out:** Employees have a one-month window to opt-out. If they opt-out, they must be re-enrolled every three years (re-enrolment duty).
        - **Declaration of Compliance:** Submit a declaration of compliance to The Pensions Regulator (TPR) within 5 months of your duties start date.
        - **Ongoing Duties:** Continuously monitor employee ages and earnings, manage opt-outs/opt-ins, make regular contributions, and keep accurate records.

- **The Pensions Regulator (TPR):** The body responsible for ensuring compliance. Non-compliance can lead to significant penalties.

HMRC Compliance

HMRC Compliance: HMRC regulations requirements, including timely filing of returns and payment of taxes

- **Timely Filing:**
  - **VAT Returns:** One calendar month and 7 days after the end of the accounting period.
  - **Corporation Tax Returns (CT600):** Within 12 months of the company's accounting period end date.
  - **Self Assessment Returns (SA100):** 31 October for paper returns, 31 January for online returns following the end of the tax year.
  - **PAYE (FPS):** On or before payday.
  - **PAYE (EPS):** By the 19th of the month after the tax month it relates to.
- **Timely Payment:**
  - **VAT:** By the same deadline as the VAT return.
  - **Corporation Tax:** Generally 9 months and 1 day after the company's accounting period end date (for smaller companies). Larger companies pay in installments.
  - **Self Assessment:** 31 January (balancing payment for previous year and first payment on account for current year) and 31 July (second payment on account).
  - **PAYE:** By the 22nd of the next tax month if paying monthly (19th if paying by post).
- **Penalties:** HMRC imposes penalties for late filing and late payment across all tax regimes. These can include fixed penalties, daily penalties, and interest on overdue amounts. For example:
  - **Corporation Tax:** £100 for 1 day late, additional £100 after 3 months, 10% of unpaid tax after 6 and 12 months.
  - **Self Assessment:** £100 for 1 day late, increasing penalties after 3, 6, and 12 months. Late payment penalties of 5% of the unpaid tax at 30 days, 6 months, and 12 months.
  - **VAT:** A points-based penalty system for late submissions and penalties for late payments.

        - **PAYE:** Monthly late filing penalties based on employee numbers, and escalating percentage penalties for late payments.
    - **Record Keeping:** Maintain accurate, complete, and organised records for all financial transactions for the required statutory periods (typically 6 years for most financial records, longer for some capital assets).
    - **Digitalisation (Making Tax Digital - MTD):** Many aspects of tax reporting in the UK are moving towards or are already subject to MTD rules. This mandates the use of compatible software for keeping digital records and submitting returns. VAT is already fully under MTD, and Income Tax Self Assessment (ITSA) will follow for many self-employed individuals and landlords from April 2026.

💡 **PAYE Compliance Documents: Check List for maintenance/Compliance**

Description	Applicability	Availability	Comments
PAYE Registration Details:			
• HMRC Employer PAYE Reference number.	Yes / No		
• Accounts Office Reference(AOR) number	Yes / No		
Payroll Records:			
• Payroll software reports/summary for each payroll run (weekly/monthly).	Yes / No		
• Payslips for all employees for the entire year.	Yes / No		
• P60s for all employees (for the relevant tax year).	Yes / No		
• P45s issued for departing employees.	Yes / No		
• P45s received from new employees.	Yes / No		
• New Starter Checklists for new employees.	Yes / No		
• Employee personal details (name, address, NI number, date of birth, start date, tax code).	Yes / No		

• Documentation of any tax code notices (P6, P9).	Yes / No		
PAYE Submissions and Payments:			
• Full Payment Submissions (FPS) records for all payroll periods.	Yes / No		
• Employer Payment Summary (EPS) records (for claiming Employment Allowance, statutory pay, or nil payments).	Yes / No		
• Confirmation of monthly/quarterly payments to HMRC (bank statements showing payments, HMRC statements).	Yes / No		
• Records of statutory payments (SSP, SMP, SPP etc.) and calculations.	Yes / No		
Auto-Enrolment Pension Documents:			
• Confirmation of pension scheme provider (e.g., NEST, People's Pension).	Yes / No		
• Declaration of Compliance submitted to The Pensions Regulator (TPR).	Yes / No		
• Correspondence with TPR.	Yes / No		
• Pension scheme joining instructions and employee communications.	Yes / No		
• Records of employee opt-outs and opt-ins.	Yes / No		
• Pension contribution schedules and payment confirmations to the pension provider.	Yes / No		
• Re-enrolment reports (if applicable).	Yes / No		