Carpenter Keen LLP

Standard Terms of engagement - Payroll

The purpose of this document is to set out the basis on which we will be carrying out work for you. It also explains areas that will be our responsibility and areas that will be your responsibility. The terms assume your agreement to our standard terms of business, available on our website.

As this document sets out the terms of a legal contract between you and us it is important that you read it carefully. Please do not hesitate to contact us if you would like further explanation of any of the terms.

We are bound by the ethical guidelines of the professional body we are regulated by. We accept the instruction to act for you on the basis that we will act in accordance with those guidelines. Please refer to our terms of business for further information.

1 Payroll

Purpose

1.1 The purpose of this work is to assist you in calculating deductions and making payments to your employees, filing the necessary reports with HM Revenue & Customs and paying the correct amount of pay as you earn (PAYE) tax and national insurance contributions (NIC) to HM Revenue & Customs, so as to comply with tax legislation.

What we agree to do and be responsible for

1.2 We will prepare your payroll for each payroll period to meet UK employment tax requirements. This will include the following:

(a) Calculating the PAYE tax deductions.
(b) Calculating the employees' NIC deductions.
(c) Calculating the employer's NIC liabilities.
(d) Calculating any statutory payments, including statutory sick and maternity pay.
(e) Calculating other statutory and non-statutory deductions.

1.3 For each payroll period we will send you the following documents in time for you to be able to make payment:

(a) A payroll summary report showing for each employee the gross pay, any additions, any deductions and the net pay.
(b) A payslip for each employee (unless you tell us this is not required).
(c) A P45 for each leaver.
(d) A report showing your PAYE and NIC liability and the date it is due for payment.

1.4 For each payroll period we will also send you details of any other information that will be submitted online to HM Revenue & Customs on or before the time you make payments to your employees.

1.5 We will use the information described in paragraphs 1.3 and 1.4 above to make the necessary "Full Payment Submission" reports to HM Revenue & Customs. Unless we hear from you in line with paragraph 1.18 below we will assume the information is approved by you and submit it accordingly.

1.6 We will prepare and submit monthly "Employer Payment Summary" reports to HM Revenue & Customs where needed. This will apply where the payment you are due to make to HM Revenue & Customs differs to the amounts shown on the Full Payment Submissions.

1.7 We will deduct the Employment Allowance from the payroll if you are eligible to claim this. Where you have more than one payroll in operation we will agree with you which payroll will be used to make the claim. You will be responsible for confirming eligibility to make the claim.

1.8 We will include in the payroll appropriate amounts in respect of any benefits in kind which you have agreed with HMRC will be taxed through the payroll.

1.9 We will deal with and, where necessary, process any adjustments to your payroll communicated to us by HM Revenue & Customs (this may be, for example, updated tax codes and identified National Insurance numbers). We will provide you with a copy of these communications if requested by you

1.10 We will make the necessary declarations and indications in your final payroll report for the tax year and will liaise with you where any of the information is unknown to us.

1.11 Following the end of the payroll year, we will send you a Form P60 for each applicable employee.

1.12 We will also provide such other payroll ad hoc and advisory services as may be agreed from time to time. This may include filing an "Earlier Year Update" as referred to in paragraph 1.19. These services may be the subject of a separate engagement letter. We will discuss and agree our fee for such work when it is commissioned by you.

1.13 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

1.14 Since 17 July 2013 a General Anti-Abuse Rule has been in operation in the UK. This rule enables HM Revenue & Customs to further tackle abusive tax planning schemes. Due to the low probability of eventual success of such schemes and the high ethical standards of this firm, it is our policy not to advise on tax schemes that we consider to be artificial or aggressive in nature. Please let us know if you would like to discuss this matter further or if you feel that you are disadvantaged in any way by the firm's policy on tax avoidance.

What you agree to do and be responsible for

1.15 You agree to provide us with complete and accurate information regarding your employees and payments due to them including expenses payments not covered by the statutory exemption or paid under an approved method. You will provide us with this information before you first pay a new employee.

1.16 If you operate within the construction industry you agree to provide us with details of construction industry scheme (CIS) deductions suffered that you wish to offset against your PAYE payments to HM Revenue & Customs (company subcontractors only). This information must be received for each "tax month" (tax months run from the 6th of the calendar month to the 5th of the following calendar month) and by the 19th of the month in which the tax month ends. In addition, if you are a contractor within the construction industry, you agree to provide us with details of the CIS deductions you have withheld in each tax month, if you wish us to advise you of the total amount due to HM Revenue & Customs (CIS and PAYE taxes combined).

1.17 Our payroll team will provide you with specific details of the information we require and when we need to have this information from you. You agree to provide the information they request. You recognise that where information is not provided to us within the timeframe we outline, we are not responsible for any delays for payments or reports to employees or HM Revenue & Customs.

1.18 It is necessary for us to submit a Full Payment Submission (FPS) to HM Revenue & Customs on or before the time you make payments to your employees. We will also need to file Employer Payment Summary (EPS) reports where the amount of taxes you are paying to HM Revenue & Customs

differs to the amounts shown on the FPS reports. If an error is made with regard to an earlier tax year, an Earlier Year Update (EYU) report may be required.

These reports will be based on the information that you provide us, as summarised in the information that we submit to you for each pay period (as outlined above). HM Revenue & Customs can impose penalties if reports are late or incorrect and so it is vital that you carefully review the information that we submit to you and let us have any amendments immediately. If we do not hear from you before a report submission date, we will take that as your approval of the report and make the online submission accordingly. You will remain legally responsible for the accuracy of the return.

1.19 If you require us to make an amendment to a submitted FPS or EPS or to submit an EYU, you will let us know as soon as possible and before the time of the next employee payment date.

1.20 You will be responsible for completing the checks on a new employee's eligibility to live and work in the UK in accordance with the Government's Code of Practice "Preventing Illegal Working," and section 8 of the Asylum and Immigration Act 1996.

1.21 You will be responsible for ensuring your workers are paid at least the national minimum wage, monitoring the annual leave entitlement of your employees and dealing with all aspects, legal or otherwise, of being an employer.

1.22 You will be responsible for managing any childcare scheme for the benefit of your employees but we can assist in computing exemption entitlements if required.

1.23 You will be responsible for ensuring that your employees are aware that the payroll function has been outsourced to a third party.

2 Benefits in kind

Purpose

2.1 The purpose of this work is to assist you in completing the year-end forms required by HM Revenue & Customs for any employees that have received benefits from you.

What we agree to do and be responsible for

2.2 We will prepare forms P11D as may be required for each employee from the records, information and explanations that we are provided with. We will submit the P11Ds together with the P11D(b) form after these have been approved by you.

2.3 We will send you the P11D information for you to forward on to your employees and directors by the statutory due date.

2.4 We will calculate and advise you of your Class 1A NIC liability in time for you to make payment to HM Revenue & Customs before the due date.

What you agree to do and be responsible for

2.5 You agree to provide us with complete and accurate details of all benefits for the tax year (i.e. 6 April to 5 April) within 14 days of the end of the tax year. Where information is not provided within this timeframe we are not responsible for penalties charged by HM Revenue & Customs.

3 Auto-Enrolment

Purpose

3.1 The purpose of this work is, through the operation of the payroll, to deduct contributions to the pension scheme in accordance with your instructions, and to pay over the correct amount to a pension provider again as per your instructions so as to meet the requirements of the workplace pension automatic enrolment regime. We will also advise you as to which employees are eligible employees and warn you about re-enrolment dates.

What we agree to do or be responsible for

3.2 We will deduct from each payroll period the pension contributions as instructed by you. We will accept no responsibility for errors or omissions that arise as a result of incorrect data supplied to us.

3.3 We will pay over the pensions contributions deducted and your employer pension contributions to [insert name of pension provider]. We will accept no responsibility for errors or omissions that arise as a result of incorrect data supplied to us.

3.4 We will assist you in identifying categories of worker; eligible jobholders, non-eligible jobholders and entitled workers. We will assist you in monitoring the status of these employees to determine whether 'non-eligible' or 'entitled workers' become 'eligible workers' and thus require auto enrolment. This review will take place at the start of each payroll period. We will also ensure that new staff are incorporated into the scheme in accordance with your instructions. We will not be responsible for any errors that occur where we have not been supplied with updated information.

3.5 We will process any opt-out and opt-in requests and ensure that repayments are made to employees in accordance with your instructions. We will accept no responsibility for errors or omissions that arise as a result of incorrect data supplied to us.

3.6 We will maintain information and records that will highlight when the triennial enrolment processes must occur. We will inform you in advance of this date so that you can make the necessary communications with the staff member and so that the firm can re-enrol as required.

3.7 We will record, maintain and preserve the records required for auto-enrolment based on the information you supply to us.

What you agree to do and be responsible for

3.8 You agree to provide us with complete and accurate information regarding your employees and pension contributions due from them. You will also provide us with details of your employer contributions. You will provide us with this information before you first pay a new employee. If an employee changes their status regarding auto-enrolment you will inform us immediately.

3.9 You will register for auto enrolment with 'the Pensions Regulator' (tPR)

3.10 You will identify and appoint an appropriate pension provider,

3.11 You will be responsible for paying the initial contribution.

3.12 You will review the assessment of the workforce and accept responsibility for the completeness and accuracy of the assessment.

3.13 You will be responsible for making all the necessary communications with the workforce in accordance with the requirements and timescales of auto enrolment both at set up and on an on-going basis.

3.14 You will be responsible for ensuring that each employee has given permission for data to be shared for the purpose of auto enrolment in accordance with the requirements of the Data Protection Act.

3.15 You will provide us with details of any changes in employee working so that we can determine whether the employment status has changed in relation to auto-enrolment.

3.16 You will inform us of all new staff; it will be your responsibility to provide them with the required auto-enrolment information.

3.17 You will perform spot-checks on the information that we hold in order to monitor its accuracy.

4 Work that is not part of this engagement

4.1 (Limited company clients). The work carried out within this engagement relates only to the company's affairs. Any work we are instructed to carry out for the directors on a personal basis will be set out in a separate letter of engagement.

4.2 There are many areas of accountancy and tax that may apply to you/the company. However, for the sake of clarity, unless it is agreed separately:

(a) We will not become involved in operating the Construction Industry Scheme for any subcontractors you/the company may engage.

(b) We will not become involved in your/the company's VAT affairs.

(c) We will not become involved in your/the company's tax affairs.

(d) We will not become involved in auto enrolment for pensions.

(e) We will not become involved in the preparation of your/the company's accounts.

4.3 We are able to offer advice and assistance in all these areas so if you would like any help then please do not hesitate to contact us.

4.4 We are also able to offer assistance in many other areas and would be glad to discuss any matters with you. These other services include:

(a) reports in support of returns or claims, e.g. insurance company certificates, government claims;

(b) advice on financial matters;

(c) management accounting, including cash flow statements, costing systems and advice to management;

(d) advice on the selection and implementation of computer systems;

(e) investigations for special purposes, e.g. business performance analysis or business acquisitions; and

(f) advice on the selection and recruitment of staff.

5 Other matters

Changes in the law

5.1 We will not accept responsibility if you act on advice previously given by us without first confirming with us that the advice is still valid in light of any change in the law or the company's circumstances.

5.2 We will accept no liability for losses arising from changes in the law or the interpretation thereof that occur after the date on which the advice is given.