

## **Schedule of Professional Services: Payroll Service**

The purpose of this schedule to our engagement letter is to set out the basis on which we are 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. In addition, it sets out the basis on which we are to, through the operation of the payroll, deduct pension contributions to the pension scheme in accordance with your instructions, and to pay over the correct amount to your pension, again as per your instructions, so as to meet the requirements of the workplace pension automatic enrolment regime. Where agreed we will also advise you as to which employees are eligible employees and warn you about re-enrolment dates.

### **1 Your responsibilities**

1.1.

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

1.2.

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).

1.3.

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.

1.4.

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.

1.5.

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.

1.6.

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.

1.7.

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 the Immigration, Asylum and Nationality Act 2006.

1.8.

You will be responsible for ensuring your workers are paid at least the national minimum wage or national living wage for those aged 23 and over, monitoring the annual leave entitlement of your employees, calculating the holiday pay of your employees and dealing with all aspects, legal or otherwise, of being an employer.

1.9.

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.

1.10.

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

1.11.

You will forward to us any communications received from HMRC, in sufficient time to enable us to deal with them as may be necessary within the requisite time limits. Although HMRC has the authority to communicate with us when form 64-8 has been approved and we are in receipt of the authorisation code, it is essential that you let us have copies of any correspondence received, because HMRC are not obliged to send us copies of communications issued to you and, in most cases, will not do so.

**Only applicable if your employees are deemed employees of another business:**

1.11a To allow us to calculate deemed employment payments for deemed employees of a client of yours, you agree to provide us with the following information:

- a. fees for off-payroll work paid by the client to your company
- b. payments that would have been employment income paid directly by the client to the director or employee
- c. expenses paid by the company to the director or employee that would have been tax-deductible against employment income had the director or employee been an employee of the client
- d. capital allowances on equipment bought by the company for the deemed employment
- e. pension contributions paid by your company relating to the director or employee
- f. salary and benefits paid by your company to the director or employee, with PAYE tax and employer and employee national insurance contributions.

## **Pension contributions and auto-enrolment**

### 1.12.1.

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 pension scheme membership you will inform us immediately.

### 1.12.2.

You are responsible for registration for auto enrolment with 'the Pensions Regulator' (tPR) or otherwise confirming the status of the pension scheme.

### 1.12.3.

It is your responsibility to identify and appoint an appropriate pension provider.

### 1.12.4.

You will review the assessment of the workforce eligibility to join the pension scheme, with our assistance in monitoring changes as set out in paragraph 2.14, and you accept responsibility for the completeness and accuracy of the assessment.

### 1.12.5.

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

### 1.12.6.

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 relevant data protection legislation and regulation.

#### 1.12.7.

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.

#### 1.12.8.

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

#### 1.12.9.

It is your responsibility to perform spot-checks on the information that we hold in order to monitor its accuracy.

## **2 Our responsibilities**

### 2.1.

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, including at the Scottish and Welsh rate of income tax, if applicable.
- 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 reclaims of statutory payments, for example maternity payments.
- f. Calculating other statutory and non-statutory deductions, including pension contributions.
- g. Submitting information online to HMRC under Real Time Information (RTI) for PAYE.

### 2.2.

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 [and deemed employee] the gross pay, any additions, any deductions and the net pay.
- b. A payslip for each employee [and deemed employee].
- c. A P45 for each leaver.
- d. A report showing your PAYE and NIC liability and the date it is due for payment.
- e. The amounts due to the pension scheme.

### 2.3.

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.

2.4.

We will use the information described in paragraphs 2.1 and 2.2 above to make the necessary FPS reports to HM Revenue & Customs. Unless we hear from you in line with paragraph 2.3 above, we will assume the information is approved by you and submit it accordingly.

2.5.

We will prepare and submit monthly EPS 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 FPS.

2.6.

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.

2.7.

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.

2.8.

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). Please let us know if you require a copy of such correspondence.

2.9.

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.

2.10.

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

2.11.

Where the client has contractors that provide work through their own PSC:

2.11a Where you have contractors working for you through their own personal service companies, we will assist you in determining whether your business meets the conditions to be "small" under the off-payroll working rules.

2.11b If your business is not classified as "small", we will then assist you in determining the deemed employment status of the contractors and will help you to prepare employment status determination letters to share with the contractors and labour supply agencies involved.

2.11c Where a director or employee of your business is a deemed employee of a client of yours under the off-payroll working rules, we will calculate the deemed employment payments and:

- a. account through the payroll to HMRC for associated PAYE at relevant rates, and employee and employer national insurance contributions;
- b. adjust the corporation tax computation to eliminate the deemed payments; and
- c. advise on appropriate entries in the employee's or director's own self-assessment tax return.]

#### 2.12.

Where the client is itself a personal service company (PSC) which is onward paying a director or employee sums by way of tax- and NIC-free salary of up to the amount of net fees received by the PSC for client work carried out by that individual where they have been treated as a deemed employee in a third party payroll under the off-payroll working rules:

2.13. Where you are onward paying to an employee/director of the company fees received by the company where the employee/director has been treated as a deemed employee in the payroll of a third party under the off payroll working rules, we will prepare your UK payroll for each payroll period to meet UK employment tax and IR35 and off-payroll working requirements, specifically:

- a. treating the employees' pay up to the amount of net fees received under the off-payroll working rules as not subject to pay as you earn (PAYE) income tax deductions nor employee or employer national insurance contributions, and
- b. submitting information online to HMRC under Real Time Information (RTI) for PAYE.]

#### 2.14.

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 1.4. 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.

#### 2.15.

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

#### 2.16.

Since 17 July 2013 a General Anti-Abuse Rule has been in operation in the UK. This rule enables HMRC 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.

## **Administration of pension auto-enrolment scheme**

#### 2.17.1.

If agreed, we will pay over the pensions contributions deducted and your employer pension contributions to your pension provider as advised by you. We will accept no responsibility for errors or omissions that arise as a result of incorrect data supplied to us. You may opt to do this yourself.

#### 2.17.2.

We will assist you in monitoring the status of 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.

#### 2.17.3.

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.

#### 2.17.4.

We will maintain information and records that will highlight when the triennial enrolment processes must occur. We will inform you 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.

#### 2.17.5.

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

### **3 Limitation of liability**

We have discussed with you the extent of our liability to you in respect of the professional services described within this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that £2.75 million represents a fair maximum limit to our liability.

In reaching this agreement it is also agreed that:

- In the event of any claim for loss or damage arising from the professional services, you have agreed that the sum of £2.75 million represents the maximum total liability to you in respect of the firm, its principles, and staff. This maximum total liability applies to any and all claims made on any basis and therefore includes any claims in respect of breaches of contract, tort (including negligence) or otherwise in respect of the professional services and shall also include interest; and
- We confirm that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, its principles, or employees.

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