



Employment Taxes and Payroll

Is it an opportunity or risk for the business?

12 November 2025



Is it an additional future cost or an opportunity to reduce cost?

Common areas where compliance risk or opportunity to restructure



Employment Status	National Minimum Wage	Employees working overseas	Expanding into overseas markets
Team building	Staff entertainment	Salary sacrifice, electric cars, gym memberships etc	Remote working
Home working	Trivial benefits	Is it a van?	Employee works at multiple workplaces

Increased HMRC enforcement across payroll/benefit reporting/national minimum wage

Rising people costs (employer national insurance and employer pension contributions)

Future change in legislation — fair work agency enforcement, payrolling benefits



When should employment taxes be higher on the to do list?

Common examples but not exhaustive

- Implementing a **new benefit** — a lot of providers don't give tax advice
- Doing something different — **new role, new working arrangement** etc
 - Opportunity to structure to **reduce cost**
 - Potential to **unexpectedly** trip up
- Costs built up over a period of time — might have met a tax exemption historically but no longer does
 - Staff entertainment
 - Team building
 - Travel and subsistence expenditure
- Haven't sought advice in last few years
 - Tax **legislation** and **HMRC** enforcement **practice has changed**
- External audit — employment status, NMW are often material considerations



National Minimum Wage



Just an hourly rate of pay?

And 17+ other areas that commonly lead to breaches enforced by HMRC



Are HMRC enforcing?

- Yes
- 5th November HMRC published 24-25 enforcement statistics

How do they enforce?

- Target enforcement — accounts for 54% of arrears identified
- Worker complaints direct to ACAS or HMRC
 - 44% cases HMRC investigates lead to NMW arrears
- Geographic compliance approach

Can you waive your entitlement to NMW?

- No

What if there are no records?

- Not an excuse
- HMRC interview workers to and use their testimony to enforce

NMW ENFORCEMENT STATISTICS

ENFORCEMENT ACTIVITY



4,800
CASES CLOSED



1 MILLION
WORKERS
ASSURED NMW



1,200
CASES WITH
ARREARS

3

FINANCIAL FIGURES



\$5.8
MILLION
ARREARS IDENTIFIED



\$4.2
MILLION
PENALTIES ISSUED



**EMPLOYERS
PROSECUTED**



The impact of non-compliance

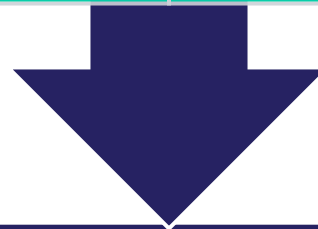
No get out of jail free card



Financial Cost

Repay workers “grossed up” arrears

200% penalty. Arrears are subject to employer National Insurance and pensionable pay



Reputational Damage

Public **name and shame** list published online by gov.uk, last one October 25 — 500 more employers

National and regional press run stories off the back of lists



We pay well above NMW rates, we're fine

But are you?

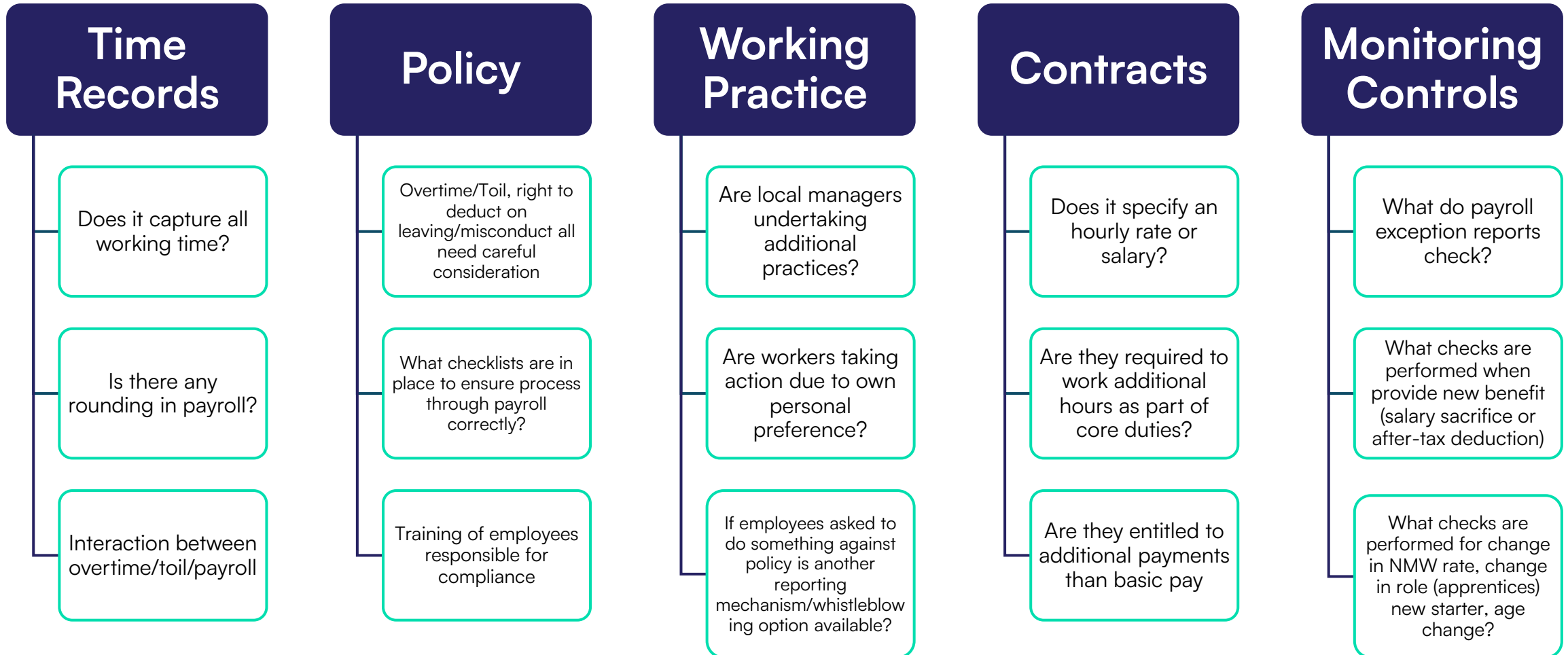


Common NMW failure	Example where causes problem
Unpaid overtime	Required to start by 9am (place personal belongings somewhere before start), meetings outside normal hours, logging on outside working hours etc Travel between workplaces outside normal hours Risk where payroll doesn't capture above/ no checks to ensure at least NMW or supervisor can override timesheets
Payroll deduction, e.g. Food/parking/travel/training/savings scheme	If funds kept by employer and not passed to third party , reduces pay for NMW Risk where no payroll checks to account for above
Salary sacrifice	Reduces pay for NMW. Risk where payroll doesn't check correct value
Apprentices	Paid apprenticeship rate but aged 19+ and in 2 nd year+ of training agreement, or not apprenticeship agreement Start work prior to apprenticeship agreement Not paid for all study time
Specific clothing required to be worn (PPE, ordinary clothing)	No reimbursement, cost worker incurs on purchase reduces pay for NMW purposes. Includes "dark", "black/white trousers/shirt" etc, "no open toed shoes"
Worker status	Volunteers could be workers (e.g. if provide more than out of pocket expenses)
Incorrect worker type	Treating a worker as salaried when unmeasured and vice versa. Makes a difference when comes to unpaid overtime.
Accommodation	Reduces pay if charge above accommodation offset rate (From April 25 - 10.66 per day or 74.62 per week)



What action could you take?

There is no one size fits all approach





Employment Status



Tackling the misconception

Status is not just IR35



IR35

Sole Trader

Agency

Umbrella

Construction
Industry
Scheme

Outsourced
Provider

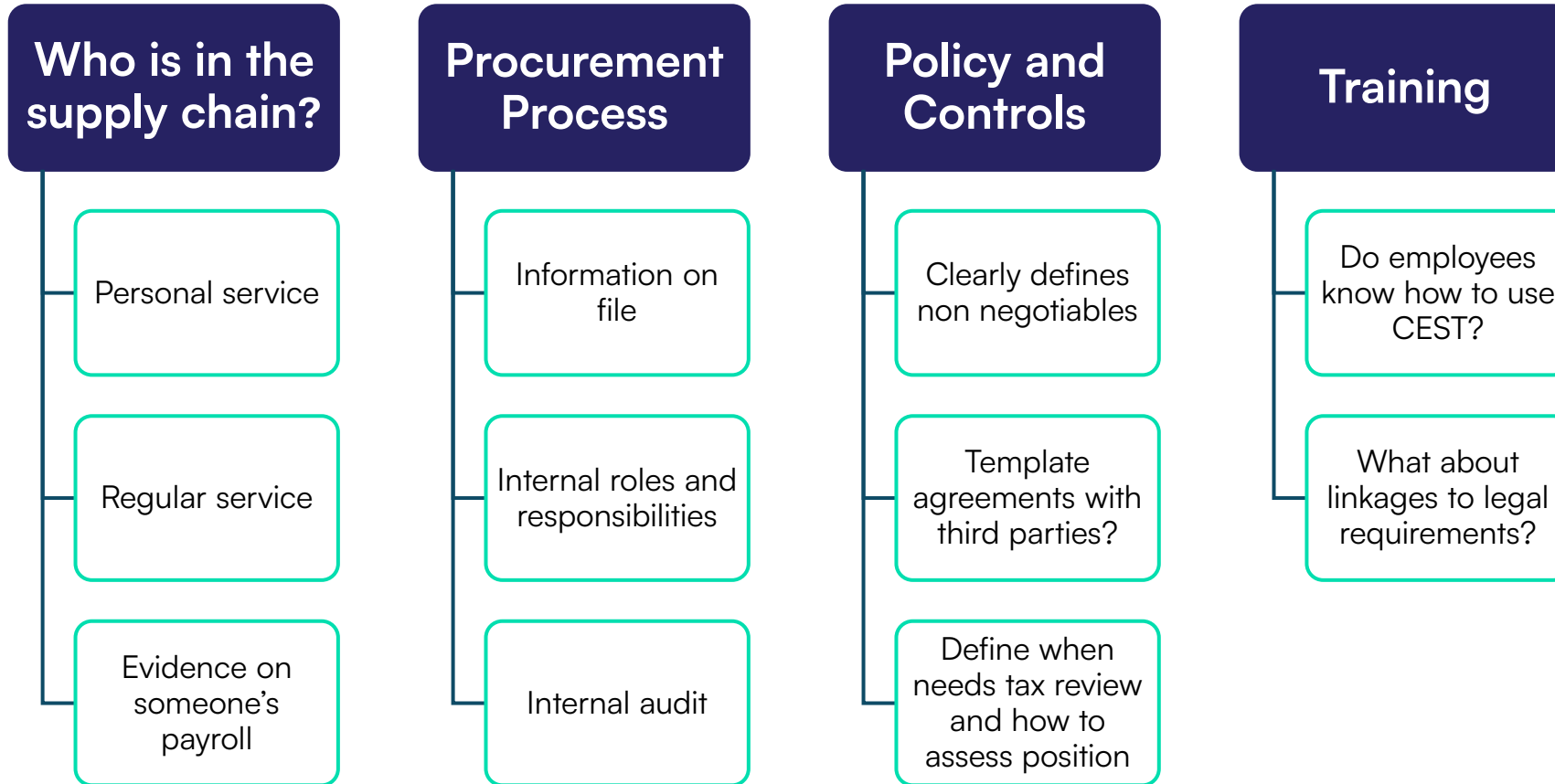
Office Holder

Remote
Working



HMRC enforcement on the rise

Taking steps towards demonstrating reasonable care





What can go wrong?

Common areas that lead to tax liability

- Individual undertaking both employment/director duties and “consulting” services
- **Lack of paperwork** is no excuse
- What happens in practice is different to the contract/status assessment
- **Service line agreement** with third party not tested periodically
- Didn't gather sufficient **evidence** from third party & engaging party still liable (relevant for agency)
- Didn't issue **status determination statements** to backup position reached
- Didn't reassess the position when facts changed, e.g. **change of scope** or contract extension

When does this creep out the woodwork?

- Part of external audit tests (liabilities over period of time became material)
- HMRC enforcement activity
- Due diligence (grant funding, banks, or transaction)
- Change in management personnel



Payroll — Additional areas of risks & future considerations



Areas of risk that BHP encounter when onboarding clients



Common examples

Auto Enrolment

- Pensionable pay definition
- Tax relief basis

National Minimum Wage

- Incorrect rates
- Hourly paid not itemised on payslips

National Insurance Categories

- Incorrect application resulting in under and over payments
- Lack of detail for apprentices i.e. start and end dates



Upcoming changes

2026-2027



Statutory Sick Pay

- Day 1 right
- Removal of Lower Earnings Limit
- Payment will be the lower of 80% of their average earnings or the flat rate of SSP (currently £118.75 per week)

Student Loans

- New Plan 5

National Minimum Wage and Living Wage

- Low Pay Commission has provided its final recommendations to the Government
- Announcement expected any day
- Effective date 1st April



Future considerations

National Living Wage

- Potential removal of 21 year-old age bracket

Auto Enrolment

- Royal ascent granted to remove the LEL from QE schemes and lower the eligibility age to 18

Salary Sacrifice - Pension

- Employer & employee NI savings to be made
- Paperwork must be accurate for compliance with HMRC



Thank you

Kyle Newton

kyle.newton@bhp.co.uk | 07860 634 431

Chloe Hughes

chloe.hughes@bhp.co.uk | 07715056826

Please note that the information provided in this presentation is provided for general information purposes only. It does not contribute any form of tax, accounting or other professional advice and you should not use it as a substitute for advice tailored to your specific circumstances.

We disclaim all and any liability for any actions you take (or omit to take) in reliance upon the contents of the presentation.