

01753 888211
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When taking on a new employee you will need to obtain certain information from them in order to set them up on the payroll correctly and to determine the correct tax code to use. The procedure will depend on whether or not the new employee gives you a P45.

Key dates

HMRC will be contacting employers from 12 July 2023 onwards to provide guidance and support on dealing with new employees.

This note explains what you need to do when you take on a new employee.

New Employee has a P45

The P45 is the mechanism by which details of an individual's pay and deductions are transferred from one employer to another. If a new employee gives you a P45, you will be able to use that to determine the following details:

- the employee's full name;
- the date that the employee left their last job;
- the employee's total pay and tax to date in the current tax year;
- whether student loan deductions are being made;
- the employee's National Insurance number; and
- the employee's tax code.

If the employee gives you more than one P45, you should take the information from the one with the most recent leaving date.

If the employee left his or her last job in the current tax year (i.e. on or after 5 April 2023), you can use the same tax code as on the employee's P45 and starter declaration code B. However, if the employee's tax code includes 'BR' 'OT', 'D0' or 'D1', you should still use the tax code on the P45, but use starter declaration C.

If the employee left their last job in 2022/23, you can use the tool on the Gov.uk website (at www.gov.uk/new-employee/employee-information) to work out what tax code to use.

If the employee's leaving date was before 6 April 2022, you will need to ask the employee to complete a new starter checklist.

No P45 – New Starter Checklist

If you take on an employee who does not have a P45, you will need to ask them to complete a New Starter Checklist. They can do this online at www.gov.uk/guidance/starter-checklist-for-payee. If the employee cannot complete the form online, you can print the form out for them to complete. The new starter checklist will provide you with the employee's personal details and their National Insurance number.

The employee will also need to provide information on whether they have another job, whether they are in receipt of a state pension or whether they have received payments from another job or Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit since 6 April 2023. The answers to these questions will determine their starter declaration code, which in turn will tell you which tax code you should use for the employee.

Statement A is that the job is the employee's first job since 6 April 2023 and they have not received Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit since that date. Where starter declaration code A applies, you should use the tax code 1257L for the employee.

Statement B is that the employee has had another job since 6 April 2023 but the employee does not have a P45 or has received Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit since that date. Where starter declaration code B applies, you should use code 1257L on month 1 or week 1 basis, as appropriate. You can update the tax code when HMRC issue a new code for the employee.

Statement C is that the employee either has another job or is in receipt of a state, workplace or private pension. Where starter declaration code C applies, you should use code BR.

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No P45 or New Starter Checklist

If the new employee does not have a P45 and does not complete a New Starter Declaration, you should use the tax code '0T' on a week 1/month 1 basis and starter declaration code C.

You can update their tax code once you receive a new code from HMRC.

Setting the employee up on the payroll

You can use the information that you have obtained from the employee from their P45 or their New Starter Declaration to set them up on your payroll. You should verify their details against supporting documentation (such as their passport or a utility bill showing their address).

Register the employee with HMRC

You must register your new employee with HMRC by including their details on the Full Payment Submission when you pay them for the first time. You should not send the P45 or the New Starter Declaration to HMRC.

If HMRC issue a new tax code for the employee, remember to update your payroll details to reflect the new code.

We can help

If you have any questions in relation to this Broadcast, please call us on **01753 888 211** or email **info@nhllp.com**