

LIMITED COMPANIES · FIRST HIRE

Hiring Your First Employee

The true loaded cost of a first hire, and the five things you must set up to do it properly. A worked example on a £30,000 salary, plus a setup checklist. Every figure checked against current GOV.UK guidance.

EMPLOYER NI

15%

PENSION,
EMPLOYER MIN

3%

EMPLOYMENT
ALLOW.

£10.5_k

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Mostly admin you set up once, but watch the real cost

Hiring your first employee feels like a cliff edge. In truth it is mostly admin you set up one time, then run each payday. The genuine surprise is the cost. A salary is not the whole cost: on top of it your company pays employer National Insurance and a workplace pension. This guide quantifies that, then walks you through the five things to set up.

At a glance, the numbers behind a first hire

<p>EMPLOYER NI</p> <p>15%</p> <p>On pay above £5,000 a year</p>	<p>PENSION, EMPLOYER</p> <p>3%</p> <p>Minimum, on qualifying earnings</p>	<p>EMPLOYMENT ALLOW.</p> <p>£10.5k</p> <p>Offsets employer NI if eligible</p>	<p>EL INSURANCE</p> <p>£5m</p> <p>Minimum legal cover</p>
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💡 THE ONE-LINE ANSWER
Budget for **more than the salary**. As a rule of thumb a first hire costs the salary plus employer National Insurance plus a pension on top, so a £30,000 salary is closer to **£34,500** in real terms before the Employment Allowance is applied.

🕒 What you'll need ABOUT 20 MINUTES

- 🕒 **The salary** you intend to pay and the start date
- 🕒 **Your company details:** company number, business bank account, UTR
- 🕒 **A rough budget**, so you can add the true on-costs below

01 THE REAL NUMBER

A salary is not the whole cost

On top of the salary, your company pays employer National Insurance and a minimum workplace pension contribution. Here is the build-up on a typical first hire, so there are no surprises in the first payroll run.

On a **£30,000** salary the company also pays employer National Insurance at **15%** on pay above the **£5,000** secondary threshold, plus a minimum **3%** employer pension contribution under auto-enrolment. The real cost is noticeably more than £30,000.



Worked example · the true cost of a £30,000 hire

Gross salary	£30,000.00
Employer NI, 15% on pay above £5,000	+ £3,750.00
Employer pension, 3% of qualifying earnings	+ £712.80
True cost to the company	£34,462.80

HOW EACH ON-COST IS WORKED OUT	CALCULATION	AMOUNT
Employer NI	15% × (£30,000 – £5,000)	£3,750.00
Employer pension	3% × (£30,000 – £6,240)	£712.80
Qualifying earnings band	£6,240 to £50,270 a year	see note

Sources: GOV.UK, employer National Insurance rates and rates and thresholds for employers 2026 to 2027 (15% above a £5,000 secondary threshold); GOV.UK, workplace pensions (3% employer minimum on qualifying earnings of £6,240 to £50,270). 2026/27.



THE EMPLOYMENT ALLOWANCE CAN WIPE OUT THE NI

Most eligible employers can claim the **Employment Allowance**, which offsets up to **£10,500** of employer Class 1 National Insurance a year. For a single £30,000 hire that £3,750 NI bill can fall to **nil**, bringing the true cost down to about **£30,713**. Eligibility rules apply, including a restriction for sole-director companies with no other employees.



BUDGET FOR THE ON-COSTS, NOT JUST THE SALARY

The classic first-hire mistake is to plan only for the headline salary. Employer NI and the pension are real cash that leaves the company every month. Build the loaded figure into your cash flow before you make the offer.

02 DO THESE ONCE

The five things you must set up

Get these five in place before the first payday and the rest is routine. None is difficult, but each is a legal duty and skipping one can be costly.

WHAT TO SET UP	WHY IT MATTERS	WHEN
1. Register as an employer for PAYE	Gives you the PAYE reference HMRC needs to collect tax and NI from pay	Before first payday
2. Run payroll and report in real time (RTI)	You report pay, tax and NI to HMRC on or before each payday via an FPS	Every payday
3. Set up a workplace pension	Auto-enrol eligible staff and pay the 3% employer minimum	From the start date
4. Get employers' liability insurance	Legally required cover of at least £5m for staff injury or illness claims	Day one
5. Give a written statement of terms	Pay, hours, holiday and notice, on or before the first day of work	Day one

Sources: GOV.UK, register as an employer; running payroll; workplace pensions; employers' liability insurance; employment contracts and written statement of employment particulars. 2026/27.

PAYE and real-time reporting

Register for PAYE before the first payday, and no more than two months ahead. Each payday you run payroll and send HMRC a Full Payment Submission (RTI) showing what you have paid and the tax and NI due. Payroll software does the reporting for you.

Pension, insurance and terms

Auto-enrol eligible staff into a workplace pension and pay at least 3%. Buy employers' liability insurance of at least £5m and display the certificate. Give a written statement of the main terms on or before day one.



NO INSURANCE IS THE EXPENSIVE ONE

Employers' liability insurance is not optional. You can be fined **£2,500** for every day you are not properly insured, and a further **£1,000** for failing to display the certificate where staff can see it.



LET PAYROLL SOFTWARE CARRY THE LOAD

Once PAYE is registered, good payroll software handles the RTI submissions, the tax codes, the pension deductions and the payslips automatically. Most first-time employers never touch HMRC's systems directly after setup. This is the part we take off your hands.

03 STAY COMPLIANT

The rules to know before day one

Beyond the setup, a handful of ongoing rules govern what you pay and how you treat staff. None is onerous, but each carries a penalty for getting it wrong.

The minimum you can legally pay

NATIONAL MINIMUM AND LIVING WAGE	WHO IT APPLIES TO	PER HOUR
National Living Wage	Aged 21 and over	£12.71
Development rate	Aged 18 to 20	£10.85
Young workers	Under 18	£8.00
Apprentice rate	Apprentices under 19, or in their first year	£8.00

Source: GOV.UK, National Minimum Wage and National Living Wage rates. Rates apply from 1 April 2026. Paying below these is an offence and HMRC can require back pay plus a penalty.

✔ Right to work

Before someone starts, check they have the legal right to work in the UK and keep a copy of the evidence. A correct check is a defence against a civil penalty if it later turns out they could not work here.

🕒 Statutory pay

Once they qualify, employees are entitled to statutory pay for sickness, and for maternity, paternity and adoption leave. Much of statutory parental pay can be reclaimed from HMRC through your payroll.

📅 Holiday

Almost all workers get **5.6 weeks** of paid holiday a year, which is **28 days** for someone working five days a week. The statutory entitlement is capped at 28 days.

✔ Pensions: re-enrolment

Auto-enrol staff aged **22** to State Pension age earning over **£10,000**. Roughly every three years you must re-enrol eligible staff who opted out, and re-declare to The Pensions Regulator.



RIGHT-TO-WORK CHECKS PROTECT YOU, NOT JUST THEM

A compliant check, done before employment starts and recorded properly, gives your company a statutory excuse against a penalty of up to **£60,000** per illegal worker. It takes minutes; skipping it is one of the costliest shortcuts a new employer can take.

04 TICK IT OFF

Your first-employee setup checklist

Print this page. Work through it before your new starter's first day to make sure every legal duty is covered and the first payroll run goes smoothly.

🕒 Register and pay

- Register as an **employer for PAYE** with HMRC before the first payday DO FIRST
- Choose **payroll software** that handles RTI and pension deductions
- Confirm the **true loaded cost**: salary plus employer NI plus pension
- Check the salary meets the **National Minimum or Living Wage**
- Claim the **Employment Allowance** if your company is eligible

📁 Pension

- Set up a **workplace pension** scheme before the start date
- Auto-enrol staff aged **22 to State Pension age** earning over £10,000 DUTY
- Budget the **3% employer minimum** on qualifying earnings
- Diarise **re-enrolment** for roughly three years' time

🛡️ Insurance and terms

- Buy **employers' liability insurance** of at least £5m DAY ONE
- Display the certificate** where staff can see it
- Give a **written statement of terms** on or before day one
- Run a **right-to-work check** and keep a copy of the evidence

✅ Before day one

- Collect the new starter's **P45 or starter details** for the tax code
- Agree **holiday**: at least 5.6 weeks, up to 28 days a year
- Note the **statutory pay** rules for sickness and parental leave
- Set up a **payslip** and a way to pay wages on time
- Send your first **FPS to HMRC** on or before the first payday



DO IT IN ORDER

Work top to bottom. Register for PAYE first, because the reference can take a little time to arrive, then layer on the pension, insurance and contract. Have all of it in place before the first payday and the first run is painless.



— FREE FIRST-HIRE SETUP CALL

We make your first hire **simple**

Book a free, no-obligation call and a CIMA-qualified accountant will register your PAYE, set up payroll and the pension, and keep you compliant from the first payday. You make the offer; we handle the admin.

- ✓ We register your PAYE and run payroll with real-time (RTI) reporting
- ✓ We set up the workplace pension and auto-enrol eligible staff
- ✓ A plain-English steer on the true cost, insurance and the contract, no jargon

HD Reviewed by **Harvey Dhillon**, ACMA CGMA

Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ **4.9** on Google · 56 reviews



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About this guide. Reviewed by Harvey Dhillon, ACMA CGMA. Figures verified against GOV.UK for the 2026/27 tax year. This guide is general information, not advice for your specific circumstances; rates and thresholds can change. Always confirm your position with a qualified accountant before acting. © Zmartly 2026.