

# Top 5 Payroll Issues of 2017

This guide contains the top five payroll issues which we predict could affect businesses of all sizes the most during the course of 2017 and beyond.



# Welcome

As we're halfway through the year we're looking at the issues we think could affect payroll the most throughout the rest of 2017 and beyond. We're delving deep into the top issues and the impact they could have on you as a small business or sole trader.

Payroll can seem daunting, especially when it's a relatively new aspect of your business. This guide aims to break down some of the key elements of payroll law for you. When it comes to managing the day-to-day business of payroll, take a look at what [KashFlow's software](#) can do.

## The five issues covered are:

- 1. The National Living Wage
- 2. Zero-hour Contracts
- 3. The Apprenticeship Levy
- 4. Travelling time & Working time
- 5. Workplace Pension Reform

# 1. The National Living Wage

We'll begin with the introduction of the National Living Wage, which became compulsory on April 1st 2016. The rates change every April.

## What is the National Living Wage?

- The National Living Wage is mandatory for employees aged over 25
- From April 2017, this is set at £7.50 an hour. This is due to rise to £8.45 outside of London, and £9.75 inside London soon
- The government predicts that the National Living Wage will rise to £9.00 per hour by 2020
- The National Minimum Wage still applies to those aged between 21 and 24
- Depending on their hours worked, workers over the age of 25 could see an additional income of £910.00 per annum on average

## Benefits of the National Living Wage

- Employers are 80% more likely

to notice an enhanced quality of work from their employees

- 70% of employers felt that the National Living Wage increased consumer awareness of their ethical commitments
- Retention of staff may be easier for businesses

## Auto enrolment and the National Living Wage

Remember that employees on the National Living Wage could be pushed into the eligibility band for auto enrolment as their pay increases. It's important to assess each employee monthly to help ensure compliance.



## 2. Zero-hour contracts

As of March 2017, there are now 1.7 million zero-hour contracts in force in the UK. That's 6% of all employment contracts. They're surrounded by controversy, but are they really that bad?

### What's in a zero hour contract?

There are three key elements to a zero hour contract, also known as a casual contract.

1. Employees are on call to work when you need them
2. You're not obliged to give employees work
3. Employees aren't obliged to do work when you offer it to them

Business managers claim zero hour contracts offer flexibility for all involved, while employees and trade unions say it leaves employees without guaranteed income or job security.

### Pros

- Increased working flexibility
- Potential for additional hours over contracted workers
- Job satisfaction actually tends to be higher than expected

### Cons

- Uncertainty with income
- Zero-hour contracts commonly come with 'exclusivity clauses'
- May not always be on same pay scale as traditional contracts

### Our recommendations

- Make sure employees are paid fairly and assessed for auto enrolment
- Ensure that zero-hour workers have the same employment rights as regular workers
- Remember that zero-hour workers are entitled to annual leave, and the National Minimum/Living Wage (depending on age)
- Pay for any work-related travel in the same way as regular workers



## 3. The Apprenticeship Levy

As of April 2017, businesses with a wage bill of more than £3 million now have to pay a new Apprenticeship Levy. This levy is 0.5 per cent of the annual pay bill.

This money will be used to fund three million 'high quality' new apprenticeships in the UK by 2020.

### The numbers you need to know

**98%**

The government states that around 98% of UK businesses will be exempt from the levy



**£3bn**

The 20,000-levy paying businesses will generate an estimated £3 billion a year

This can be reinvested back into the apprenticeship market

**£15,000**

Employers will also receive a £15,000 allowance to offset the payment of the levy, paid in vouchers



The government hopes the levy will soon become standard, as the workplace pension now is considered.

Remember that for the introduction of auto enrolment, The Pensions Regulator state that your business should begin preparing for its implementation 12 months before

your staging date. The same principle applies to the Apprenticeship Levy and, as with all the issues discussed in this guide, the earlier your business prepares - the easier things will be. your business prepares, the easier things should be.

# 4. Travelling time & Working time

At the end of 2015, the European Court of Justice ruled that time spent by employees travelling to and from their first and last appointments should be regarded as working time. While this only applies to workers without a fixed office, it still poses a challenge to businesses - many of whom have never considered this time to be part of the working day before.

The case was first brought forward by a group of technicians working for Tyco in Spain but will have implications in the UK. The Government has updated what UK law counts as work, and it now includes "time spent travelling if you travel as part of your job" to fall in line with EU law.

- The ruling could affect pay, with employees being paid for working longer hours, as their commute would effectively be paid-for by their employer
- The ruling doesn't currently deal directly with pay but instead focuses more upon working hours and conditions
- It is possible that this could change and that businesses could soon have to pay their staff higher wages to compensate

## GDPR compliance

When managing employee data, such as logging working hours and pay, it's important to ensure you are fully GDPR compliant.

The new EU General Data Protection Regulations come into force on May 25, 2018 – so businesses need to start preparing now. Failure to comply will result in swift and heavy fines.

### Features include:

- Any data stored or used must be done so with the individual's consent, and the reasons must be explained.
- Individuals must be given the right to transmit their data from one controller to another, under new data portability rules.
- The employee has a right to access electronic copies of private records, alongside information on the processing, storage and purpose of this data.
- The employee has a right to be forgotten – which includes the deletion of personal data, and the prevention of it being shared with third parties.
- Privacy by design is now a legal requirement.
- Should there be a security breach, supervisory authorities must receive a mandatory breach notification within 72 hours.
- Some companies will be required to hire data protection officers.

# 5. Workplace Pension Reform

It has been four years since auto enrolment for pensions was introduced as the Government found that not enough people were saving adequately for their pensions. Auto enrolment is compulsory for all businesses, no matter how small and in the last year and a half smaller businesses have been staging.

While this can sound like a lot of work, a workplace pension is a great incentive to retain your employees – Aviva's Working Lives report found that a workplace pension was the second most valuable benefit by employees behind a bonus scheme.

The Pensions Regulator predicts that there will be 1.2 million small businesses who reach their staging date between April 2017 and April 2018. This can be a worry to small business owners who are unsure of how to progress with staging.

The Pension Regulator make it clear that they prefer to work with businesses who are in danger of missing their staging date, however in severe cases they do have the following powers:

**Statutory notice** – a warning letter which acts as a reminder

**Penalty notice** – a fixed penalty notice of **£400**, but this can escalate into a daily non-compliance fine of between **£50** to **£10,000** depending on the size of the business

**Court action** – in severe cases, non-complying businesses can be taken to court



# So, what can you do?

## Preparation

Preparation is key. If you stay on top of new legislation you can plan in advance and understand how it will affect your business, and what you need to do to help ensure ongoing compliance.

## Information

Business owners should be getting as much information as possible from a wide range of sources. KashFlow run a number of courses, which are available [here](#).

## Compliance

Each point we've covered in this paper will affect your business at different times. For example, the National Living Wage will now be active and employees working for you who may be on the National Minimum Wage and are aged 25 or over should be receiving an extra 50p an hour.

Ultimately, compliance is key. Now that General Data Protection Regulations are confirmed to be in effect from 25 May 2018, it's essential that businesses comply with all data

protection points when handling employee data.

Similarly, most businesses should have already ensured compliance with auto-enrolment to the Workplace Pension Reform by now. It has previously been reported that The Pensions Regulator fined a UK business for more than £10,000 for non compliance with auto enrolment. They've also been performing spot checks on compliance since March 2017, so it's essential your business is running as it should be.

There are no ways of avoiding compliance, but there are plenty of ways to prepare your business and ensure you do everything correctly with minimal disruption to your daily workload.



# How KashFlow can help

**The Pensions Regulator recommends that employers use payroll software that is fit for purpose.**

## Automatic Enrolment

KashFlow Payroll can keep you fully compliant with the workplace pensions Automatic Enrolment legislation. When your business reaches its staging date, the software will automatically assess your employees, enroll your eligible employees into a qualifying scheme and calculate employee and employer contributions. Still want more from your payroll software? It also automatically generates the required communications for your employees and creates the required output files for NEST, NOW pensions and the Peoples Pension. What could be easier than that?

## About KashFlow

At KashFlow we're not just payroll experts, we offer integrated solutions for bookkeeping and HR too. Offering full package business solutions to UK businesses we specialise in sole traders, start ups and small

businesses. We're passionate about ensuring small businesses get the same benefits of larger organisations when it comes to technology.

## KashFlow Bookkeeping:

You can use this with or without an accountant and it fully integrates with KashFlow Payroll. Benefitting from online invoices with pay now buttons and automated reminders for late payers, you can ensure you're paid on-time and you can keep track of all of your business finances.

## KashFlow Bookkeeping also features:

- VAT Returns – never miss a deadline by directly linking with HMRC within KashFlow
- KashFlowGO – this free mobile app is an easy way for you to manage your finances on the go
- Reporting – an easy to use reporting system to make your reporting as simple as possible

**Take a free trial**

# How KashFlow can help

## KashFlow Payroll:

This cloud based, easy to use payroll software integrates directly with KashFlow bookkeeping, an easy way of keeping track of your employees wages and expenses alongside your profit and loss.

### KashFlow Payroll also features:

- Company Management
- Employee Management
- Automatic Enrolment

[Take a free trial](#)

## KashFlow HR

Perfect for small businesses, our flexible and integrated HR software allows you to utilise the features that are imperative to your business without having to pay for functionality you do not need.

### KashFlow HR also features:

- Online self-service
- Employee records management
- Employee Directory
- Sickness and absence management

## Legal information

This information **does not** constitute financial, investment or professional advice and shouldn't be relied on as such.

IRIS **do not** make any personal recommendation or give advice to employers and their workers on how to make investment decisions. If you are seeking this kind of advice we would suggest speaking with a qualified financial adviser.



## 95.55% CUSTOMER SATISFACTION RATING

KashFlow has taken the prize for Best Accounting Software for SMEs 5 of the last 6 years. We're especially proud of this because all of our key competitors were in the same category.