The payroll engagement letter

United Kingdom edition

[Firm letterhead]

[Date]

[Client name]
[Client address]

Dear [Client contact],

THE ENGAGEMENT

We will process the payroll of [Client name] on a [weekly / fortnightly / monthly] basis for approximately [number] employees, beginning [date]. For each pay run we will calculate gross pay, deductions and net pay, provide payslips, and prepare Full Payment Submissions on or before each payday and Employer Payment Summaries under Real Time Information. At the year end we will prepare P60s by 31 May and, for benefits that are not payrolled, P11Ds by 6 July.

CHANGES AND APPROVAL

You will send us hours, new employees, leavers and any change to pay or deductions by [time] on [day] before each payday. Changes received after that go into the following pay run, unless you ask for an additional run, which is charged at [rate].

Before each pay run we will send you a summary for approval. We will not finalise the payroll until you have approved it, and your approval confirms that the figures are correct.

PAYMENTS

You are responsible for paying net wages to employees and for making PAYE and National Insurance payments to HMRC by the 22nd of the month, [unless you instruct us to initiate those payments from your account, in which case you will ensure the funds are available by [time] on [day]]. We will calculate automatic enrolment pension contributions; paying them on time remains your responsibility.

YOUR RESPONSIBILITIES

You remain the employer and are legally responsible for withholding and paying the amounts due on time. You are responsible for the accuracy and completeness of the information you give us, including each worker's status as an employee or contractor, their rates of pay and their entitlements under employment law. We will rely on that information without verifying it.

When an employee leaves, you will tell us their last day and any final payments by [date], and we will prepare the P45. You will provide HMRC agent authorisation for your PAYE scheme.

WHAT IS NOT INCLUDED

This engagement does not include employment law advice, deciding whether a worker is an employee or a contractor, benefits administration, bookkeeping, or dealing with any inspection, audit or enquiry by HMRC or any other authority. We will agree any of these separately.

FEES

Our fee is [amount] in pounds sterling per pay run, invoiced [monthly], payable within [number] days. Year-end work and additional pay runs are charged at [rate] and agreed with you first.

ENDING THE ENGAGEMENT

Either of us may end this engagement on [number] days' written notice. We will complete the pay runs due in that period and provide your payroll records in a usable format.

CONFIDENTIALITY AND YOUR EMPLOYEES' DATA

Payroll records contain your employees' personal information. We hold and process it on your behalf in accordance with the UK GDPR, only for the purpose of running your payroll, and retain it for [number] years.

AGREEMENT

Please sign and return a copy of this letter.

Yours sincerely,
[Name], [Firm name]

Agreed for [Client name]:

Signature _____ Date _____

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