
Overview

If and when you employ staff you will need to agree with them a salary, how it will be paid and when. You will need to ensure you have a system in place to meet the obligations you have to your employees in paying their wages and their tax and National Insurance Contributions. Salaries may become increasing complex with maternity pay, statutory sick pay and repayment of loans for example. Elements of this unit can be complex and the use of professional expert advisers can in the long term save time, money and wasted energy.

You might need to do this if you:

1. starting a business
2. reviewing your business processes
3. hiring staff

Preparing wages involves:

1. preparing wages for your staff
2. asking for professional help when you need it

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Performance criteria

You must be able to:

- P1 seek professional advice on paying wages, employment legislation and pensions
- P2 decide who will undertake the paying of staff (i.e. will you do it personally, or hire somebody to do it for you)
- P3 work out how much you need to pay each member of staff and how often, ensuring you practice equal pay for equal work and comply with the National Minimum Wage.
- P4 work out any variations to pay and statutory or contractual payments, including deductions for absence or statutory sick and maternity pay
- P5 work out any additional payments you need to pay to members of staff (i.e. overtime or bonus payments)
- P6 work out income tax and national insurance contributions for each member of staff
- P7 make sure you comply with all government legislation and legal obligations
- P8 contact the Inland Revenue when you need more information
- P9 identify any other deductions you need to make from staff's salaries or wages (i.e. pensions, student loan payments)
- P10 find out if your staff are owed any tax credits
- P11 set up a system to record all payroll information
- P12 make sure you pay wages or salary to your staff as agreed
- P13 pay National Insurance, tax and student loan payments to the Inland Revenue

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Knowledge and understanding

You need to know and understand:

- K1 the basic wage or salary of each member of staff
- K2 how to work out national insurance and income tax
- K3 what deductions or additional payments you need to make for each member of staff (for example, pension contributions, loans for training or a uniform, contributions to charities under the payroll deduction scheme, or a payment for sickness or maternity pay)
- K4 when and how to pay income tax, national insurance and student loan deductions to the inland revenue
- K5 how to find out about and deal with any tax credits your staff are owed
- K6 how and when to contact the inland revenue or other specialists for advice
- K7 how to keep records that will be useful to you in the future
- K8 the agreed time and method of paying wages to staff and the disadvantages and advantages of each (for example, monthly or weekly, in cash, by cheque or straight into their bank account)

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Additional Information

Links to other NOS

1. MN1 Decide on the financial needs of your business
2. MN3 Keep financial records for your business
3. MN4 Manage cash flow in your business
4. LG2 Keep up to date with current legislation affecting your business
5. OP3 Recruit people for your business
6. OP9 Set up a stakeholder pension scheme

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