

A UK Payroll Guide for Employers

Payroll • Compliance • HMRC • Pensions



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If you want the peace of mind of an accurate, compliant, fully-managed service



Payroll should be the one thing you never have to worry about

Introduction

About this guide

Payroll is one of the most heavily regulated areas of running a UK business and one of the easiest to get wrong. Every employer, regardless of size, has to calculate pay accurately, deduct the right tax and National Insurance, report to HMRC in real time, administer workplace pensions correctly, and keep pace with legislation that changes almost every tax year.

This guide sets out the challenges UK employers most commonly face running payroll, what is typically costs to set up and run, the real cost of getting it wrong, and how Black Mountain's UK payroll service takes that burden off your team.

90%

of UK & Irish employers made a payroll error in the last 12 months ¹

£75.1m

in HMRC penalties for incorrect or missing payroll reporting since 2020²

£4-£12

typical monthly cost per employee to outsource UK payroll ³

1. What is the true cost of payroll errors - <https://www.lano.io/blog/what-is-the-true-cost-of-payroll-errors>

2. Sloppy payroll racks up over £75 million in penalty charges - <https://mhrglobal.com/uk/en/knowledge-hub/payroll/sloppy-payroll-racks-over-ps75-million-penalty-charges-uk-businesses>

3. Cost of outsourcing payroll - <https://wise.com/gb/blog/cost-of-outsourcing-payroll>



The challenges of UK payroll

UK payroll rules change most tax years, with 2026/2027 brings some of the biggest shifts in a generation. Here are the challenges we hear about most from employers:

1

Constant legislative change

The Employment Rights Act 2025 and the new Fair Work Agency, live from April 2026, can investigate employers retrospectively for up to 6 years and fine up to 200% of any underpayment, capped at £20,000 per worker.

2

Rising employer costs

From April 2026 the Employer National Insurance secondary threshold falls to £5,000 and the rate rises to 15%, meaning employers now pay NI on almost every employee, including many part-time staff who were previously exempt.

3

Real-time reporting to HMRC

Every Full Payment Submission must reach HMRC on or before payday. Miss it, and automatic penalties follow, even for a single day's delay.

4

Off-payroll and umbrella company risk

From April 2026, end clients can become jointly liable for unpaid PAYE and National Insurance if an umbrella company or agency in their supply chain gets it wrong.

5

Disconnected systems and manual processes

61% of employers say integration complexity is slowing down payroll modernisation, and 37% say manual payroll tasks are creating stress for their teams.



What does it cost to set up **UK** payroll?

There is no single answer, cost depends on whether you run your payroll in-house, outsource it, how many employees you have, whether you want to continue paying your employees or whether you would outsource this option, whether you want payslips and P11Ds included. Here is what the market typically looks like:

Running payroll in-house

- A payroll professional (or team) confident with PAYE, National Insurance, pensions, and RTI rules that change most tax years.
- Payroll software, kept licensed and up to date with HMRC requirements.
- Filing Real Time Information (RTI) with HMRC on or before every payday.
- Auto-enrolment assessments, contribution calculations and pension provider administration.
- Managing starters, leavers, P45s and year-end P60s and P11Ds.
- Cover for holidays, absence and staff turnover, so payroll never falls behind.

Outsourcing with Black Mountain

- **Set-up fee (one-off):** £750*
Payroll system set-up, data verification, BACS and pension set-up, HMRC agent authorisation.
- **Annual fee:** £1,600*
Covers all fixed costs plus ad hoc items such as starters, leavers, year-end and ongoing advice.
- **Per-employee fee:** £6.75* a month
Monthly processing, secure payslips and cloud portal access for every employee.
- **Pension auto-enrolment admin:** £45* a month
Eligibility assessments, contribution calculations and pension provider feeds.

***Prices depend on number of employees and payroll frequency.**

Outsourcing usually costs less than one hire.

Most employers find that outsourcing costs a fraction of a full-time in-house payroll hire, while remove the compliance risk entirely.



The cost of getting payroll wrong

Payroll mistakes are far more common and far more expensive than most employers expect.

40%

of UK SMEs have already been fined for payroll errors.

47%

of UK employees say they've been paid late or incorrectly.

£230

is the average cost to fix a single payroll error.

1 in 5

employees would consider leaving after being paid late or wrong.

What penalties can look like

Late RTI filing	£100–£400 per month, scaling with headcount
Auto-enrolment breach	£400 fixed penalty, escalating up to £10,000 per day
National Minimum Wage underpayment	Up to 200% of the underpayment capped at £20,000 per worker
Payroll overpayments	66% of employers had at least one in the 2022/23 tax year



Our UK payroll service

Black Mountain has been helping SMEs and multinationals outsource payroll, HR and back-office administration since 1996. Our UK payroll team helps manage payroll funds in excess of USD \$80 million every month for clients around the world, combining the accuracy of an in-house team with the expertise of a dedicated outsourced specialist.

Payroll – Why Black Mountain?

Dedicated Payroll Account Manager

Access to a payroll expert who learns your organisation and its way of working, backed up by a payroll officer to provide cover through holidays or sickness.

Flexible data entry & support

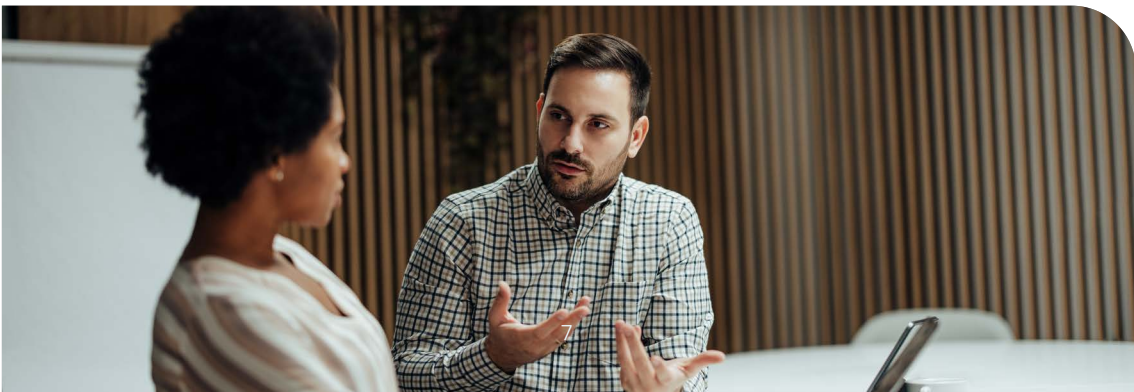
We take payroll input from your HR system or a simple spreadsheet, and accommodate changes wherever possible, with an agreed monthly timeline to keep pay on track.

Thorough & accurate

We don't just process data, we health-check it for anomalies and confirm it with you before the pay run, catching errors before they reach your employees.

Data secure

Black Mountain is SOC 2 Type 2 accredited and registered BACS, meeting the strictest security standards and supporting your compliance with GDPR.



Payroll management: scope of service

Our all-inclusive UK payroll service covers everything from set-up to year end, including the ad hoc tasks that inevitably come up with no hidden charges.

Set-up

- Gathering employee data and setting up your payroll system
- A payroll calendar and monthly processing timetable
- Auditing existing payroll data for HMRC compliance

Pensions & compliance

- Auto-enrolment assessments and contribution calculations
- Managing monthly pension contribution feeds
- Acting as your liaison with HMRC

Monthly processing

- Calculating gross-to-net pay, including all statutory deductions
- Managing starters, leavers and P45s
- Filing HMRC returns and making monthly PAYE payments
- BACS payments, or a bank file for you to pay from

Year-round support

- Year-end P60s via a secure online portal
- A named Account Manager for unlimited payroll queries
- Cloud-based, password-protected payslip access for every employee.

Looking for a tailored quote?

Pricing depends on headcount and complexity. Get in touch and we'll put together a scope and quote for your business.



Let's talk about your UK payroll

Whether you are bringing your first UK employee onto payroll, expanding headcount, or simply want the peace of mind of an accurate, compliant, fully-managed service – our UK payroll team is ready to help.



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