

## TAX GUIDANCE: PAYE and National Insurance

### The importance of PAYE and NIC

HMRC regularly collects substantial amounts of unpaid tax and national insurance from sports clubs which have not kept to the rules for deducting PAYE and NIC from payments to their employees. In many cases, the sports club volunteer responsible for PAYE may not have the appropriate skills but nevertheless is responsible for -

1. collection and payment of PAYE and NIC to HMRC in relation to employees
2. completion of forms and returns including those relating to expenses and benefits
3. ensuring that employees are paid in accordance with the national minimum wage (NMW) rules. See '[National Minimum Wage](#)' guidance document for more information.

Often it is the club treasurer's job to keep adequate records, deduct the correct amounts, complete the relevant forms and establish procedures to deal with such matters and the NMW. A Real Time Information system is being introduced for employers of all sizes from April 2013 which will require the club's payroll to be on line and will provide payroll details to HMRC as payments are made throughout the year.

As a Club expands, for example following completion of a facility improvement project, this may mean that the club faces these issues for the first time.

### Employment status

This is often the most difficult task since it is not always clear whether someone who is described as self-employed should actually be classified as an employee. This issue is particularly important for coaches, doctors, physiotherapists, stewards, trainers, bar staff, groundsmen etc. There is no simple way to determine whether someone is employed or self-employed. It is determined by the facts of each individual case, based on the agreement between the club and the individual and other relevant criteria. [HMRC's website information](#) contains a list of questions which help determine status and provides an Employment Status Indicator which will help clubs determine whether the individual is an employee for tax and NI purposes.

### Casuals

Whether an individual is called a casual, or engaged on a casual or part time basis does not mean that they are not employees subject to PAYE and NIC. The normal tests will need to be applied to determine employment status. This also applies to players who are paid only for each match they play.

**Playing "for the love of the game"**

Undoubtedly many players participate at clubs receiving only out of pocket expenses to cover genuine travel and other related costs of training and playing. These players will usually not be required under the sport's rules to have a contract with the club. In such cases it may be possible to establish that the players are involved only "for the love of the game" and therefore do not become employees subject to PAYE, NIC and NMW. This treatment cannot be taken for granted. Proper procedures must be put in place by the club to ensure that only bona fide expenses which are reasonable and actually incurred are reimbursed. There also needs to be appropriate documentary support.

**Procedures, time limits, returns and HMRC Control visits**

Clubs can get help for the administrative side of employment tax, by visiting [HMRC's website](#). It is a good place to start to get guidance on collecting, accounting for PAYE/NIC, filling in the forms and what time limits there are. If the club makes errors it is likely to face automatic penalties, interest and, potentially, back tax and NIC if the amounts paid in previous years are wrong.

To make sure the club pays the right tax and completes all of the forms accurately HMRC regularly carries out control visits or audits. Where such a visit is requested by HMRC a club will be well advised to get its accountants to check that everything is in order beforehand.

