Information on transferring from PSC to PAYE payments

January, 2020

Got a question? Contact the office on 01372 231007 or e-mail admin@Care101.co.uk

The following notes outline the main differences between being paid directly through your Personal Service/Limited Company (PSC) and our Pay As You Earn (PAYE) payroll.

Pay intervals

Unlike direct payments which we handle in-house and run weekly, PAYE payroll, which involves HMRC are processed externally by our payroll partner. To help minimise costs to you, this payroll runs every 2 weeks and is typically paid on a Friday afternoon or Saturday morning.

Regardless of payroll dates, please ensure you forward all time sheets on a Monday for shifts completed the previous week.

Payslip & P60 vs Self-billing invoice

Whereas direct payments provide details through a self-billing invoice, PAYE payments are accompanied by a payslip. These can be downloaded online, just like the self-billing invoice.

Payslips show pay details for the current period as well as accumulated totals for the year to date. At the end of the tax year you will also receive a P60, detailing all your year's tax payments in relation to Care101. You may need this for your self-assessment or tax return.

Pension

By law, anyone employed through PAYE and earns a qualifying amount within the 2 week pay period must be entered into our pension scheme. You can choose to opt out if you wish, but you must be enrolled to start with. You will receive a separate letter regarding this.

Tax & other deductions

As the name implies, PAYE payments deduct tax before you are paid – i.e. pay as you earn. These will be shown on your payslip and are typically made up of the following values…

- **Income tax.** Your PAYE tax based on your tax code (see below).
- **National Insurance.** The employee contribution to national insurance (we pay the employer contribution).
- **Pension payment.** If you are enrolled in our pension scheme, the employee contribution is deducted; we contribute to this also.
- **Admin. fee.** This helps cover the charge for the payslip processing, as well as insurance. We pay the rest.
- **Any other deduction.** If applicable, your contribution to any training, DBS, uniform or loan etc.

Your tax code

Unlike direct payments, which pay gross values, PAYE uses a tax code which HMRC uses to calculate tax prior to payment. Although it can be changed by HMRC, it is best to ensure this tax code is correct form the start, otherwise you may be taxed incorrectly for a while until HMRC catch up. It is usually one of the following values…

- **Your tax code**. Typically you will give your tax code, given you to by HMRC – something like 1250L to your primary employer. This code gives your overall allowance for the year which is taken into account when tax is deducted. If Care101 will be considered as your primary employer, please ensure we have this code.

- **BR (basic rate).** A tax code of BR (the default) indicates PAYE will be charged at the lower/basic rate of 20%. Normally if we are a secondary employer, or we have not been told otherwise, we will use this code.

- **D0 (higher rate).** A tax code of D0 indicates that HMRC thinks you will earn more than the BR maximum and is therefore deducting 40%. HMRC apply this where they think it will be appropriate over the coming year.

  Sometimes if you have many employers, HMRC will assume you will be earning larger sums overall and therefore tax accordingly. This assumption may be wrong – maybe for example you only work with some of your employers a couple of times a month, sometimes not at all. If you think this is incorrect, please contact HMRC and explain to them because any change in tax code must be made by them.

Online payments

PAYE operates the same as direct payments online, with the exception of downloading a payslip instead of a self-billing invoice. Tax values and deductions will also contain values as opposed to zero.

IR35

From April this year, the decision as to whether you are working legitimately as a self-employed worker (outside IR35) or not (inside IR35) for tax purposes will become the responsibility of the end client. Some clients will therefore stop PSC payments altogether. Clearly this potentially has tax implications on you and your PSC.

In these cases, you can either…

- Swap to PAYE for all shifts.
- Be paid through PAYE where required and retain your PSC for the others (see below).
- Be paid through a 3rd party umbrella company.

We recommend speaking to your accountant about the above options so you can make an informed decision.

PAYE vs PAYE/PSC combination

If you wish, you can choose to be paid by PAYE for clients that don't allow self-employed or PSC payments, but retain your existing methods for the other. Alternatively you may opt to swap top PAYE for all your Care101 payments.

If you opt for both and you cover shifts that allow direct as well as PAYE payments within the period, you may receive 2 separate payments on the same day, one to cover the direct payment (weekly) and one to cover PAYE (fortnightly).

Questions & issues

If you have any questions on either payroll, tax codes or swapping between the two, please contact the office.

Thank you for your continued support. If there's anything we can help with, please ask.