

Employing UK Staff From Overseas: The 2026 Checklist

A practical guide for overseas companies hiring their first UK employee — updated for the 2026/27 tax year.

Onshore Partners — UK payroll specialists for overseas employers

You've found the right person in the UK, or you're about to. Now comes the part nobody warned you about: the tax, the pension, the right-to-work rules, and the question that stops most overseas employers in their tracks — *do we need to set up a UK company first?*

This checklist walks you through it in plain English. It's written for a company based outside the UK that is hiring its first UK-based employee. Work through it top to bottom, tick the boxes, and you'll know exactly what you need, what it costs, and what happens next.

This guide is general information for the 2026/27 UK tax year, not advice for your specific situation. Figures and thresholds change. When you're ready to act, get them confirmed for your case.

1. Do you need a UK entity? (Usually not.)

The single most common misconception: that you must incorporate a UK company to employ someone here. **You don't.** A company with no UK presence at all can legally employ a UK-based worker and operate a UK payroll for them.

HMRC has a specific mechanism for this. Because a foreign employer with no UK place of business can't be compelled to pay employer's National Insurance in the normal way, HMRC operates two related schemes:

- **DPNI scheme** — *Direct Payment, National Insurance*. The **employee** accounts directly to HMRC for their own PAYE Income Tax **and both** the employee's and (where due) the employer's National Insurance. Used where the overseas employer has no UK presence and isn't liable for employer's NI.
- **DCNI scheme** — *Direct Collection, National Insurance only*. Used where Income Tax is already handled but National Insurance still needs collecting.

In practice, "DPNI" is the route most first-time overseas employers will hear about. The mechanics sound unusual — the employee runs the scheme on paper — but in reality a payroll bureau operates it on the employee's behalf, so it feels just like a normal payroll to everyone involved.

Check: ■ We've confirmed we do **not** need a UK company to employ UK staff. ■ We understand a DPNI/DCNI scheme lets us employ in the UK with no UK entity. ■ We know the employee is the registered scheme-holder, but a bureau can run it for them.

2. The three routes, compared

There are three realistic ways to employ someone in the UK. Here they are side by side.

Needs (or a UK a branch/establishment) UK entity?	No	No
Who employs the worker?	You	The EOR (not you)
Who / your bureau runs payroll?	You / your bureau (via the employee's scheme)	The EOR
Who pays employer NI?	Collected via the scheme	Built into the EOR fee
Setup time (incorporation + PAYE)	~2–6 weeks (scheme registration)	Days
Typical cost framing of EOR fees	A fraction of EOR fees	Often ~ £480–£560 per employee, per month in platform fees alone
Best when you want a UK presence anyway	You want to be the direct employer, leanly	You want zero admin and speed, and can absorb the cost

The headline trade-off: an **EOR** is fast and hands-off, but you're renting an employer and paying a recurring per-head premium on top of the actual employment costs. Running your **own payroll** — whether through a UK entity or a **DPNI/DCNI** scheme — keeps you as the direct employer (better for culture, IP and long-term cost) at **a fraction** of EOR platform fees.

For most overseas companies hiring one to a handful of UK staff and wanting to keep them as genuine team members, **DPNI/DCNI is the sweet spot**.

Check: ■ We've identified which of the three routes fits our situation. ■ If considering an EOR, we've compared its monthly per-head fee against running our own. ■ We've asked for a quote on the DPNI/own-payroll route before committing to an EOR. (See *section 9*.)

3. Setting up the scheme

If you go the DPNI/DCNI route, the scheme is registered with HMRC. A few things to know before you start:

- **It can't be done online.** Unlike a standard UK employer PAYE registration, an overseas-employer scheme is set up **manually/offline** with HMRC — by post and phone. There is no self-service web form for it.
- **Allow time.** Registration typically takes around **two to six weeks** to come through, sometimes longer at busy periods. Start before your intended first payday, not on it.
- **You'll need details ready** before you begin.

Have these ready: ■ Full legal name and address of the overseas employer. ■ The employee's full name, address, date of birth and National Insurance number. ■ The employee's start date and agreed pay. ■ Confirmation the employer has no UK place of business (this is what justifies the scheme). ■ A UK contact point for correspondence (a bureau can act here).

Check: ■ We understand the scheme is set up offline and **cannot** be registered online. ■ We've allowed ~2–6 weeks before the first payday. ■ We have all registration details to hand.

4. The real cost of a UK employee in 2026/27

Salary is only part of it. Budget for the full picture before you make an offer.

Employer's National Insurance - Charged at **15%** on earnings **above the £5,000 secondary threshold** per employee, per year. - This is paid *on top of* gross salary. On a £40,000 salary, that's 15% of £35,000 ≈ **£5,250** a year in employer NI alone.

Workplace pension (auto-enrolment) - Eligible employees must be auto-enrolled. Minimum total contribution is **8% of qualifying earnings**, of which the **employer pays at least 3%** (the employee makes up the rest). - "Qualifying earnings" for 2026/27 is the band between **£6,240 and £50,270**.

Holiday - Statutory minimum paid holiday is **5.6 weeks** per year (28 days for someone working five days a week, which may include bank holidays).

Statutory pay - Budget for statutory entitlements you may have to fund or administer: **Statutory Sick Pay (SSP)**, **Statutory Maternity/Paternity/Adoption Pay**, and similar. (See the day-one SSP change in section 5.)

A useful rule of thumb: the *true* cost of a UK hire is meaningfully more than the headline salary once employer NI, pension and holiday are stacked on top.

Check: ■ We've budgeted gross salary **plus** ~15% employer NI above £5,000. ■ We've budgeted employer pension contributions (min 3%, on £6,240–£50,270). ■ We've accounted for 5.6 weeks' paid holiday and statutory pay exposure.

5. Key 2026 changes to know

Three changes make the 2026/27 landscape different from earlier guidance you may have read.

Employer NI: 15%, low threshold. Employer's National Insurance is **15%**, charged on earnings above a **£5,000** secondary threshold. The threshold is lower than in previous years, so employer NI now bites earlier — factor it in for every hire, including part-time and lower-paid roles.

Day-one Statutory Sick Pay — from 6 April 2026. This is a significant change. From **6 April 2026**: - SSP is payable from **day one** of sickness — the old **waiting days** are gone. - The **Lower Earnings Limit test is removed**, so lower-paid employees who previously didn't qualify now do.

For employers, this means more sickness absence is now paid, starting sooner. Build it into your cost and policy assumptions.

Making Tax Digital (MTD) for Income Tax — phasing in. MTD for Income Tax requires digital record-keeping and quarterly updates to HMRC. It's phasing in by income level (the highest earners first, with later phases bringing in progressively lower thresholds). It mainly affects sole traders and landlords rather than your PAYE employee directly — but if your UK hire has other self-employment or property income, it may apply to *them*, and it's worth being aware of as the UK's wider direction of travel.

Check: ■ Our budget uses the **15% / £5,000** employer NI figures. ■ Our sick-pay policy and budget reflect **day-one SSP from 6 April 2026**. ■ We've flagged MTD for Income Tax if our hire has other income.

6. Right to work checks

Before the employee's first day, you must confirm they have the legal right to work in the UK. Getting this right gives you a **statutory excuse** — a legal defence if it later turns out the person didn't have the right to work. Skipping it leaves you exposed.

There are three valid ways to check, depending on the person:

- **Online share code** — most non-British/Irish citizens can generate a code via the GOV.UK service; you verify it against their details and the photo shown.
- **IDVT (Identity Document Validation Technology)** — a certified digital identity provider can verify British and Irish citizens' valid passports.
- **Manual check** — view original acceptable documents in person, confirm they're genuine, and keep clear copies.

The penalties are serious. Employing someone without the right to work can mean civil penalties of up to **£45,000 per worker** for a first breach and up to **£60,000 per worker** for repeat breaches — plus reputational and, in serious cases, criminal consequences.

Check: ■ We've carried out a compliant right-to-work check **before** the start date. ■ We've recorded the check correctly to establish a **statutory excuse**. ■ We've kept the evidence securely for the required period.

7. Ongoing duties once they're employed

Employing in the UK is not a one-off setup — it's a monthly rhythm of obligations.

Every payday ■ Report pay and deductions to HMRC under **RTI (Real Time Information)** — **on or before** the day you pay the employee. Late or missing submissions can trigger penalties. ■ Give the employee a **payslip** showing gross pay, deductions and net pay. ■ Make the correct **pension** contributions and submit them to the scheme.

Each tax year-end ■ Provide every employee with a **P60** by **31 May**. ■ Report any taxable **benefits in kind** on a **P11D** by **6 July** (and pay the associated Class 1A NI). ■ Run the final RTI submission for the year and update tax codes for the new year.

Throughout ■ Keep payroll records, apply changes to tax codes and thresholds, and handle starters, leavers and any statutory pay correctly.

Check: ■ We have a process to run RTI **on or before** every payday. ■ We're set up to issue payslips and run a compliant pension. ■ We have the year-end deadlines (P60 by 31 May, P11D by 6 July) in the diary.

8. Your first 30 days — action checklist

A simple sequence to go from "we've decided to hire" to "they're paid correctly."

■ **Decide the route** — own PAYE, DPNI/DCNI, or EOR (sections 2). ■ **Get a cost figure** — salary + employer NI + pension + holiday (section 4). ■ **Carry out the right-to-work check** before the start date (section 6). ■ **Gather scheme details** — employer and employee information (section 3). ■ **Register the scheme with HMRC** — start early; allow 2–6 weeks (section 3). ■ **Set up the workplace pension** and assess the employee for auto-enrolment. ■ **Issue a written contract / statement of employment particulars**. ■ **Run the first payroll** — RTI submission on or before payday, payslip issued. ■ **Confirm the year-end calendar** is in place (section 7).

9. How we help

Onshore Partners specialises in exactly this: UK payroll for overseas employers. We take the parts that feel daunting from abroad — choosing the right route, registering the scheme with HMRC, running compliant payroll, pensions, RTI and year-end — and run them for you, so your UK hire is paid correctly and on time from day one.

If you're weighing up an EOR, it's worth seeing the numbers side by side first. Keeping your employee on your own DPNI/own-payroll arrangement usually costs a **fraction** of EOR per-head platform fees — and you

stay their real employer.

Get a quote. Tell us where you're based, where your hire is, and roughly what you're paying them, and we'll come back with a clear figure and the right route for your situation.

Onshore Partners — UK payroll specialists for overseas employers. Request your quote and we'll map out your route to a compliant first UK hire.

Information correct for the 2026/27 UK tax year at the time of writing and provided for general guidance only. It is not a substitute for advice on your specific circumstances. Thresholds, rates and rules change — confirm the current position before you act.