

Off the books. On the hook.

What a business risks when it pays staff outside a proper payroll system: skipping PAYE, real-time reporting to HMRC, and the deductions every employee is owed.



Paying wages in cash is not illegal in itself. The trouble starts when pay isn't reported to HMRC and tax, NI and pension duties are skipped.

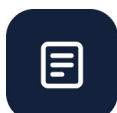
The consequences



01

Back-dated tax bills

HMRC can recover the unpaid income tax and National Insurance from the employer, plus interest and late-payment penalties that escalate the longer a debt stays unpaid.



02

Late-filing penalties

Pay must be reported to HMRC on or before each payday. Each month a return is late can cost:

£100
1–9 staff

£200
10–49

£300
50–249

£400
250+

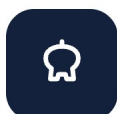


03

Minimum wage breaches

200% of the underpayment

Arrears are repaid at today's rates, plus a penalty of up to £20,000 per worker. Underpaying is a criminal offence.



04

Pension fines

£10k a day, at worst

Skipping auto-enrolment brings a £400 fixed penalty from The Pensions Regulator, then daily fines of £50 to £10,000 depending on headcount.



05

Criminal investigation

Unreported cash wages can be treated as deliberate tax evasion. Directors may face prosecution, not just fines.



06

Tribunals & reputation

Staff can claim unpaid wages, holiday and sick pay. Minimum wage offenders are publicly named by the government, which deters customers and recruits.



07

Insurance cover at risk

Hidden staff mean an understated wage roll and headcount. If that non-disclosure is deliberate, insurers can treat the policy as void, refuse claims and keep the premiums. If an undeclared worker is injured, an employers' liability insurer may pay them, then recover the cost from the business.

£2,500

a day, maximum fine for not holding valid employers' liability insurance

It hurts employees too

Gaps in their National Insurance record can reduce their State Pension and benefits.

No payslips means no proof of income for a mortgage, a tenancy or a loan.

They miss out on workplace pension contributions and statutory pay.

How to stay compliant

- ✓ Register as an employer with HMRC before the first payday
- ✓ Give every worker an itemised payslip, even if paid in cash
- ✓ Check pay against minimum wage every pay period
- ✓ Run HMRC-recognised payroll software and report on or before payday
- ✓ Enrol eligible staff into a workplace pension
- ✓ Found a problem? Self-correct early; it can avoid penalties