

New starters

Interactive new starter guidance now live

When, as an employer, you take on a new starter, you need to provide HMRC with certain information about the new employee. This is done through Real Time Information (RTI) on the Full Payment Submission (FPS). You will also need to work out what tax code to use and also whether you need to deduct student loan repayments from the employee's pay. HMRC have recently launched interactive new starter guidance, which allows new employees to produce a new starter checklist by answering a number of questions. The guidance is designed to reduce the number of RTI submissions for new starters that contain discrepancies.

This note explains what you need to do when you take on a new starter and how to take advantage of the new interactive guidance.

Employee has a P45

If a new starter gives you a recent P45, this will provide you with most of the information that you need to set the employee up on the payroll and provide new starter details to HMRC. If the P45 is from the current tax year, it will tell you their tax code and their total pay and tax to date for the current tax year. The P45 will also tell you the employee's name and National Insurance number, the date that they left their new job and whether they are making student loan deductions.

If the P45 indicates that they have a student loan, you should ask them to complete the interactive new starter guidance in order to provide you with details of the type of loan that they have.

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

If you have a P45 for a new employee where the leaving date is in the current or previous tax year, you can use the tool on the Gov.uk website at www.gov.uk/new-employee-tax-code to check the tax code that you should be using.

New starter checklist

If the employee does not give you a P45 or the P45 that they gave you indicates that they left their last job before 6 April 2021, you will need a completed new starter checklist in order to set them up on your payroll and work out what tax code to use. The easiest way to do this is to ask the employee to work through the new starter interactive guidance. You should also ask them to do this if their P45 indicates that they are making student loan repayments.

New starter checklist interactive guidance

The new starter checklist interactive guidance is available on the Gov.uk website at www.gov.uk/guidance/starter-checklist-for-payee. The guidance asks a series of questions for which

the employee must either select the most appropriate response, for example, 'yes' or 'no', or provide personal information, such as their name, date of birth, gender, National Insurance number and address.

The next section of the guidance asks for the start date of the employment, whether the employee has another job and whether they receive pension payments. It also asks if the employee has had a previous job in the current tax year.

Student loan information

The interactive tool can be used to gather information on student and post-graduate loans.

The employee is asked whether they have a student loan. If they do, they are asked to select whether they have a student loan and/or a post graduate loan. If they do not have either type of loan, they are asked to confirm this.

If the employee indicates that they have a student or post-graduate loan, they must indicate whether they have repaid the loan in full, are still studying, whether they left or completed their course since the start of the current tax year or whether they are paying the Student Loan Company by direct debit. If none of these apply and the employee has a student loan, they must confirm the type of loan that they have (Plan 1, Plan 2 or Plan 4). This will enable you to make deductions at the correct level where required.

Creating the starter declaration

Once the employee has worked their way through the questions, they will be shown a preview of their answers. Having confirmed that the answers are correct, the tool will generate the new starter declaration, which the employee can either email to you or print and send or give you as a hard copy.

You can use the information on the new starter declaration to set the employee up on your payroll and supply their details to HMRC on the FPS. The declaration will indicate the tax code that you should use depending on the answers that the employee provided. However, if you have already submitted a FPS using a different code, you should continue to use that code until HMRC send you a new code

Please call if you need help with any of the issues raised in this alert.