

Contributions: Guide for employers no. 20

This leaflet is a guide for employers and includes information on the schedule return.



States of Guernsey
Social Security

If, after reading this leaflet, you still have unanswered questions, please contact us on **732503**.

This leaflet should be read with Leaflet 50, which contains all the current benefit payments and contribution rates, available from **www.gov.gg/employerscontributions**

This leaflet is for guidance and must not be treated as a complete and authoritative statement of the law.

Contents

Meaning of terms used in this leaflet	4
Who is regarded as an employer?	5
Who is regarded as an employee?	6
Insurance registration cards	7
The schedule return	7
Paying for the schedule	9
Obligation of employers (summary).....	10
Earnings on which contributions are payable.....	11
Amounts to be included in the gross earnings figure	11
Amounts that require special treatment	13
Amounts not to be included in the gross earnings figure ...	15
Calculation of contributions.....	16
Monthly, four-weekly or fortnightly paid employees	17
Employer's right to deduct and time of deduction	20
Commencement of liability	21
End of liability	21
Payments made after termination of employment	22
Death of an employee	23
Change of contribution liability	23
Special groups of employed people	24
For further information	25
What to do if you have a complaint.....	26
How we collect and use information.....	28

Meaning of terms used in this leaflet

Contribution Week: A period of seven days starting on the day of the week on which 1 January falls.

Lower Earnings Limit: The level of earnings at which, in respect of an employed person, employee and employer become liable for the payment of contributions. These contributions may also be used to calculate a person's entitlement to benefit.

Upper Earnings Limit: This is the highest level of earnings on which contributions are payable.

The following contributions cannot be used to calculate benefit entitlement: Contributions paid by an employer in respect of an employee who is over pension age. There may however, be entitlement to certain Industrial Injuries benefits if any of the above contributions have been paid.

Gross earnings: Gross earnings are the total wages or salary earned before any deductions are made.

Due date: The date by which schedules must be returned, for example 15th of the month following the end of a quarter.

Who is regarded as an employer?

An employer, for the purposes of Social Insurance, is anyone who has employees. An employee is anyone who is gainfully occupied in employment under a contract of service in Guernsey or Alderney.

There are people who, although not under a contract of service, are nevertheless treated as employed people, and are required to pay Class 1 (employed) contributions. They include people who:

- A. Work full-time for the States of Guernsey or States of Alderney.
- B. Are contracted to work in the horticultural industry.
- C. Are contracted to work on a 'labour-only' basis within the construction or building industries.

NOTE: In (b) and (c) above, where the person is supplied by a third party and receives payment from that party, the third party will be treated as the employer. In all other cases, the employer will be the person with whom the worker is contracted to do the work.

Who is regarded as an employee?

An employed person is a person who is employed in Guernsey or Alderney under a contract of service and whose weekly or monthly earnings exceed the appropriate Lower Earnings Limit.

In general, contributions are required from both employer and employee in respect of any employed person who is over school-leaving age and under pension age. Exceptions are listed below:

Employees not liable to pay contributions

People who are NOT to be treated as employed people are:

- A. A person working for an employer, whose earnings in any week (or month) are below the level at which contributions must be paid. This is known as the Lower Earnings Limit.
- B. A person working for their spouse. If that person assists their spouse in a trade or business for 24 hours or more a week, that person is regarded as self-employed.
- C. A person who works for a near relative in a private house in which both reside and the employment is not for the purpose of any trade or business carried out there.
- D. Students under school leaving age.

Insurance registration cards

An employer MUST obtain a Social Insurance Registration Card for each employee before the end of the first week of employment. The card type determines the contribution liability. The employee's insurance card must be held by the employer for the duration of the employment.

Orange card – over pension age

From the week or month following pension age, employee's contributions are no longer payable. The employer is still required to pay the same percentage rate of contribution as they do for any other employee. Orange cards are NOT issued automatically.

Blue card

All employed people working in Guernsey or Alderney who are under pension age will be issued with a blue card requiring full rate contributions to be paid by both employer and employee.

The schedule return

Each employer is required to keep an official record of the people who work for them, how much they are paid and the amount that has been deducted in respect of Social Insurance contributions. Social Security Inspectors do, from time to time, visit employers to check these records.

Employers may record and submit contribution details to Social Security by using either the joint Social Security and Income Tax Returns Creator application, or approved third party payroll software. Handwritten schedules may still be used where an employer doesn't have access to a computer with Internet access.

Returns Creator

Returns Creator is a free web based application developed jointly by Social Security and Income Tax. It provides a secure and easy method to record and return Social Security Contribution and Income Tax ETI details. To sign up to use this product please visit www.rc.gov.gg

Payroll system

Any employer wishing to return their schedule using third party payroll software should contact this office first to confirm that the system they wish to use has been approved by Social Security.

Handwritten schedules

Handwritten schedules are sent out to the employer before the start of the relevant quarter.

Returning schedules

Whether completing and paying a schedule online or returning it with the remittance by post, employers must ensure that it

is received by Social Security or the Alderney States Office by the fifteenth day following the end of the relevant quarter, even if there are no employees during the quarter. If a schedule is expected for a particular quarter, Social Security will pursue its return.

NOTE: A penalty equivalent to 2.5% of the schedule value will be applied if payment of contributions is not received by Social Security on or before the due date. Interest charges at the rate of 2.5% per month will also be incurred.

Employers are strongly advised to make their returns in good time to ensure that they are received by the due date. Posting the schedules on 15th of the month does not comply with the requirements of the Law as payment will not generally be received on the day of posting.

Paying for the schedule

Payments can be made by debit or credit card via the States of Guernsey website at www.gov.gg or by visiting the Social Security office or the Alderney States Office, or by telephoning **732502**.

Payments can also be made by cheque (made payable to 'Social Security'), cash or by bank transfer. Further details can be obtained from Social Security or the Alderney States Office. When paying by cheque or cash please ensure the relevant remittance advice is included with your payment.

Obligation of employers (summary)

The employer alone is responsible for ensuring that they:

- A. hold a Registration Card for each employee;
- B. sign up to use Returns Creator or an approved payroll system, or instead obtains manual schedules;
- C. deduct the necessary contributions when wages or salaries are paid;
- D. complete the schedules correctly;
- E. return the schedules and remittance to Social Security by the due date;
- F. maintain the earnings records of each employee with records of related contributions paid/payable for a period of 3 years after the end of the calendar year to which the period relates. Social Security Inspectors have powers to inspect wage books, accounting records, schedules, and other documents to ensure that the provisions of the Law are observed.

An employer is not relieved of their final responsibility if they delegates any of these tasks to an employee or agent.

Earnings on which contributions are payable

The period to which any payment belongs is determined by the date on which it is paid (or would normally be paid) regardless of when it was earned, or the period to which it refers.

Amounts to be included in the gross earnings figure

A. Wages or salary

In general, this is the total amount paid (before deductions) to an employee during a contribution week or month.

B. Additional payments (overtime, bonuses etc.)

These include overtime, bonuses, commission, and back pay. Any additional payment must be included in the gross earnings for the week or month in which it is actually paid regardless of when the payment was earned, or the period to which it refers.

C. Directors' fees

Directors' fees received by a person who is also an employee of the company must be added to the earnings for the week or month in which they are paid.

D. Set aside savings

These are amounts set aside by an employer at the request of an employee to be paid out at certain times e.g. Christmas. These amounts should be included in the gross earnings for the week or month in which they

were set aside and not in the week or month the savings are returned to the employee.

E. Benefits in kind

All benefits in kind should be included as part of gross earnings. The value to be included on the schedule is the same value as determined for Income Tax purposes. This is the net weekly or monthly value following the deduction of the Income Tax exemption figure where applicable.

F. Share dividends

Share dividends paid by a private company or associated company to one of its employees are regarded as earnings. Where payment of the dividend causes gross earnings to exceed the upper earnings limit the dividend value should be apportioned over the period to which the dividend relates.

G. Employee pension contributions

Employee pension contributions deducted from an employee's earnings should be made after Social Security liability is calculated on the value of the gross earnings. Salary sacrifice schemes do not reduce the employee's liability to pay social security contributions.

H. Employer pension contributions

Pension contributions made by an employer towards a personal pension scheme should be treated in the same way as a contribution made to an occupational scheme.

Employer pension contribution payments made in respect of a principal employee of a Company (an employee with a 15% or greater shareholding) in excess of 25% of relevant earnings are subject to Social Security liability.

Other employees or those principal employees with less than the 25% rate are exempt from liability to pay on these values.

Amounts that require special treatment

The following amounts to be included in the gross earnings figure require special treatment:

A. Holiday pay

This is sometimes a payment of earnings made in advance. Holiday pay must be treated as if it were paid at the normal time and entered on the schedule as being the gross earnings for that week or month. For example, a person has a weekly wage of £550.00, and takes holiday from 6 August to 19 August (weeks 32-33). Although they are paid £1,650.00 during week 31, the earnings must be entered on the schedule for weeks 31-33 at £550.00 per week. Failure to enter the wages correctly may result in deductions being made for an incorrect amount and the subsequent issue of an account to you, the employer, for the difference.

Where wages or salary are received in lieu of holiday, the 'holiday pay' should be included in the week or month in which it is paid.

Holiday pay due upon termination of employment must be included with the final payment of wages or salary.

B. Pay during sickness

In general, if an employee receives their usual wages/salary during a period of sickness, contributions are due in the normal way.

If an employee does not receive his wages/salary during any period of sickness, no entry is required on the schedule for that week or month.

If an arrangement exists whereby an employee continues to receive their usual wages/salary but gives to their employer any Social Insurance benefit received by them, then the entry on the schedule should be the amount of the gross earnings less the amount of the benefit cheque. Contributions are payable only on the balance. This adjustment should be made for the week or month in which the benefit cheque is received by the employer.

For example, if an employee is on sick leave for the period 9-15 July (week 28), but receives their usual wage of £550.00, that is the amount to be entered on the schedule. If the employee receives a benefit cheque on 25 July (week 30) and hands it over to their employer the following day, the employer should make the adjustment to the schedule during that week. The amount to enter is calculated as follows:

<i>Wage</i>	<i>£550.00</i>
<i>Benefit</i>	<i>£156.17</i>
<i>Balance entered on schedule</i>	<i>£393.83</i>

C. Gratuities/tips

If a fund has been set up by an employer to collect tips or service charges over a period of time, which is then shared out, the value must be included in the gross earnings of each employee in the week or month in which it is paid.

Tips or gratuities received by an employee directly from a customer should not be included in the gross earnings.

D. Payment in lieu of notice

This should be attributed to the week or month in which the employee would normally have worked.

Amounts not to be included in the gross earnings figure

A. Value of any Social Insurance benefit

See 'Pay during sickness' on page 14.

B. Expenses

Specific and distinct payments of expenses incurred by the employee in connection with their employment e.g. a petrol reimbursement.

C. Redundancy pay

There is no contribution liability in respect of a lump sum payment following redundancy. Not to be confused with payment in lieu of notice.

D. Pensions

Pensions of any kind, whether or not the pensioned employee is still working for the employer.

E. Directors' fees

There is no liability in respect of directors' fees unless the person is also an employee of the company.

Calculation of contributions

The amount of contribution payable by employer and employee is a percentage of the gross earnings.

The first contribution week in any year will always start on the day of the week on which 1 January falls. The last contribution week of the year will contain 8 days (9 days in a leap year) and will cover the period from 24 December (23 December in a leap year) to 31 December.

If two pay days fall in the last week of the year, the two payments must be added together to determine the amount of contribution payable. Insurance deducted should not exceed the amount payable on the employer and employee upper earnings limits.

Monthly, four-weekly or fortnightly paid employees

Payments made at intervals less frequently than weekly, are treated as follows:

Monthly

Monthly paid employees will usually be paid one twelfth of a pre-determined annual salary. Any overtime or bonuses should be included with the salary for the month in which they are paid (normally following the month in which they are earned), and deductions taken up to the monthly upper earnings limit.

Four-weekly

Employees paid once every four weeks are treated in a similar way to monthly. There is however one exception to the rule. Unlike monthly paid employees who receive twelve payments in a year, four-weekly paid employees receive thirteen payments. This means that during one month of every year two payments will change hands. These two payments must be added together for insurance purposes, and contributions deducted up to the monthly upper earnings limit.

Example 1:

A company pays its employees every fourth Friday commencing 5 January 2018.

During 2018, employees paid every four weeks will receive two payments during March, one on 2 March 2018 and the other on 30 March 2018.

To ensure correct completion of the schedules, it is advisable to deduct the appropriate amount of insurance due on the first payment but do not enter anything on the schedule.

Before calculating the insurance due on the second payment it will be necessary to add together the gross amount of the first and second payments. If the combined figure does not exceed the monthly Upper Earnings Limit (UEL) for either employer, or employee, normal deductions will apply as follows:

Date	Gross	Employer	Employee
2 March 2018	£750.00	£49.50	£49.50
30 March 2018	£750.00	£49.50	£49.50
Totals	£1500.00	£99.00	£99.00

The monthly UEL for this example is £11,908 for both employer and employee, therefore the schedule entry for March will be the amount shown in the 'totals' line above. The entry on the schedule for the period should be:

March		1	5	0	0	0	0			9	9	0	0			9	9	0	0
--------------	--	---	---	---	---	---	---	--	--	---	---	---	---	--	--	---	---	---	---

Example 2:

The same company pays another employee on the same dates. Gross wage and contributions due are as follows:

Date	Gross	Employer	Employee
2 March 2018	£6,000.00	£396.00	£396.00

Assuming that a similar salary is due for payment on 30 March 2018, it will become clear at this point that the total will exceed the UEL. The contributions due on the second payment are then calculated by subtracting the deductions made on 2 March 2018 from the contribution due on the monthly UEL as follows:

Monthly UEL – £11,908.00	Employer	Employee
	£785.93	£785.93
Less deducted 2 March 2018	£396.00	£396.00
Balance from second payment	£389.93	£389.93

The entry on the schedule should be:

March	1	1	9	0	8	0	0	7	8	5	9	3	7	8	5	9	3
--------------	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

It is possible that the salary paid on 2 March 2018 was already in excess of both the employer and employee UEL. This being the case, it will not be necessary to make any deduction for the second payment.

Fortnightly

Fortnightly paid employees are treated in a similar way to four-weekly paid employees, in that the earnings details must be shown on a monthly schedule. When the employer calculates the deductions due on each payment it is again advisable not to make any entry on the schedule until the second payment has been made. The payments made in any one month must be added together and deductions taken up to the monthly UEL, using the same principle as shown in the previous example.

Calculating the deductions due on fortnightly payments made in one month are however, slightly more involved because there are always at least two months in every year that will contain three pay days. For example, during 2018, an employee that receives his first payment on Friday 5 January will receive three payments during March and August.

Employer's right to deduct and time of deduction

It is the employer's responsibility to pay both employer and employee contributions to Social Security. The employer is entitled to deduct the employee's contribution from the particular payment on which that contribution has been calculated.

If the contribution is not deducted at the time each payment is made, the employer loses the right of deduction.

Commencement of liability

When an employee starts employment, the following actions should be taken:

1. The employer must obtain a registration card from the employee before the expiry of the first week of employment.
2. The 'began' date must be entered on the schedule.
3. Employers should disregard any previous period during which an employee may have worked for any other employer during the same week or month.
4. If an employee becomes liable for payment of contributions (and was previously not liable) they must give their Registration Card to their employer and be treated as a new employee.

End of liability

When an employee ceases employment, the following actions should be taken:

1. Return the Registration Card to the employee. If this is not possible, the card should be sent to Social Security with a brief note of the reason for its return.
2. The 'ceased' date must be entered on the schedule.
3. An 'X' should be entered in the LEFT ISLAND box if appropriate.

Payments made after termination of employment

Any payment due to an employee who has terminated employment must be treated as paid in the week or month in which employment ceased. These payments include wages/salary, bonuses, overtime, and holiday pay.

Redundancy pay must not be included in the gross earnings figure. Payment in Lieu of Notice requires special treatment and must be entered the week/month in which the employee would have worked.

If no previous entry has been made for the employee in the week or month in which the employment ended, an entry should be made on the schedule for the appropriate week or month.

If payment has already been made for the week or month in which the employment terminated then:

- A. If the payment was equal to or more than the upper earnings limit, no further contributions are payable.
- B. If the payment was below the upper earnings limit, deduct the correct percentage rate so that the total paid does not exceed the maximum.

Death of an employee

All payments due to the employee should be entered in the week or month containing the date of death. The Registration Card should be returned to Social Security with an explanatory note.

Change of contribution liability

School Leavers

Young people who are below school leaving age do not require a registration card as they are not yet liable to pay contributions.

However, as soon as they reach school leaving age, the employer must obtain a blue registration card from the employee.

Employment after pension age

Employed people are not liable to pay employed (Class 1) Social Insurance contributions from the week/month following pension age. Class 1 contributions are still payable by the employer. The employee should exchange their blue card for an orange registration card.

Note: Orange registration cards are not issued automatically.

Special groups of employed people

Domestic help

An employer who pays domestic help a wage in excess of the Lower Earnings Limit, is liable for the payment of contributions whether or not the employee has additional employment. Certain individuals may, however, be treated as special cases. Advice should be obtained from Social Security.

Employees with more than one employer

Employees who work for more than one employer must give a registration card to each employer. Additional registration cards can be obtained from Social Security.

Au Pairs

There is no contribution liability where an Au Pair comes to Guernsey and is paid pocket money only, i.e. a sum not related to the work.

Home workers

A person working for an employer but carrying out the work in their own home may be liable to pay contributions in the same way as other employees working on the employer's premises (provided that earnings exceed the Lower Earnings Limit). Guidance should be obtained from Social Security.

Employers with more than 80 employees

Where an employer has more than 80 staff, the employer is required to remit to Social Security by 15th of the month, an amount equivalent to the value of Social Insurance contributions for the previous month. Remittances should be accompanied by forms EC4D which are issued by Social Security at the beginning of each quarter.

For further information

If you are unsure of the meaning of any particular point in this leaflet, please contact Social Security, or the Alderney States Office, where staff will be pleased to help you, and from where copies of other leaflets may be obtained.

More information is also available on the States website here: www.gov.gg/employerscontributions.

If you are writing to Social Security, please quote your social insurance number or employer reference, if known.

What to do if you have a complaint

If you are dissatisfied with any aspect of our services please let a member of staff know at the time so that we can try to resolve the issue immediately. If you wish to make a formal complaint to Social Security, please contact us for a complaints leaflet and return the completed complaints form to **Social Security, Edward T. Wheadon House, Le Truchot, St Peter Port, GY1 3WH.**

You can also request more information by email and return your complaint form to **socialsecuritycomplaints@gov.gg** or send your complaint or a compliment to us online at the States website, by visiting **www.gov.gg/ccs** and completing the electronic form.

How we collect and use information

Social Security processes personal information for social security purposes in order to carry out functions relating to the relevant social security and associated legislation that it administers. The information collected will depend on your business with us, but will be no more than is required for that purpose. We may get information about you from others for any of our purposes if the law allows us to do so. We may also share information with certain other organisations if the law allows us to. Any personal information you give to us will be processed in accordance with the Data Protection (Bailiwick of Guernsey) Law, 2001. If you wish to know more about the information we have about you, or about the way we use it, you can ask at the Office of the Committee for Employment & Social Security or by emailing:

employmentandsocialsecurity@gov.gg