

# U.K. Law for the U.S. Employer, Part III: Withholding Obligations and Immigration

March 24, 2014

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The final post in this three-part series on U.K. employment laws covers the withholding and immigration obligations facing U.K. employers. Tax and National Insurance Under the U.K. Pay-As-You-Earn (PAYE) withholding system, employees are required to have income tax and social security, known as employees' National Insurance Contributions (NICs) deducted by the employer.....

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## **Tax and National Insurance**

Under the U.K. Pay-As-You-Earn (PAYE) withholding system, employees are required to have income tax and social security, known as employees' National Insurance Contributions (NICs) deducted by the employer from their earnings, at source, before their receipt of pay. In contrast, self-employed individuals are paid gross and account for their own tax and NICs.

Additionally, employers must pay employers' NICs of 13.8 percent of all earnings above £7,696 per year and on the value of other benefits.

The U.K. has tax treaties and reciprocal agreements on social security with several countries, including the United States. These agreements and treaties may limit the amount to be paid or may exempt foreign nationals from paying income tax or NICs. Tax authorities in the United States or the individual's country of origin can advise on whether any exemptions apply.

## **Right to Work in the United Kingdom**

It is a criminal offence to knowingly employ someone who does not have the right to work in the United Kingdom or who is working in breach of his or her condition of stay in the United Kingdom. Employers can be fined up to £10,000 (approximately \$16,000) per employee if they negligently employ anyone who does not have permission to work.

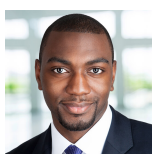
Citizens of most European Union (EU) countries have an unrestricted right to work in the United Kingdom. Those from outside the European Economic Area (EEA), including the United States, generally require permission (a visa or entry clearance) to work in the United Kingdom. The type of visa or entry clearance required depends on the type and duration of the stay as well as the foreign national's country of citizenship. Permission usually must be obtained before the individual travels to the United Kingdom.

The United Kingdom has a points-based immigration system that provides for five immigration classifications or tiers. The tiers that are likely to be most relevant are tiers one and two:

- Tier 1: highly skilled individuals, entrepreneurs, graduate entrepreneurs, investors, and exceptionally talented individuals;
- Tier 2: skilled workers with a job offer that meets certain requirements, e.g., salary level, shortage occupation or resident labour market test

Each immigration tier has different criteria and points, which are awarded for satisfying the criteria. Part one of this series, “[U.K. Law for the U.S. Employer, Part I: Basic Principles, Contracts, and Minimum Benefits and Rights](#),” covered some of the basic tenets of U.K. employment laws as contrasted from U.S. laws. Part two, “[U.K. Law for the U.S. Employer, Part II: Discrimination, Data Privacy, and Termination Rights](#),” covered the employers’ various obligations to employees in the areas of discrimination, privacy, and the end of the employment relationship.

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