



Payroll Policy

- Purpose of Policy** The policy is to cover the administration of the payroll service
- Overview** The policy covers the range of services provided by payroll, the legislative requirements it must comply with and to determine employment status of workers.
- Scope:** Policy applies to all staff in the University and to sole traders/limited companies who provide a service to the University but due to their employment status their payment is subject to PAYE tax and National Insurance.
- Mandatory Policy**

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Payroll Policy

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Introduction

Outlined below are procedures for the processing payments to staff via the University's payroll section. Payroll is responsible for a wide range of services including:

- Adjustments to contractual pays e.g. part month changes
- Occupational and Statutory Sick, Maternity, Adoption, Paternity and Shared Parental Leave calculations and adjustments to pay
- Input of temporary payments e.g. guaranteed hours, overtime and fees.
- Pension changes to assignment records
- Processing of termination payments
- Reimbursement of taxable expenses
- Reimbursement of Tier 2 visa expenses
- Payment of certain expenses on behalf of external bodies e.g. Health Trusts
- Tax code changes and student loan deductions
- Compliance with legislation to ensure the accurate statutory deductions from pay
- Third party deductions
- Pay over of statutory and third party deductions
- Monthly payment to staff
- Statutory reporting of employee earnings to HMRC
- Issue of P45 on termination of employment and P60 End of Year Statements
- Earnings related enquiries

HR are responsible for the creation of new starts, changes to personal details, changes to contractual pay and the termination of leavers.

Payroll Service

Overview

All University staff will be appointed to the salary scales approved by Court and in accordance with appropriate conditions of service. All contracts of service shall be concluded in accordance with the University's approved HR practices and procedures.

- appointments, resignations, dismissals, supervisions, secondments and transfers
- changes in remuneration and pay awards
- information necessary to maintain records of service for pension, income tax and national insurance



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Recruitment

Payroll is not involved in the recruitment process. The process from placing of advertisements to issue of contracts of employment is an HR function.

Payroll section first becomes involved when HR enter the details of the new employee and his contract onto the Oracle HR system. Payroll are notified of this information the next morning by a report which is run automatically overnight.

Signed contracts of employment are returned to Payroll section in the first instance, where the bank account details and tax, national insurance and pension scheme data are entered into the employee record. The employee record is then opened as "live" in the system and payment will be made at the appropriate date in accordance with the information in this file. Payroll then pass the contract to HR for filing.

Payment of Salaries

Salaries are paid in equal instalments equivalent to 1/12 of annual salary, with the exception of Guaranteed Hours staff.

Part month payments are calculated on the basis of one day = 1/365 of annual salary.

Guaranteed Hours Staff are paid on an hourly rate basis, based on the submission of an authorised timesheet. The timesheet has to be received in Payroll Section by the 5th of the month for payment, or processed and authorised via E-time by the 14th of the month for payment to be made that month.

Salaries are paid monthly in arrears via BACS (Banks Automated Clearing System). This allows us to pay salary by direct transfer to the bank or building society account of each individual employee.

Salary payments are normally made on the 28th of each month unless this falls on a Saturday, Sunday or Bank Holiday, in which case payment will be made on the last working day prior to the 28th. In December, salaries are paid earlier. In recent years this has been before the start of the Christmas holiday. The actual date will be notified prior to payment.

Overtime

Academic and Academic Related staff are not paid for overtime i.e UE6 and above are not paid overtime but may be paid a one-off payment with approval from the Head of School/Departmental Manager.

All other staff are eligible to be compensated for properly authorised overtime by either:

- Time off in lieu. Where possible, time off in lieu should be given instead of payment. This may be necessary in recognition of budgetary constraints, or
- Payment at the appropriate rate as set out in the Conditions of Service for the applicable staff category.



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It is essential that the correct Overtime Claim Form is completed in respect of the various staff categories.

Claims are normally completed by members of staff at the end of each month in respect of overtime worked during that month. The claimant signs the form and passes it to the designated Supervisor/ Authorised signatory for approval and coding.

Unit returns or individual forms must be received in Payroll Section by the 5th of any month for guarantee of payment in that month's payroll run.

Sickness

In order to qualify for payment under the University's Paid Sick Leave arrangements, the absent member of staff, or someone acting on their behalf, must inform the Head of School/Department Managers at the earliest possible moment that the absence is due to sickness and give an indication, if possible, of the likely duration of the absence. Failure to do this will normally mean forfeiture of entitlement to sick pay. A Certificate of Personal sickness (Personnel Form 41) is required for absences resulting from sickness of between four and seven days (counting weekend days). For absences extending beyond seven days (including weekend days) a Doctor's 'Statement of Fitness for Work' known as a 'Fit note' is required. These forms should be sent to the Head of School/Departmental Manager. The School/Unit should file these forms safely and be able to exhibit them at the request of a suitably authorised person, e.g. a HMRC Inspector, HR advisor, Auditor. Photocopies require to be retained if Payroll Section have requested that the original is returned to the sender.

The absence will be added to the Payroll/HR database by the School/Unit contact and sick pay entitlement will be automatically calculated. Failure to comply with these procedures may cause delay in the payment of sick pay or the adjustment to salary.

Termination of Employment

Procedures for termination are set out in the Conditions of Service documentation for each staff category: these include the period of notice to be given. HR is notified by the individual or the School/Unit. HR then enter this information into Oracle HR which electronically notifies Payroll Section. After final salary is processed for the employee, then Payroll Section produce and issue the form P45 at the end of the month.

Payments Payroll

The monthly Payments Payroll allows payments to be made to individuals who worked on behalf of the university but who are not members of the University's regular monthly staff. All payments made via this payroll are subject to tax and National Insurance where applicable under the standard rules and regulations issued by HMRC Self-employed individuals registered for Schedule D may be given exemption from PAYE by HMRC after completion of a Self Employed Questionnaire obtainable from Payroll Section. Every self-employed person will have a unique tax reference code which should be written on the form in order to speed up processing,



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For individuals to be paid via this payroll they have first to complete the Form 100 and return it direct to HR together with the relevant documentation (this is outlined on the form.)

For payments to external examiners, a Contract Form 95, is completed by the School/unit and sent to HR together with the relevant documentation. This provides the information needed to set the individual up on the system. Once the external examiner starts to work payment is initiated via a timesheet or Form 96. This should be completed for each month worked and passed directly to the Payroll Section once it has been approved by at the School/Unit level. There are different versions of Form 96 and it is essential to use the correct version.

- Form 96A is used to advise payroll of the hours and amount (or the amount if payment is a fixed sum) to be paid for the period.
- Form 96B is used solely for the payment of External Examiners
- All timesheets received in Payroll by the 5th of any month are guaranteed for payment in that months payroll run.

Copies of the forms, which contain the details for completion, are attached and are available on the Finance website at <http://www.ed.ac.uk/finance/about/sections/payroll/payroll-forms>

Authorisation of Payroll Payments

All documents sent to the Payroll Office authorising the payment of new employees or subsequent changes to their salary or temporary payments e.g. overtime, must be authorised in accordance with the authorised signatures database.

Statutory Requirements

PAYE

PAYE rules place an obligation on an employer to account for tax on emoluments paid to employees. The rules also apply to payments made by UK employers to staff working overseas or to employees in the UK of overseas employers.

For UOE, taxation of salaries and other allowances at source under the PAYE rules is the responsibility of the Payroll office which should be contacted in any cases of doubt or difficulty.



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National Insurance (NI).

Three classes of NI are payable by or in respect of employees;

Class 1: Earnings related contributions paid by employees and employers

Class 1A: payable annually by employers for cars and fuel benefits. Class 1A is payable on all benefits in kind.

Class 1B paid by employers.

Again there is an overseas dimension and NIC liability does not necessarily begin or cease on coming to or leaving the UK.

As with PAYE the responsibility for accounting for Class 1 and 1B NIC lies with the Payroll Office. They should be consulted in cases of doubt or difficulty.

The Direct Tax Manager is responsible for any Class 1A liability.

Overseas secondments

There are situations in which University employees will be required, in the course of their work, to visit locations out with the UK. Overseas absences for short periods of time are unlikely to affect residence for tax purposes. However where the absence will be prolonged and, in particular if an individual will spend less than 183 days in any tax year in the UK AND averages less than 91 days in a four year period then he /she will be non-resident. The effect of this is that the HMRC should issue a no tax code for individuals who become non-resident. If there is any doubt about the residency status of a UOE employee working abroad or of someone coming to work at the University from overseas the Direct Tax Manager or Payroll office should be consulted.

In considering whether an individual is or is not resident in the UK for tax purposes the terms on any double taxation treaties also has to be considered. In particular under some, but not all agreements a teacher or professor who comes to the UK to work at a University for a period of two years or less is exempt from UK tax on the earnings of the teaching post. In some cases this also applies to research. Again in cases of doubt or difficulty Finance should be consulted.

Payslips and P60's

Printed paper payslips and P60's are no longer provided for staff on the main monthly payroll. Payslips are available online to view via employee self-service.

If leaving the University your final payslip will be a paper copy and any staff on a prolonged absence e.g. maternity leave can request to receive a paper payslip.

Staff on the payments payroll will continue to receive paper copies.



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Employment Status

Self-assessment

Self-assessment places the burden of calculating tax liability from HMRC to individual taxpayers, or at least taxpayers that are required to complete tax returns.

Self-assessment returns should include any liability arising from P11D returns but if individual members of staff are in any doubt as to whether a particular item of reimbursed expenditure is covered by a dispensation the Payroll Office should be consulted.

Sole Trader

Under PAYE rules an employer is obliged to deduct tax and NI from employee's income at source. Where payments are made gross and it subsequently become clear that an individual is in fact an employee it is the employer that is responsible for tax and NI.

The fundamental distinction here is between a contract of service (an employer/ employee relationship) and a contract for services (a contract between an employer and a third party).

There are no definitive rules for determining whether or not an individual is or is not an employee but a number of factors can be taken into account. In any cases of doubt or difficulty the Finance Department should be consulted before any payment for services is authorised. The general position is that where Accounts Payable are uncertain regarding the employment status of individuals invoices will be referred to Payroll.

Lecturers: Lecturers engaged full time to deliver courses that are part of the core curriculum are likely to be treated as employees particularly if they are working under standard terms and conditions of service. Part time lecturers including those where the engagement covers a complete year and who are engaged on similar terms or conditions of service to full time staff are also likely to be treated as employees. By contrast where a visiting lecturer give a single talk or a short series of talks which is not part of the core curriculum will normally be accepted as self-employed. In cases of doubt or difficulty however Finance/Personnel should be consulted before any contractual arrangements are entered into. Special rules also apply to national insurance as far as teaching services are concerned. Broadly speaking a NI liability can arise in situations where, for general tax purposes, an individual would not be treated as an employee.

Examiners: Currently external examiners up to and including first degree level should be treated as employees. Tax should be deducted at source on fees but expenses may be paid gross. Where the work carried out refers to "higher degrees", then the fees will not be taxable, but will still be subject to N.I. contributions if appropriate.



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Partnerships and Limited Companies

New rules also apply to partnerships and limited companies, and they may need to be assessed to determine the provider (individual) employment status.

Personal Service Companies. Historically HMRC have been prepared to accept that Schedule E does not apply in situations where the contractual arrangements are such that the individual is supplied by the company and is not contracting in his/hers own right. From April 2017, Personal Service Companies within the public sector will now be subject to Employment Status assessment to determine if they are an 'Intermediary worker' or 'Self-employed'. If Intermediary then they are to be treated like a worker for PAYE and NICs. Therefore, the labour element of their invoice will be subject to deductions for PAYE and NIC's and paid via payroll. Form 111 should be submitted along with their invoice to payroll be the 5th of the month to ensure payment that month.

25 April 2017



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Document control

Author	Graham Mechan
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Signature of approver	
Date approved	
Section responsible for policy maintenance & review	Payroll

Change Control record

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11/1/2019	v1.1 updated contact details for Finance helpline	n/a