A Small Business Guide to Payroll

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Hey, if you’re one of the 4.5m businesses in the UK that are one-(wo)man bands, good for you. You don’t have to worry about sorting out other people’s payroll and tax. For the rest of the 1.2m of you, you better make sure your payroll system is watertight. Read on for your options:

Outsourcing

A popular way for businesses to manage their payroll system is to outsource it. If this is your first choice, make sure you keep up fantastic communication channels to ensure that the whole process goes smoothly. Specialists are great for taking this huge responsibility off your hands, and it also means that your business’s time is freed-up to do what it does best: provide goods or services.

Make sure that you find yourself a good company, however. And keep monitoring their quality of work. Mistakes happen but you really don’t want to find yourself with a bad apple.

In-House

Alternatively, you can manage the whole business’s payroll in the office. You’ll have to delegate this responsibility to someone who knows exactly what they’re doing. They need to know about the PAYE tax system and the HMRC protocol. HMRC will expect regular tax returns for each of your employees.

Payroll Systems

Although everything is largely computerised these days, it’s still possible to calculate tax by hand and issue handwritten payslips (however, this may not appear very professional). Really, you should be looking to download a good payroll system that can perform all the necessary calculations and produce uniform payslips. It will need to factor in tax, national insurance, student loans, sick pay, maternity pay, and a variety of other pay inclusions and deductions, depending on your employees’ needs.

In the event that your system doesn’t cover every legality, the rest will have to be manually inputted. HMRC can provide you with free software but it only calculates the payroll – it won’t churn out payslips.

A basic package will root your payroll system to one particular computer. This machine must be securely protected and backed up. If you opt for an online system, you can access the payroll system from multiple locations. All you need is a very good username and password.

Choose a system that works for you.

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You’ve got to keep one eye on your payroll system and the other on the laws – these change frequently and you really don’t want to be on the wrong side of your taxman...or your employees, for that matter. Your software will probably need to be upgraded annually. If you have an online system, this should occur automatically and shouldn’t cost you a penny.
We can’t stress enough that your system should be high quality. There’s nothing like unpaid employees to dampen morale in the office. Opt for a service or solution that suits your company and when you’ve found something that works well, stick with it. Those are your options, so go at it!