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LIMITED COMPANIES

ZMARTLY FACTSHEET SERIES

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 salary is not the whole cost: on top of it your company pays employer National Insurance and a workplace pension, with a worked example on a £30,000 salary and a setup checklist.

Tax year **2026/27** · Prepared by **Harvey Dhillon** · Last reviewed **13 April 2026** · Sources: gov.uk

EMPLOYER'S NIC	NIC THRESHOLDS	PENSION ANNUAL ALLOWANCE	EMPLOYEE NIC
15% over £5,000	**PT £12,570 · UEL £50,270**	**£60,000**	**8% · 2%**

01 Mostly admin you set up once

Hiring your first employee feels like a cliff edge, but it is mostly admin you set up one time, then run each payday. The real surprise is the cost. A salary is not the whole cost: on top of it your company pays employer National Insurance and a minimum workplace pension contribution under auto-enrolment.

GOOD TO KNOW
Budget for more than the salary. A £30,000 hire is closer to £34,500 in real terms before the Employment Allowance is applied.

02 The true loaded cost, a worked example

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 on qualifying earnings. That is £3,750 of employer NI and £712.80 of pension on top, so the true cost is about £34,463, noticeably more than £30,000.

- Employer NI: 15% of pay above the £5,000 secondary threshold, so £3,750 on a £30,000 salary.
- Employer pension: a minimum 3% of qualifying earnings (£6,240 to £50,270), so £712.80 on a £30,000 salary.
- The £10,500 Employment Allowance can offset some or all of the employer NI for eligible employers, bringing the cost back down towards £30,713.

GOOD TO KNOW
Eligibility rules apply to the Employment Allowance, including a restriction for sole-director companies with no other employees.

03 The five things you must set up

Get these five in place before the first payday and the rest is routine. Each is a legal duty and skipping one can be costly.

- Register as an employer with HMRC for PAYE, before the first payday.
- Run payroll and report in real time (RTI), sending HMRC a Full Payment Submission on or before each payday.
- Set up a workplace pension and auto-enrol eligible staff, paying the 3% employer minimum.
- Get employers' liability insurance of at least £5 million and display the certificate.
- Give a written statement of the main employment terms, on or before the first day of work.

GOOD TO KNOW

Employers' liability insurance is not optional: you can be fined £2,500 for every day you are not properly insured.

04 The rules to know

Beyond the setup, a handful of ongoing rules govern what you pay and how you treat staff.

- Pay at least the National Minimum or Living Wage: £12.71 for those aged 21 and over from April 2026.
- Run a right-to-work check before employment starts and keep a copy of the evidence.
- Give at least 5.6 weeks of paid holiday a year, which is 28 days for someone working five days a week.
- Auto-enrol staff aged 22 to State Pension age earning over £10,000, and re-enrol eligible opt-outs roughly every three years.

GOOD TO KNOW

A compliant right-to-work check gives your company a statutory excuse against a penalty of up to £60,000 per illegal worker.

05 How we help

We register your PAYE, run payroll with real-time reporting, set up the workplace pension and auto-enrol eligible staff, and keep you compliant from the first payday. You make the offer; we handle the admin. Book a free first-hire setup call to get started.

Common questions

How much does it really cost to hire someone on £30,000?

More than £30,000. On top of the salary the company pays employer National Insurance at 15% on pay above the £5,000 secondary threshold (£3,750) and a minimum 3% pension on qualifying earnings (£712.80), so the true cost is about £34,463. The £10,500 Employment Allowance can offset some or all of the employer NI for eligible employers.

What do I have to set up before my first employee starts?

Five things: register as an employer for PAYE, set up payroll with real-time (RTI) reporting, set up a workplace pension and auto-enrol eligible staff, buy employers' liability insurance of at least £5 million, and give a written statement of employment terms on or before day one.

Do I have to provide a pension for my first employee?

Yes, if they qualify. You must automatically enrol staff aged 22 to State Pension age who earn over £10,000 a year into a workplace pension and pay a minimum 3% employer contribution on their qualifying earnings.

KEEPABLE WORKBOOK

Print this part and work through it

Everything below is built to keep. Print it, fill it in, and take it to any conversation, including ours.

Your first-employee setup checklist

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

- [ ] Register as an employer for PAYE with HMRC before the first payday
- [ ] 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
- [ ] Set up a workplace pension scheme before the start date
- [ ] Auto-enrol staff aged 22 to State Pension age earning over £10,000
- [ ] Budget the 3% employer minimum on qualifying earnings
- [ ] Buy employers' liability insurance of at least £5 million and display the certificate
- [ ] Give a written statement of terms on or before day one
- [ ] Run a right-to-work check and keep a copy of the evidence
- [ ] 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
- [ ] Send your first Full Payment Submission to HMRC on or before the first payday

Do it in order. Register for PAYE first, because the reference can take a little time to arrive, then layer on the pension, insurance and contract.

NEXT STEP

Get expert eyes on your tax

Book a free 30-minute Tax Health Check — we review your situation, sense-check the figures and show you where you could save.

Scan to book a free call

For guidance only — this factsheet does not constitute professional advice and is not a substitute for advice based on your specific circumstances. Whilst every care has been taken in its preparation, it may contain errors for which we cannot be responsible. Figures are for the 2026/27 UK tax year (England, Wales & Northern Ireland) and may change. Scottish taxpayers face different income tax rates; dividend rates are UK-wide. Last reviewed 13 April 2026.

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