



Goodwille guides.

Employing in the UK

Recruiting and employing staff in the UK can be a lengthy and complicated process, and it's one you need to ensure is done correctly to avoid future problems or grievances. Our guide will talk you through the stages you should undertake, from sourcing the initial candidate to onboarding them onto payroll.

Why the UK?



“The UK is one of the best places to start a new business in the world. It benefits from reasonably low taxes and a welcoming regulatory environment. Most of all, a highly educated workforce means you will benefit from people with the skills and expertise to take your business forward. Even so, the process of becoming an employer and managing staff can be long and complicated.”

- Kevin Rutter -



The aim of this guide is to discuss the following key points:



What must I consider when employing in the UK?



Understanding the basics



Employee Benefits



Secondments & Sponsorship

Before you start recruiting

Using Contractors: IR35 Legislation

When starting up in the UK, many clients will initially use contractors to test the market, before deciding to set something up formally in the UK. Whilst the use of contractors in the UK is allowed, there is UK legislation, IR35, which looks specifically at ‘off-payroll workings’, where a worker is providing their services through their own limited company or another type of intermediary, such as a partnership, personal service company or via themselves as an individual.

By using contractors, the employer is not paying on-costs relating to National Insurance (NI) & Pension Contributions. There are a number of criteria’s to assess whether the contractor is in fact an employee, including whether they are working solely for you, how they receive instructions, and whether they are paid sick leave, for example.

The questionnaire to assess whether off-working payroll applies to you is available on gov.uk [here](#).



Benchmarking

Before you look to source candidates, it is important to undertake a benchmarking exercise in the UK specifically, so you can be sure that your offer is attractive to potential candidates. Offering what you do back in your home market may not be appealing in the UK, or, may even be illegal in some circumstances. Having an understanding as to what is competitive in the local market can provide an advantage when you and trying to attract and retain talent in a competitive market.

Getting the basics right

Employee contracts

Every employee will need an employment contract. This is the legal document which simply sets out what each party is expected to do. It establishes the duties and responsibilities of the employee and the obligations of you, as the employer. As of April 2020, the right to an employment contract has also been extended to include those working on zero hours contracts and casual workers.

There is a legal requirement to issue your employees their contract of employment by their first working day. You can change the terms of the contract during the course of your employment, however, if you do this, you must inform the employee to obtain their consent and provide them with an updated version of the new contract within a month.

Which structure is right for us?

As a minimum, you must provide your employees a disciplinary & grievance policy, that is separate from their contract of employment. This will provide clear instructions on how a situation will be handled should there be a breakdown in the working relationship between the employer & the employee. Failure to put this in place can be problematic should an employee raise a future grievance against you. Whilst other policies remain optional, it's good practice to introduce a staff handbook to your team, so employees know where they can find information relating to annual leave or sick leave, for example.

Employers Liability Insurance (ELI)

If you are employing in the UK, you will legally require employer's liability insurance. This covers you for any damages or claims made against you by an employee while they were working for you.

As an employer, you have certain obligations to provide a safe and secure environment in which to work. Companies in the UK must adhere to a complex and ever-changing list of health and safety requirements. If you fail to comply with these, and an employee suffers an injury as a result, they may make a claim against you. Employer's liability insurance will cover you in the event of these claims.

Additional benefits of a limited company include:

- Faulty equipment causes someone to suffer an injury.
- Someone becomes ill after working with chemicals on work sites.
- Someone trips on a hazardous surface.
- An employee is injured having not received adequate health and safety training.
- Illnesses caused by asbestos in the workplace.

Whilst an office based job, including those in shared office spaces, may pose a low-risk environment to your employees compared to many other environments, such as a factory or construction site, the requirement to have ELI still stands and must be held.

Employee Benefits

Other Benefits

Whilst all other benefits remain optional, independent research suggests 75% of employees are likely to remain with their employer if they have a good benefits package on offer. Top benefits tend to revolve around wellness, such as life insurance, health insurance or increased pension scheme contributions. Other options include cycle to work schemes, death in service insurance or provisions to make the workplace more open and inclusive for people.

Hybrid working has increased in popularity in the UK, and whilst many previously deemed some degree of remote working a benefit, this is now largely seen as the norm.

Increasingly companies are also introducing more enhanced benefits with many adding discounted deals at retail outlets, or coupons for cinemas, through tools such as Perkbox to their offering. They may offer this in a package of benefits which new employees can select when they start at the company.

Pension Schemes

You must establish a workplace pension, which is compliant with auto-enrolment. Pension is the only mandatory benefit you must provide your employees, and, as the name suggests, employees will be automatically enrolled into your workplace pension scheme. This will apply to everyone, including those on short term contracts, work with an agency or are on maternity leave. If the sole employee is listed as a statutory Director at Companies House, you may however decide not to setup a workplace pension. Minimum contributions of 5%

from the employee's salary will be deducted, and 3% from the employer will be added, although either party can decide to adjust their contributions, as long as the minimum contribution (8%) is made. Whilst offering the minimum contributions is legally compliant, offering additional or matched contributions can help to attract or retain talent.

The decision must be made by the employee independently should be they wish to opt-out of the scheme. As an employer, you must not advise or encourage them to

opt-out. Should an employee decide to opt-out of your workplace pension, there is no legal requirement for you to contribute into their private pension scheme, however this may have been agreed as part of their remuneration package.

Every three years, employees who have left the scheme will be automatically added back into the scheme. This is known as re-enrolment.

How much does an employee cost

For budgeting purposes, it is good to get an understanding as to what additional costs you can expect on top of the employees gross salary. There is a tax free

allowance marginally reducing the employers NI contributions, but the below example will provide you a simple calculation.

Gross Salary	£100,000
Employers National Insurance (13.8%)	£13,800
Minimum Employers Pension Contribution (3%)	£3,000
Annual Cost	£116,800



Sponsorship Licenses

Following the UK's exit from the European Union (EU) in 2021, the free movement of people was restricted. Subsequently, if you are a UK entity looking to employ someone to work for you from outside of the UK, including the EU, Iceland, Lichtenstein, Norway & Switzerland, who does not have pre-settled status or indefinite leave to remain in the UK, you will need to apply for a sponsorship license. Please note a UK business bank account is required to support your sponsorship license application.

Once your organisations sponsorship license is in place, you can then apply to sponsor individuals to work for you in the UK – albeit there is no guarantee your request will be successful.



Secondment

A secondment is when an employee is temporarily moved from their regular area of working to another. This can be internal, within a different part of the same company or externally to another company. For many of our clients, the parent company will often second an individual from the home market to the newly incorporated UK subsidiary. The secondee will often have a strong understanding of systems, processes, clients & company culture, which

can provide a strong start to a newly incorporated operation, helping to onboard employees faster, and making them feel part of a bigger organisation. Secondments can benefit everyone involved. Employees get to broaden their experience, see new parts of the organisation, or regions of the world, and develop new skills which may enhance their performance in their existing job.

You will need to set out a clear agreement, outlining the timescale, roles and responsibilities of the employee and how they are managed. You should work closely with the host organisation (which may be your subsidiary) to ensure you are clear on their remit, along with a tax advisor to ensure you limit any tax implications for either the organisation or the individual.

It's important to ensure your setup in the UK is compliant with local legislation, as getting it wrong can be costly and damaging to your reputation. Once you have onboarded employees, you will need to register with HMRC for pay-as-you-earn (PAYE). This lets the tax authority know that you have UK based employees.

You face a range of obligations from ensuring everyone is paid in the right way to covering yourself against personal injury claims, providing for all workplace entitlements, managing contracts and handling employee tax.

Dealing with employment law in the UK can be complicated and the landscape is constantly evolving. Having experts manage this for you not only reduces the burden on your own operations, but it also reduces the chances of future claims.





How can we help

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Although the UK is one of the best places to do business in the world, complying with all the legal requirements can be a considerable burden to many businesses. Therefore, it is highly advisable to seek expert advice.

This is what we do here at Goodwille. We work closely with companies from around the world helping them enter and expand into the UK. Our expert team are here to assist and take care of all the set up process of your business in the UK from Corporate Governance, Accounting, Human Resources to Payroll and we will ensure all your compliance and reporting obligations are met.

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Disclaimer: This guide is correct at the time of publishing. You should seek legal advice specific to your situation. Please contact us if you have any questions about the information set out above.