



A PRACTICAL GUIDE FOR OVERSEAS COMPANIES

# Hiring Your First UK Employee From Abroad

*PAYE, National Insurance, pensions & compliance — explained simply*

Everything you need before your first UK payslip

## Onshore Partners

UK payroll specialists for overseas employers · [onshorepartners.co.uk](https://onshorepartners.co.uk)

# Hiring in the UK shouldn't be a guessing game

---

If your company is based abroad and you're about to employ someone in the UK, you've probably discovered that the rules are detailed, the deadlines are strict, and the penalties for getting it wrong are real.

This short guide walks you through exactly what you need to know — from the very first decision (do you even need a UK company?) to running your first compliant payroll. It's written for finance and HR leads at overseas businesses, in plain English, with the 2026/27 numbers you'll actually use.

**The good news:** none of this is as hard as it looks once it's broken down — and you don't have to do any of it alone. A UK payroll specialist can set up and run the whole thing for you.

## Part 1. First question: do you need a UK entity?

---

How you employ UK staff depends on whether your company has a UK legal presence. There are three common routes:

### Route A — Your own UK PAYE scheme Most common

You have (or set up) a UK entity or branch and run a full UK PAYE scheme. You're the legal employer; you handle PAYE, National Insurance, pensions and RTI reporting. This gives you the most control and is usually the right long-term answer.

### Route B — DPNI / NI-only scheme

You have **no** UK tax presence but still want to employ someone in the UK directly. A "Direct Payment" (DPNI) scheme lets payroll run without a UK entity. These can't be set up online — HMRC must be contacted directly. This is a specialist area.

### Route C — Employer of Record (EOR)

A third party legally employs your UK staff for you. Fast to start and no entity needed, but you pay a premium and give up the direct employment relationship. Useful as a stepping stone before setting up your own scheme.

**Not sure which fits?** It usually comes down to two things: whether you have a UK entity, and whether you want to be the legal employer. We can confirm the right route for you in a 20-minute call.

## Part 2. The 7 steps to your first UK payroll

---

If you're taking Route A (your own PAYE scheme), here's the path from nothing to your first payslip:

- 1 Create a Government Gateway account** for your business — this is your login for all HMRC online services.
- 2 Register as an employer with HMRC.** You can register up to two months before your first payday. HMRC sends you an employer PAYE reference and an Accounts Office reference.
- 3 Wait for your references.** Online they can arrive in days; the letter can take up to ~10 working days. (If payday comes first, you can still run payroll and submit to HMRC slightly late once your reference arrives.)
- 4 Set up payroll software** that's recognised by HMRC for RTI (Real Time Information) reporting.
- 5 Add your employee's details** — name, NI number, address, salary, start date, and tax details from their P45 if they have one.
- 6 Run payroll and submit the first FPS** (Full Payment Submission) to HMRC **on or before** the pay date.
- 7 Pay HMRC** the tax and NI due — by the 22nd of the following tax month if paying electronically.

**Watch out:** registering a brand-new PAYE scheme can take several weeks, and opening a UK business bank account is often slow for overseas-owned companies. Start early.

## Part 3. What a UK employee really costs you

---

The salary is only part of the picture. As the employer you also pay:

- **Employer's National Insurance** — currently 15% on earnings above the secondary threshold (around £5,000/year). This is on top of the gross salary.
- **Workplace pension** — a minimum 3% employer contribution on qualifying earnings for eligible staff (auto-enrolment).
- **Statutory entitlements** — sick pay, holiday pay, family leave pay where applicable.

**Rule of thumb:** budget meaningfully above the gross salary once employer NI and pension are added. We'll give you the exact all-in cost before you commit.

## Part 4. Auto-enrolment pensions in plain English

Every UK employer must automatically enrol eligible staff into a workplace pension and contribute to it. You must assess your employee each pay period, enrol them if eligible, write to them, and declare compliance to The Pensions Regulator.

Auto-enrolment (2026/27)	Figure
Earnings trigger for auto-enrolment	£10,000 / year
Qualifying earnings band	£6,240 – £50,270
Minimum employer contribution	3%
Minimum total contribution	8% (employee makes up the rest)

## Part 5. Key 2026/27 rates at a glance

Item	Rate / threshold	From
National Living Wage (21+)	£12.71 / hour	1 Apr 2026
Minimum Wage (18–20)	£10.85 / hour	1 Apr 2026
Minimum Wage (16–17 & apprentice)	£8.00 / hour	1 Apr 2026
Statutory Sick Pay	£123.25 / week	6 Apr 2026
Statutory Maternity/Paternity/Adoption Pay	£194.32 / week	Apr 2026
Employer's NI rate	15% above ~£5,000/yr	Current

**Always verify before relying on a figure.** Rates change every tax year (and sometimes mid-year). The authoritative source is GOV.UK. We track these for every client.

## Part 6. Changes on the horizon

### Mandatory payrolling of benefits in kind — April 2027

From 6 April 2027, most taxable benefits (company cars, health cover, etc.) must be reported and taxed through payroll in real time, rather than on annual P11D forms. Employer Class 1A NIC will be paid each pay period instead of once in July. (P11Ds are still needed up to and including 2026/27.) If you'll offer benefits to UK staff, plan for this now.

### Day-one Statutory Sick Pay

SSP reforms mean sick pay becomes payable from the first day of sickness, at the lower of the weekly flat rate or 80% of weekly earnings. Build this into your sickness policy and budgeting.

## Part 7. Common mistakes & deadlines you can't miss

---

### Mistakes overseas employers make

- Leaving PAYE registration too late.
- Assuming there's no UK obligation because the company is foreign.
- Forgetting employer NI and pension on top of salary.
- Missing auto-enrolment duties entirely.
- Sending payroll data over insecure email.

### Deadlines

- **On/before payday** — submit FPS (RTI).
- **22nd of month** — pay HMRC (electronic).
- **31 May** — give employees their P60.
- **6 July** — P11D benefits returns.
- **5 months after duties start** — pension Declaration of Compliance.

### Let us run it for you

Onshore Partners sets up and runs UK payroll for overseas employers — the right scheme, full HMRC liaison, pensions and compliance handled, with a real person on the end of the email in your time zone.

Book a free 20-minute call: [hello@onshorepartners.co.uk](mailto:hello@onshorepartners.co.uk) · [onshorepartners.co.uk](https://onshorepartners.co.uk)

---

This guide is general information, current to mid-2026, and is not tax, legal or financial advice. Rates and rules change — always confirm current figures on GOV.UK or with a qualified adviser before acting. © 2026 Onshore Partners (placeholder name).