



LEGAL OBLIGATIONS WHEN HIRING EMPLOYEES IN THE UK

**A COMPLIANCE HANDBOOK FOR BUSINESS
OWNERS IN THE UK**








TAX YEAR: 2026–2027

Updated: April 2026

SUMMARY

This document provides an overview of the key legal obligations businesses must comply with when hiring employees in the UK.

Key points to note:

-  **Conduct right to work checks before the employee's first working day**
-  **Set up the PAYE system in accordance with HMRC requirements**
-  **Provide an employment contract from the employee's first working day**
-  **Ensure employees are paid no less than the statutory minimum wage**
-  **Provide clear and compliant payslips**
-  **Manage working hours and annual leave appropriately**
-  **Retain records for a minimum of 3 years**

Failure to comply may result in significant financial penalties and legal risks.



RIGHT TO WORK

(OVERVIEW)

Purpose

Right to work checks are carried out to ensure that employees have the legal right to work in the UK.

Non-compliance may result in penalties of up to £45,000 per worker for a first breach and up to £60,000 per worker for repeat breaches.

Legal Requirement

Businesses must complete right to work checks before the employee's first working day.

RIGHT TO WORK (DETAILS)

Acceptable Documents

- Valid UK or Irish passport
- Right to Work Share Code (for individuals holding a visa or BRP)



Process



1. Employee provides a Share Code



2. Employer checks the individual's status through the online system



3. Verification evidence must be retained

COMPLIANCE NOTE



Checks must be completed before the employee's first working day



Visa expiry dates must be monitored



Repeat checks must be carried out where required

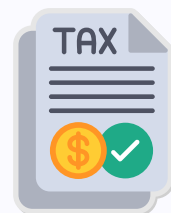
PAYE SETUP

Registering Employees Under PAYE (Pay As You Earn)

- PAYE is a system operated by HM Revenue & Customs (HMRC) used to deduct Income Tax and National Insurance contributions directly from employees' wages.
- Businesses must register for PAYE with HMRC in order to operate a payroll system.

INFORMATION REQUIRED

EMPLOYEES WITH A P45



Employees who provide a P45 from their previous employment

EMPLOYEES WITHOUT A P45



If unavailable: complete a Starter Checklist



EMPLOYMENT CONTRACT



Legal Requirement

- Businesses must provide employees with an employment contract from the employee's first working day (Employment Rights Act 1996, as amended in 2020).

Mandatory Information

- Terms and conditions of employment
- Employee rights and benefits
- Responsibilities
- Job description

NATIONAL MINIMUM WAGE

Applicable from April 2026



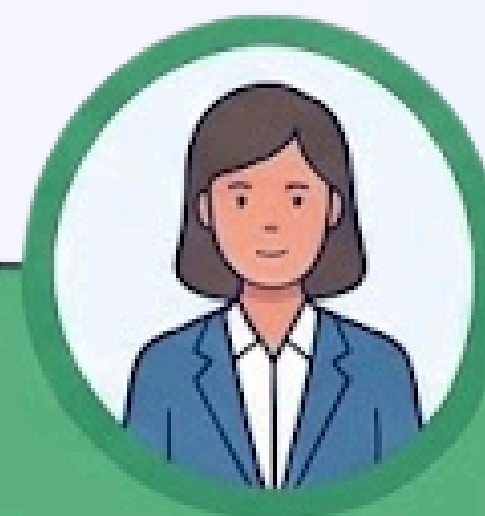
Under 18 /
Apprentices

£8.00/hour



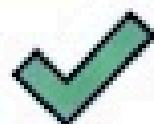
18-20

£10.85/hour



21+

£12.71/hour



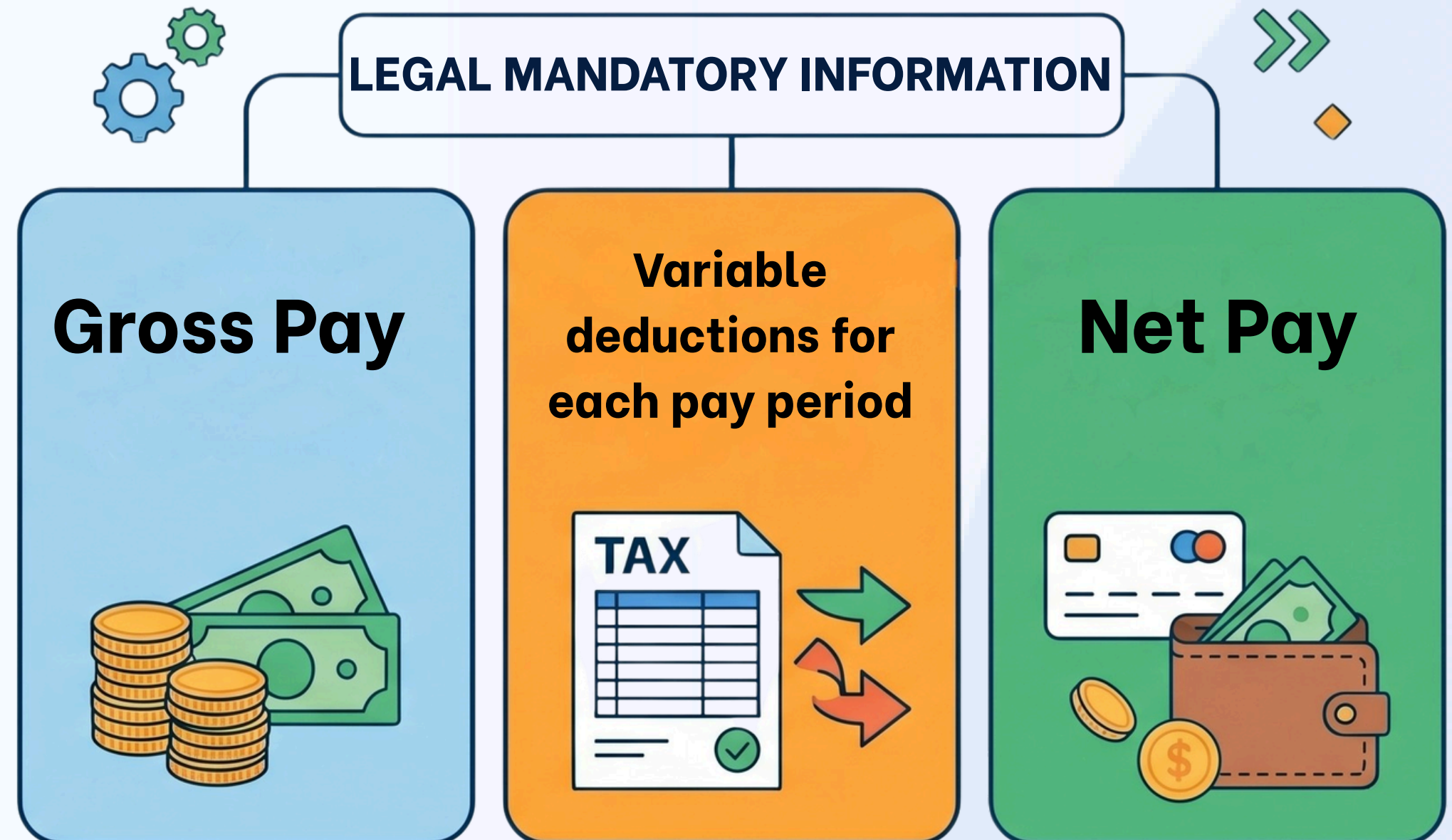
Businesses must ensure employees are not paid below the statutory minimum wage rates.

PAYSLIPS

LEGAL REQUIREMENT

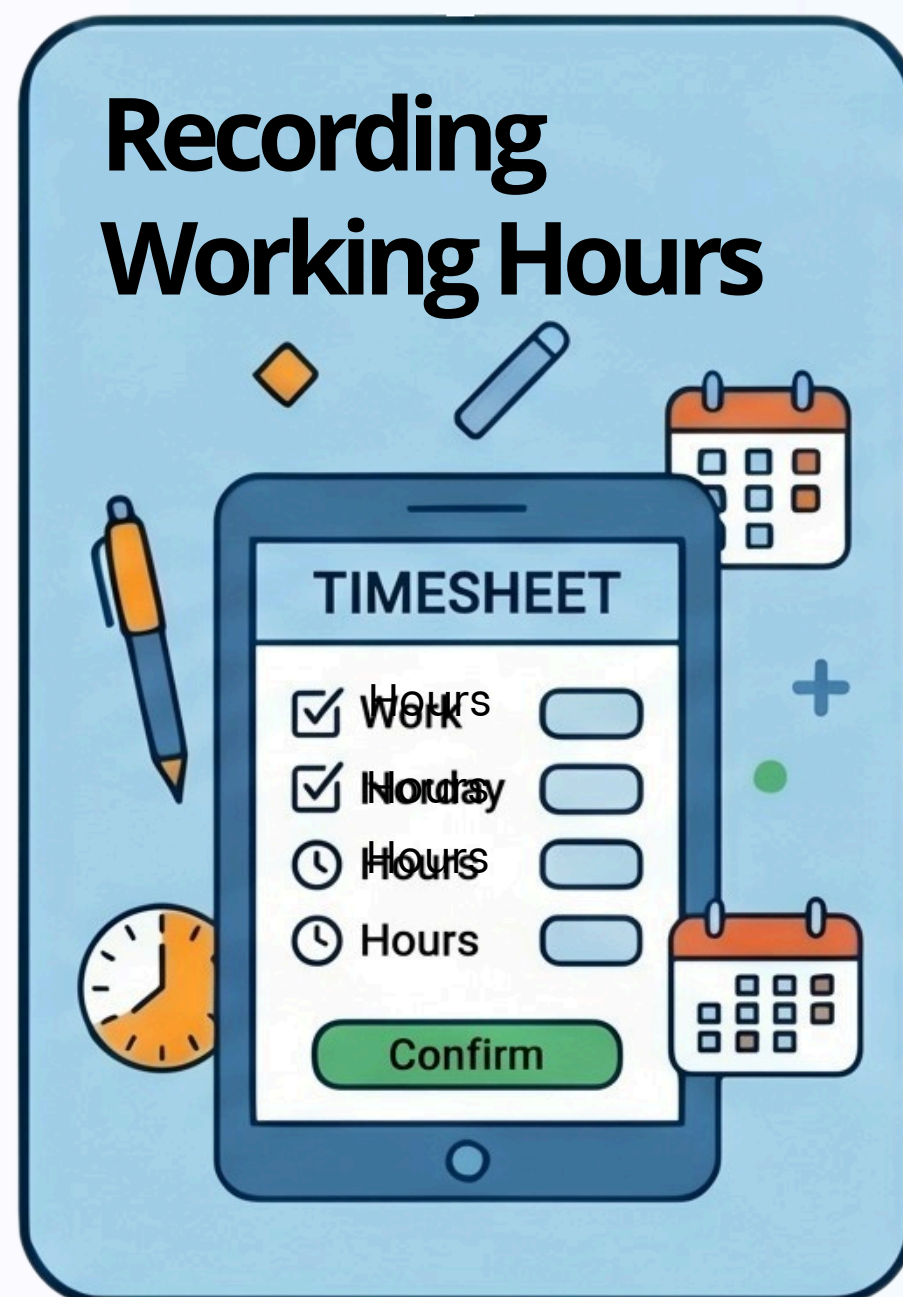


Payslips must be provided to employees on or before the payday.

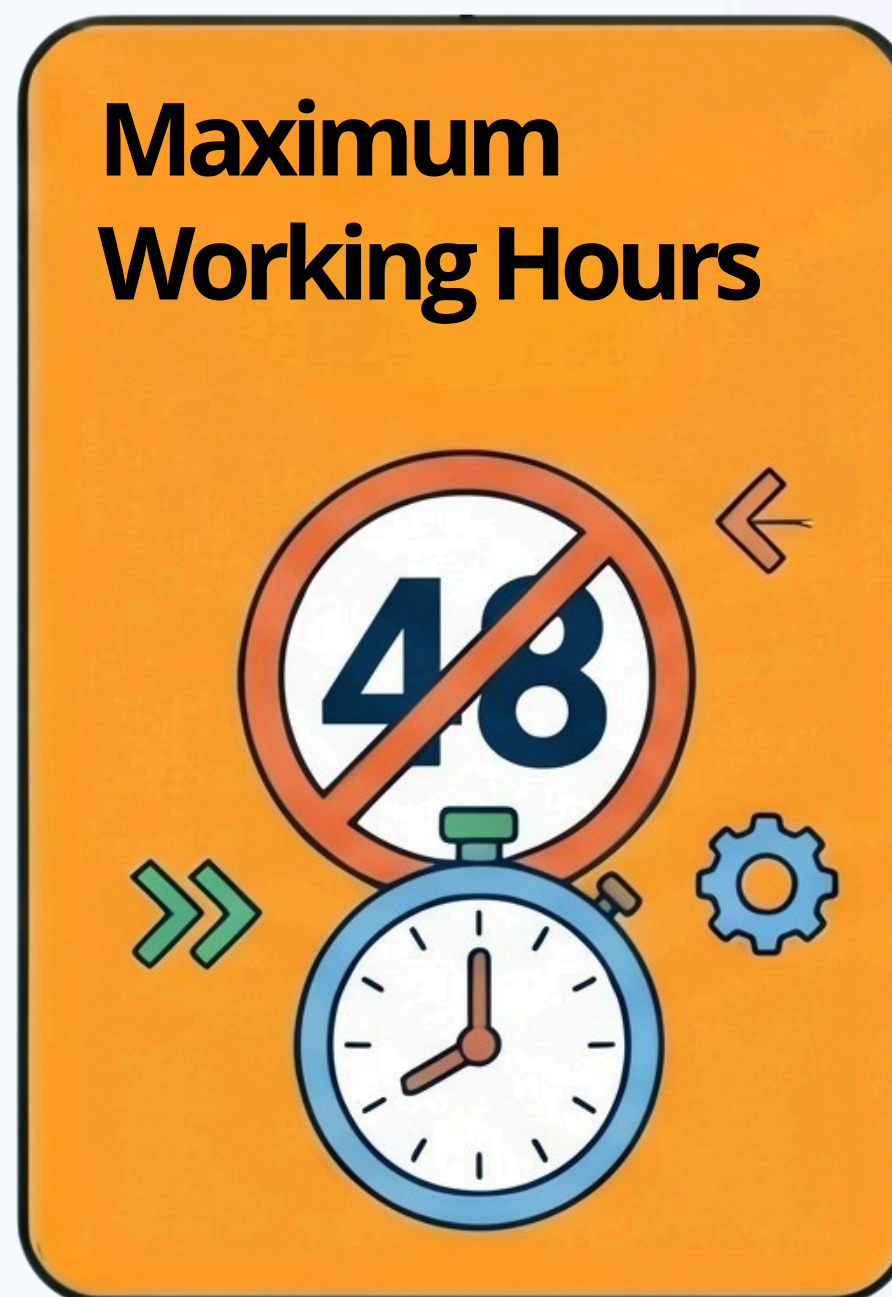


WORKING HOURS

Businesses must have a system in place to record working hours (timesheets).



Employees must not work more than 48 hours per week on average.



Employees may work more than 48 hours per week if they sign an opt-out agreement.



ANNUAL LEAVE



Employees are entitled to statutory annual leave in accordance with UK law.

Recommended Practice

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CÔNG CỤ TÍNH
CỦA CHÍNH PHỦ

MIỀN

VACCINE

Review

Use the Government holiday entitlement calculator

Project ret

	CS	FB	CS	FB	CS	FB	CS	FB
CS	✓	✓	✓	✓	✓	✓	✓	✓
FB	✓	✓	✓	✓	✓	✓	✓	✓
CS	✓	✓	✓	✓	✓	✓	✓	✓
FB	✓	✓	✓	✓	✓	✓	✓	✓

Implement a leave tracking system

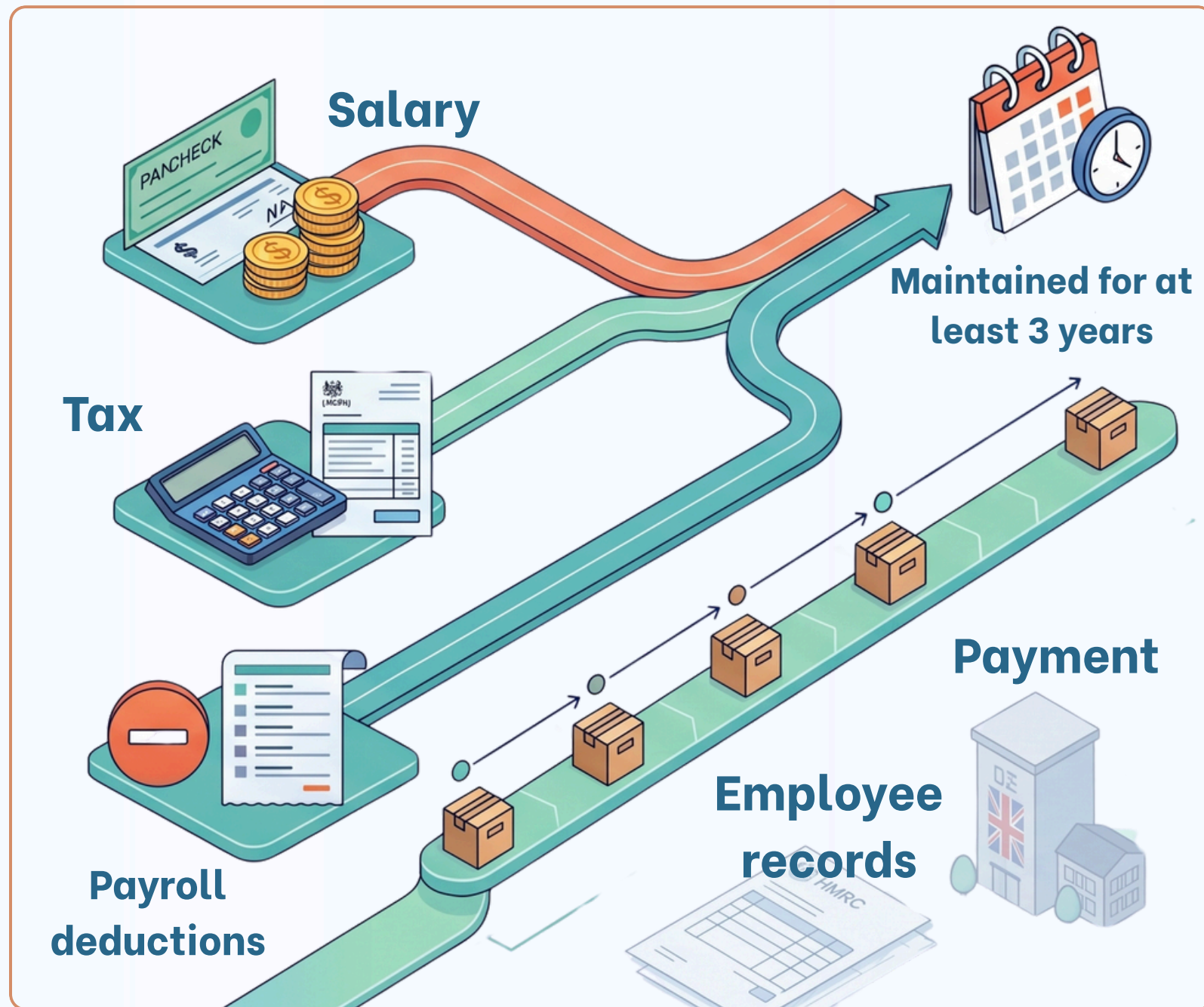
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update

Maintain updated records of leave taken

LEGAL RECORD-KEEPING REQUIREMENTS

Legal Requirements



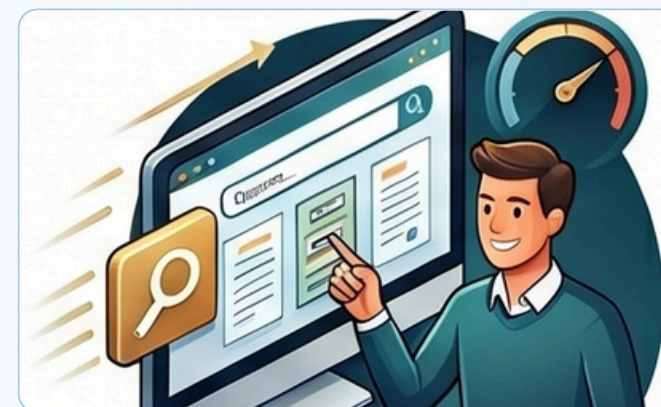
Recommended Practice



Maintain organised record-keeping systems



Prioritise electronic storage



Ensure records can be accessed quickly when required

COMMON MISTAKES



FAILURE TO CONDUCT RIGHT TO WORK CHECKS



FAILURE TO RETAIN VERIFICATION EVIDENCE



NO EMPLOYMENT CONTRACTS IN PLACE



PAYING BELOW THE MINIMUM WAGE



FAILURE TO PROVIDE PAYSLEIPS



FAILURE TO RETAIN RECORDS PROPERLY



BEST PRACTICE RECOMMENDATIONS



Standardise recruitment and employee onboarding procedures



Use payroll and HR software



Implement internal compliance controls



Conduct regular reviews of records and procedures

COMPLYING WITH LEGAL OBLIGATIONS WHEN HIRING EMPLOYEES NOT ONLY HELPS BUSINESSES AVOID RISKS BUT ALSO BUILDS A PROFESSIONAL AND SUSTAINABLE OPERATIONAL FOUNDATION.

This document is intended for general guidance purposes only and does not constitute legal or tax advice.
Businesses should seek professional advice appropriate to their specific circumstances.

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Book a free consultation to review your business compliance status.