



Payroll

How to use FreeAgent's payroll functionality

2025



freeagent.com

Welcome!

In this manual, you will learn:

- how to set up FreeAgent's built-in payroll functionality
- how to run monthly payroll and make RTI submissions to HMRC
- how to edit payslips, make adjustments and explain payroll-related bank transactions
- how to run payroll in bulk for multiple clients
- how to use FreeAgent's CIS functionality

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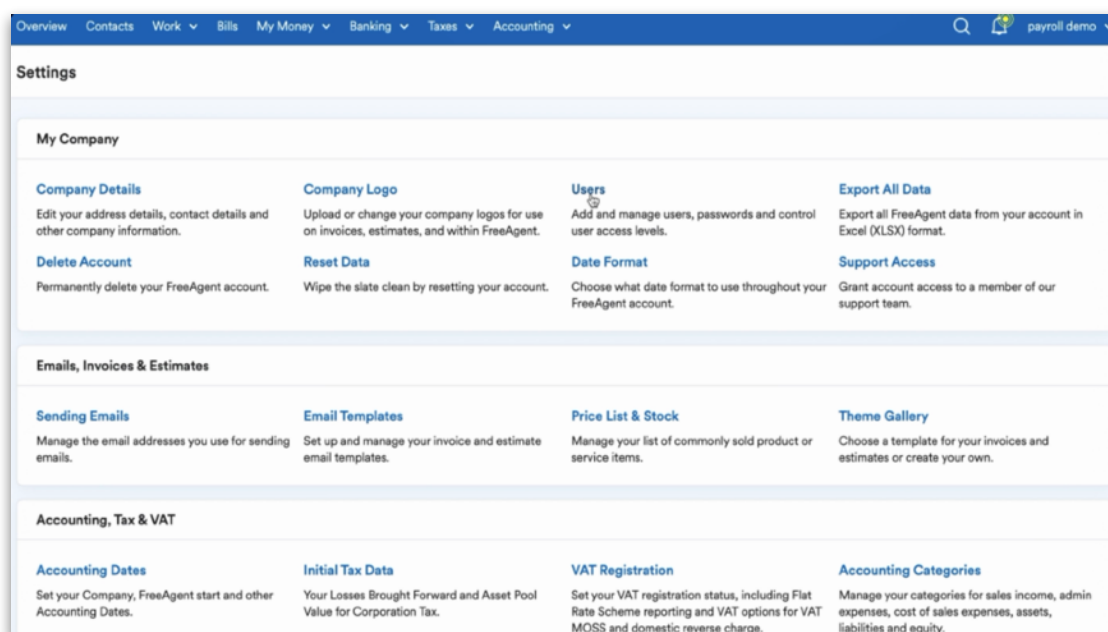
Payroll setup

There are a few settings you'll need to enter before you can start using FreeAgent's payroll functionality.

*Note: FreeAgent only supports **monthly** payroll submission to HMRC. If your client runs payroll on a different basis, such as weekly, you can file payroll to HMRC separately and import the payslips into FreeAgent via 'CSV Imports' in the main menu of your Practice Dashboard. Alternatively, you can record the payroll in FreeAgent by posting journal entries in the client's account.*

The first step is to ensure that all of the client's employees and directors have been added to FreeAgent as users. If this is not done, you will not be able to add them to the payroll system.

To add an employee or director, navigate to Settings and then select 'Users'.



Select 'New User' and fill in the required details.

New User

User Details Required fields*

Role: Director

Login / Email*

First Name*

Last Name*

National Insurance Number

A National Insurance number is made up of two letters, six numbers and a final letter. It can be found on your P60 (and of year tax statement, given to you by your employer), payslip, or a copy of a previous Self Assessment tax return.

Unique Tax Reference

The 10 digit number (e.g. 1234567890) issued to you by HMRC when you register for Self Assessment. It can be found on letters from the HMRC, such as a Notice to Complete a Tax Return, a copy of a previous Self Assessment tax return, or a Statement of Account.

Date of Birth: Day Month Year

Status: Active

Hiding a user will remove them from most lists and dropdowns, but won't affect data relating to them or change their user permissions or account access.

Please note that for employees and directors to see their own salaries, P45s, P60s and payslips, they need to have a minimum permission level of 2.

Opening Mileage (at start of 31 Mar 22)

Mileage* 0.0 miles

User Access

☐ Send this user an invitation to set their password

User Permissions

Progress bar: 0 No Access, 1 Time, 2 My Money, 3 Contacts & Projects, 4 Invoices, Estimates and Files, 5 Bills, 6 Banking, 7 Tax, Accounting and Users, 8 Full Access

Users can:

- ✓ Create and edit their own expenses
- ✓ Upload attachments to expenses
- ✓ View their own salary and payslips (if applicable)
- ✓ View and download dividends
- ✚ all permissions from previous levels

Users can't:

- ✗ See billing rates or other financial information

[More about user permissions -->](#)

Next, navigate back to Settings, then select 'Company Details'. Enter your client's PAYE and Accounts Office reference numbers.

Company Details

Company Name* payroll demo

Company Address* Parkgates Bury New Road

Prestwich

Town* Manchester

Region or State

Post/Zip Code* M25 0JW

Country United Kingdom

Business Phone Number

Company Registration Number* 10653029

PAYE Reference

e.g. 123/A246

Accounts Office Reference

e.g. 123PA00045678

Corporation Tax Reference

Also known as a COTAX Reference e.g. 1234567890

Return to Settings and this time select 'Payroll'. Here you can specify how often your client pays their PAYE/NI contributions to HMRC and whether they are able to claim Employment Allowance.

Overview Contacts Work Bills My Money Banking Taxes Accounting payroll demo

Payroll

Payslip Styling

☒ Show company logo
You need to add a company logo [here](#) first

☒ Show company address

Payroll scheme settings Required fields*

PAYE & NI payments are made Monthly

Employment allowance ☒ Don't claim
☐ Claim

Each payroll year, make sure you double check whether you're eligible, before claiming Employment Allowance through RTI. [Learn more about the Employment Allowance](#) -->

Automatic Enrolment

Staging/duties date dd mmm yy

The date your automatic enrolment duties start. Find out more about auto-enrolment -->

Is your pension scheme with ☒ No
NOM: Pension?

The final section is for automatic enrolment, where you can select the type of pay that is pensionable. The selected ones will be added to the pension calculation.

Please note when amending the selection above, it will only apply to a new employee or when you turn on pension auto calculation for an existing employee (under Payroll > Employees > Edit profile).

Once you've entered the required initial settings, you can move on to the payroll period setup. Navigate to the My Money menu and select 'Payroll'. Here you will be given some options relating to your payroll period setup.

The accounting dates set in FreeAgent will determine how many tax years appear here. The first drop-down menu lets you select the tax year in which you want to start running payroll. The menu to the right lets you select the month in which payroll should start.

When selecting the month, you have two options if your client has previously been running payroll using another system:

1. You can select the current month of the tax year and enter year-to-date figures.
2. You can select the first month of the tax year and mirror the payroll in FreeAgent up to the current month.

You should choose this option on a case-by-case basis, depending on the circumstances of each client. The final drop-down menu is to select which employee you would like to set up first. Once you are happy with all of the selections, select 'Set up payroll'.

Payroll profiles

Employee details

After selecting 'Set up payroll', you will need to enter the payroll profile settings for the employee you selected in the previous step. Note that the information you enter here will apply to the employee for the whole year, not just for an individual month's payslip.

The screenshot shows a software interface with a top navigation bar containing 'Overview', 'Contacts', 'Work', 'Bills', 'My Money', 'Banking', 'Taxes', and 'Accounting'. A search icon and 'payroll demo' are on the right. The main heading is 'Create Payroll Profile for 2022/23 - Ben Mor'. Below this is a section titled 'Employee Details' with a 'Required fields*' indicator. The form contains the following fields:

- Title: A dropdown menu with 'I' selected and a red asterisk.
- First Name: A text box with 'Ben' entered and a red asterisk.
- Second Forename: An empty text box.
- Last Name: A text box with 'Mor' entered and a red asterisk.
- Gender: Radio buttons for 'Male' and 'Female'.
- Date of Birth: Three dropdown menus for day (17), month (July), and year (1976), with a red asterisk.
- Address: Three stacked text boxes with a red asterisk.
- UK Postcode: A text box.
- Foreign Country: A text box with a note below it: 'Only enter if you live outside of UK, Channel Islands or Isle of Man.'
- NI Number provided?: A dropdown menu with 'Yes' selected.

Fields with a red asterisk are mandatory. You will need to enter at least two lines for the address field, and the National Insurance number must use capital letters with no spaces.

Employment details

Select the options that are suited to that employee. Please note that if you specify that an employee is paid hourly, then when you run the payroll for a particular month, you will need to enter the number of hours worked in that month by that employee.

Employment Details

This person is ☒ An existing employee
☐ A new employee

NICs calculated as ☒ Director
☐ Director (alternative arrangements)
☐ Employee

National Insurance Contributions will be calculated on an annual basis for directors and on a monthly basis for employees. Directors using the alternative arrangements will also have monthly basis contributions until the final month of the year, which is evaluated on an annual basis.

Directorship Starting Date

Leave blank unless the directorship started during the 2022/23 tax year. Directorship start dates can be a little tricky. Don't worry, there's more information in our [Knowledge Base](#) →

Normal Weekly Hours* ☐ Less than 16 hours
☐ 16 or more hours, but less than 24 hours
☐ 24 or more hours, but less than 30 hours
☐ 30 hours or more
☐ Other (e.g. changeable hours)

Employee paid hourly?* ☐ Yes ☐ No

Select 'Yes' if your employee is paid on an hourly basis, or if their usual paycheck contains an element that regularly varies by hours worked, such as overtime.

The 'Payroll ID' field is very important if you are moving from another payroll software to FreeAgent. If the payroll IDs for an employee do not match perfectly, HMRC will assume that the person has two jobs and will charge their PAYE at the basic rate instead of the correct rates.

Employee paid hourly?* ☐ Yes ☒ No

Select 'Yes' if your employee is paid on an hourly basis, or if their usual paycheck contains an element that regularly varies by hours worked, such as overtime.

Employee paid irregularly? ☐ Yes ☒ No

Select 'Yes' if your employee is paid on an irregular basis. For example: casual or seasonal employees whose employment contract continues; employees on maternity leave; employees on long term sick leave or on leave of absence; employees who will not be paid for a period of three months or more, but who you still regard as employees.

Payroll ID

An optional unique employee number that you'd like HMRC to use in any correspondence with you.

On the other hand, if the employee started within the current tax year, add their unique payroll ID. If their starting declaration is letter B, FreeAgent will enable the fields to add the previous employment figures.

Tax & NI

When initially setting up the payroll profile, you will need to enter all the employee's tax and National Insurance details manually, including the tax code used.

Tax & NI

Tax Code*

Tax code should only be changed on receipt of a coding notice from HMRC. FreeAgent can handle BR, D0 (D-zero), D1 (D-one), C, K or S prefixes (like CD1, K495, S1257L), or L, M, N or T suffixes (like 1257L).

Make deductions on a Week 1/Month 1 basis? ☐ Yes ☒ No

Select 'Yes' if: HMRC have told you to do this on a coding notice, you have a new employee and the instructions tell you to use the emergency code on a week 1/month 1 basis, or a new employee has not provided you with the starter declaration information and instructions that tell you to use OT code on a week 1/month 1 basis.

National Insurance Category Letter

Also known as National Insurance contribution letter or NIC table letter.

Deduct student loans? ☒ Undergraduate loan
☐ Postgraduate loan

Undergraduate loan type ☐ Plan 1
☐ Plan 2
☐ Plan 4

Unsure which plan to select? Check out [HMRC's guidance for employers](#)

Total pay in previous employment

Student loans

For student loans, there are five repayment plans in total, defined as follows:

Plan 1

- English or Welsh students who started an undergraduate course anywhere in the UK before 1st September 2012
- Northern Irish students who started an undergraduate or postgraduate course anywhere in the UK on or after 1st September 1998
- EU students who started an undergraduate course in England or Wales on or after 1 September 1998, but before 1st September 2012
- EU students who started an undergraduate or postgraduate course in Northern Ireland on or after 1st September 1998

Plan 2

- English or Welsh students who started an undergraduate course anywhere in the UK between 1st September 2012 and 31st July 2023
- EU students who started an undergraduate course in England or Wales between 1st September 2012 and 31st July 2023
- students who took out an Advanced Learner Loan on or after 1 August 2013

Plan 4

- Scottish students who started an undergraduate or postgraduate course anywhere in the UK on or after 1st September 1998
- EU students who started an undergraduate or postgraduate course in Scotland on or after 1st September 1998

Plan 5

- A new repayment plan being introduced for students starting undergraduate courses, a Postgraduate Certificate of Education (PGCE) or an Advanced Learner Loan course on or after 1st August 2023. They won't be expected to make repayments until April 2026 at the earliest, even if they leave their course early.

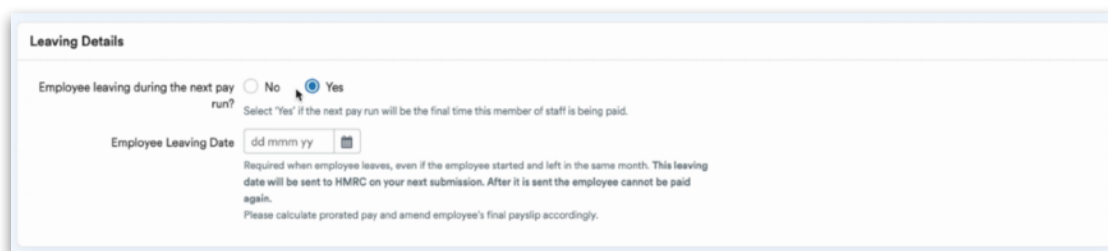
Postgraduate Loan

- English or Welsh students who took out a Postgraduate Master's Loan on or after 1st August 2016
- English or Welsh students who took out a Postgraduate Doctoral Loan on or after 1st August 2018

- EU students who started a postgraduate course on or after 1st August 2016


Leaving details

You'll only need to enter leaving details when an employee or a director leaves the company. The leaving date will be sent through to HMRC and the employee will not be able to be paid again through FreeAgent's payroll. If you have an employee or director that needs to go back on to the payroll, then you can easily remove the leaving date of the employee.



Leaving Details

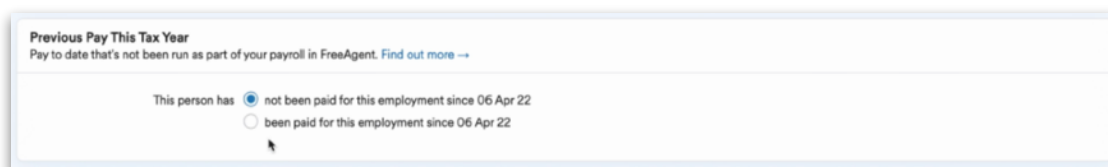
Employee leaving during the next pay run? ☐ No ☒ Yes
Select "Yes" if the next pay run will be the final time this member of staff is being paid.

Employee Leaving Date 

Required when employee leaves, even if the employee started and left in the same month. This leaving date will be sent to HMRC on your next submission. After it is sent the employee cannot be paid again.
Please calculate prorated pay and amend employee's final payslip accordingly.

Previous pay this tax year

In this section, you can enter the year-to-date figures from this employment (i.e. not P45 info) if you are not mirroring the payroll in FreeAgent. You will get these figures from your previous payroll software. Do not enter the P45 information for a new starter here.



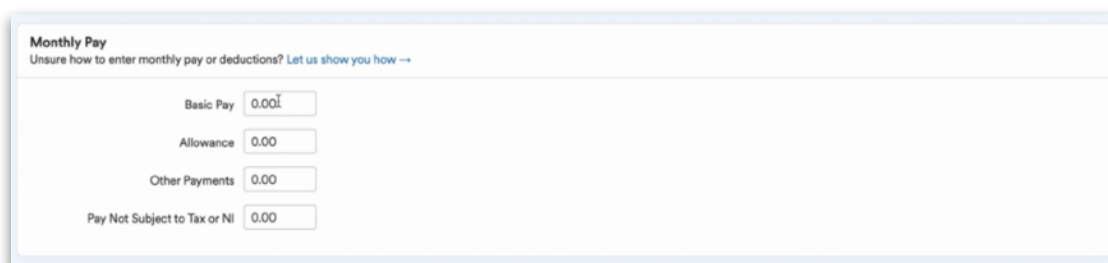
Previous Pay This Tax Year

Pay to date that's not been run as part of your payroll in FreeAgent. [Find out more ->](#)

This person has ☒ not been paid for this employment since 06 Apr 22
☐ been paid for this employment since 06 Apr 22

Monthly pay

Enter the figures for the employee's gross monthly entitlements. If any of these figures are going to be variable, do not enter them in the payroll profile. Instead, you should add these variable figures through the payslip when you run payroll each month.



Monthly Pay

Unsure how to enter monthly pay or deductions? [Let us show you how ->](#)

Basic Pay

Allowance

Other Payments

Pay Not Subject to Tax or NI

Statutory pay

If the employee will only be receiving statutory pay for a short period of time, you should enter the figures on their payslip. You should only enter the figures here on the payroll profile if you know the employee is going to be receiving the same amount for a long period.

Is this employee receiving statutory pay?
Find statutory payments calculators and guidance at gov.uk

Statutory sick pay 0.00

Statutory maternity pay 0.00

Statutory Paternity Pay 0.00

Shared Parental Pay 0.00

Statutory adoption pay 0.00

Statutory parental bereavement pay 0.00

Monthly deductions

Enter figures for any schemes that the client's business might offer, or for any charitable contributions the employee makes through their salary.

Monthly Deductions

Payroll Giving 500.00

Other Deductions From Net Pay 0.00
Including items such as trade union subscriptions and employee paid health cover.

Items subject to Class 1 NIC but not taxed under PAYE regulations 0.00
Including items such as non-cash vouchers and payments of an employee's personal liabilities. Excluding pension contributions.

Pension contributions

The pension options for the employee are the following:

- Not yet eligible
- No, opted out or ineligible
- Yes, making contributions

In the screen select 'Yes, making contributions'. Then, select 'Yes' if you want FreeAgent to auto calculate the pension contribution for you.

Basic Pay: 0.00
 Allowance: 0.00
 Other Payments: 0.00
 Pay Not Subject to Tax or NI: 0.00

Statutory Pay

Is this employee receiving Statutory Pay? ☐ Yes ☒ No
If the employee is currently receiving statutory payments, such as paternity or maternity payments, enter the relevant details. [Find statutory payments calculations and guidance at gov.uk](#)

Monthly Deductions

Payroll Giving: 0.00
 Other Deductions From Net Pay: 0.00
Including items such as trade union subscriptions and employee paid health cover.
 Items subject to Class 1 NIC but not taxed under PAYE regulations: 0.00
Including items such as non-cash vouchers and payments of an employer's personal liabilities. Excluding pension contributions.
 Salary Sacrifice Deductions: 0.00
Excluding pension contributions.

Is this employee making monthly pension contributions?
Unsure which pension arrangement is applicable? [Find out more](#)

Are they making pension contributions? ☐ Not yet eligible ☐ No, opted out or ineligible ☒ Yes, making contributions

Auto-calculate pension contributions? ☒ Yes ☐ No

Contribution based on ☐ All pay ☒ Automatic enrolment thresholds
Contributions are calculated on all earnings for selected pensionable pay types.
 Contributions are calculated on earnings between the automatic enrolment thresholds for selected pensionable pay types.

You can then select what is the basis of the pension contribution: either calculated on all pay or calculated on automatic enrolment thresholds.

The next selection is for the contribution type: Net Pay, Relief at source or Salary sacrifice. In the screen select 'Net Pay'. Then, choose the employee and employer contribution in percentage.

Monthly Deductions

Payroll Giving: 0.00
 Other Deductions From Net Pay: 0.00
Including items such as trade union subscriptions and employee paid health cover.
 Items subject to Class 1 NIC but not taxed under PAYE regulations: 0.00
Including items such as non-cash vouchers and payments of an employer's personal liabilities. Excluding pension contributions.
 Salary Sacrifice Deductions: 0.00
Excluding pension contributions.

Is this employee making monthly pension contributions?
Unsure which pension arrangement is applicable? [Find out more](#)

Are they making pension contributions? ☐ Not yet eligible ☐ No, opted out or ineligible ☒ Yes, making contributions

Auto-calculate pension contributions? ☒ Yes ☐ No

Contribution based on ☐ All pay ☒ Automatic enrolment thresholds
Contributions are calculated on all earnings for selected pensionable pay types.
 Contributions are calculated on earnings between the automatic enrolment thresholds for selected pensionable pay types.

Contribution type ☒ Net Pay ☐ Relief at Source ☐ Salary Sacrifice

Employee contribution: %
 Employer contribution: %

Pensionable pay ☒ Basic Pay ☒ Overtime ☒ Commission ☐ Bonus ☐ Allowance ☐ Tax/NI Free Pay

The last section is for choosing the type of pay that is pensionable. The preselected options reflect the company payroll set up previously under the 'Settings' area.

under PAYE regulations including items such as non-cash vouchers and payments of an employee's personal liabilities. Excluding pension contributions.

Salary Sacrifice Deductions 0.00 Excluding pension contributions.

Is this employee making monthly pension contributions?
Unsure which pension arrangement is applicable? Find out more

Are they making pension contributions?
☐ Not yet eligible
☐ No, opted out or ineligible
☒ Yes, making contributions

Auto-calculate pension contributions?
☒ Yes
☐ No

Contribution based on
☐ All pay Contributions are calculated on all earnings for selected pensionable pay types.
☒ Automatic enrolment thresholds Contributions are calculated on earnings between the automatic enrolment thresholds for selected pensionable pay types.

Contribution type
☒ Net Pay
☐ Relief at Source
☐ Salary Sacrifice

Employee contribution 5 %

Employer contribution 5 %

Pensionable pay
☒ Basic Pay
☒ Overtime
☒ Commission
☐ Bonus
☐ Allowance
☐ Tax/Ni Free Pay
☐ Statutory Sick Pay
☐ Statutory Maternity Pay
☐ Statutory Paternity Pay
☐ Shared Parental Pay
☐ Statutory Adoption Pay
☐ Statutory Parental Bereavement Pay
☐ Absence Payments
☐ Other Payments

Processing payroll

Running payroll

To run payroll from a client's account, go to My Money, then select 'Payroll' from the drop-down menu.

Overview Contacts Work Bills My Money Banking Taxes Accounting payroll demo

Payroll 2022/23 Continue Month 10 Payroll

Status

Month 10
RTI Report Unfiled
 Your payslips have been created, but your RTI report hasn't yet been filed with HMRC.
[Continue Month 10 payroll](#)
 Filing deadline 05 Feb 23 PAYE/Ni Due £911.13
 Ben Mor is possibly eligible for pension auto-enrolment.

Year-to-date

Total Pay	£12,345.00
Total Tax	£384.00
Total Ni	£527.13
Employment Allowance	£0.00

History

	Date	Pay	Tax	Employee Ni	Employer Ni	Due to HMRC
Month 10	25 Jan 23	£12,345.00	£384.00	£55.63	£471.50	£911.13

[Export auto-enrolment CSV](#)

Employees [Add an employee](#)

	Monthly Pay	Total Pay	Total Tax	Auto-enrolment
Ben Mor	£12,345.00	£12,345.00	£384.00	Possibly eligible ? Edit Profile

You will see an overview of the payroll. The first box on the left shows the current payroll status. The first box on the right shows the year-to-date figures.

In the top right, there is a green button that will allow you to prepare the next month's payroll. Payroll for each month can only be processed after the 1st of that month.

Under 'History' is a list of the months that have already been run for the selected tax year. The box below shows you a list of employees currently included in the payroll.

Leavers will continue to show for the remainder of the tax year. They don't appear when you prepare the month following the date being submitted, but they still show in the list on the overview.

To add an employee, first ensure you have set them up as a user in FreeAgent, then select their name from the 'Add an employee' drop-down at the top-right of the employee list. This will allow you to create their payroll profile.

Overview Contacts Work Bills My Money Banking Taxes Accounting payroll demo

Create Payroll Profile for 2022/23 - Bodger Badger

Employee Details Required fields*

Title*

First Name* Bodger

Second Forename

Last Name* Badger

Gender ☐ Male ☐ Female

Date of Birth* 6 January 1995

Address*

UK Postcode

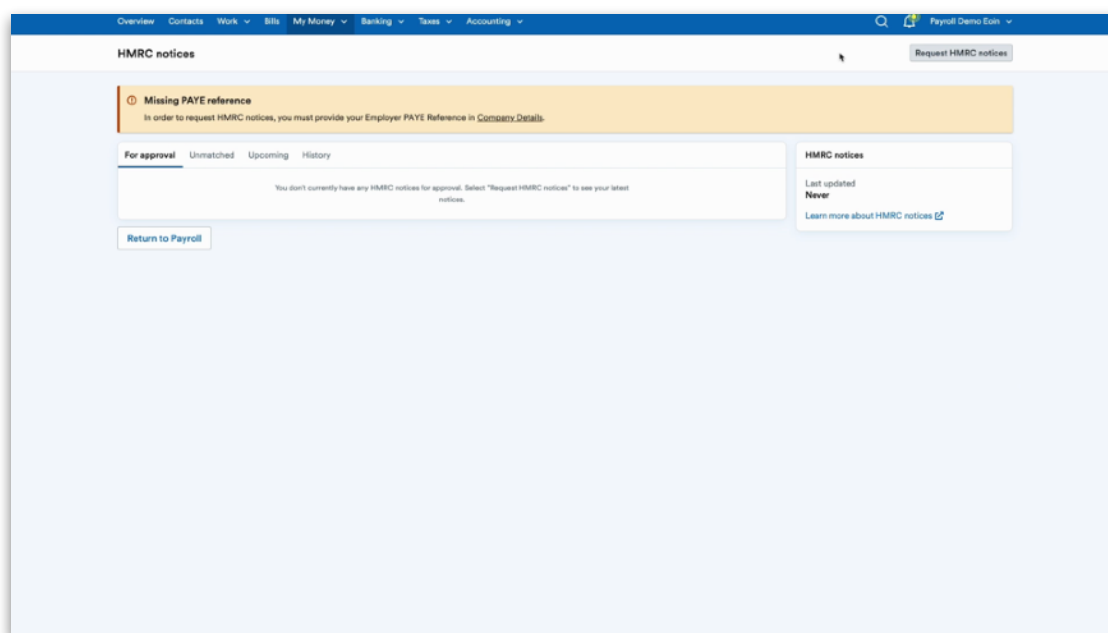
Foreign Country

Only enter if you live outside of UK, Channel Islands or Isle of Man.

NI Number provided? Yes

Checking HMRC notices

To check HMRC tax code changes click 'Check HMRC notices', then select 'Request HMRC Notices' and fill in your Government Gateway ID and password.



To pull through all changes for employees' tax codes and student loan deductions, select 'Request notices'.

In the 'For approval' tab you will see requests to approve tax changes for employees. When you select approve beside the 'Notice details' column it will automatically apply to that individual on the payroll run. These can be managed in bulk by ticking the box beside the date to highlight those you want before clicking 'approve'.

The 'Unmatched' tab includes any changes to tax codes for employees under the client's Government Gateway ID that have not been added to the payroll in FreeAgent. This occurs when we have been unable to match the National Insurance number provided by HMRC with a user within your client's FreeAgent account.

In the 'Upcoming' tab you will see notices that have been reported by HMRC that do not require action within the current payroll run.

The 'History' tab will show details of all historical approvals.

Switching between tax years

To switch between tax years, select 'Payroll [year/year]' at the top-left. You will see a list of all the previous tax years that have been processed for that particular client.

Payroll 2023/24

2024/25

Status

Month 2
RTI Report Unfiled
Your payslips have been created, but your RTI report hasn't yet been filed with HMRC.
[Continue Month 2 payroll](#)

Filing deadline
05 Jan 23
PAYE/NI Due
£519.68

Year-to-date

Total Pay	£3,800.00
Total Tax	£0.00
Total NI	£519.68
Employment Allowance	£0.00

History

	Date	Pay	Tax	Employee NI	Employer NI	Due to HMRC
Month 2	25 May 23	£3,800.00	£0.00	£204.48	£315.20	£519.68 Export report

Employees

	Monthly Pay	Total Pay	Total Tax	Auto-enrolment
Tom Plate	£2,000.00	£2,000.00	£0.00	Making contributions Edit Profile
Arnold Schwarzenegger	£1,800.00	£1,800.00	£0.00	Making contributions Edit Profile

To run the next month's payroll, click on the green 'Prepare Month [X] Payroll' button. (This button will be labelled 'Continue Month [X] Payroll' if you have started preparing the payroll and payslips but have not yet filed.) FreeAgent will then generate the payslips for that pay run. Please note FreeAgent will

Prepare Month 10 2022/23 Payroll

[Delete Month 10 Payroll](#)

Sorry, you can't file payroll with HMRC
As the end of the 2022/23 tax year has passed this period can only be submitted if you've already made a payroll submission in this tax year. Because you have not filed your payroll with HMRC through FreeAgent for the 2022/23 tax year we cannot make this submission.

Please check your settings before you Run & Report Month 10 Payroll.
HMRC will require your [PAYE Reference](#), [Accounts Office Reference](#), and [Corporation Tax Reference](#) as part of your RTI submission.
[Learn more about setting up Payroll](#)

1 Enter the date you will pay your staff
25 Jan 23
You must report your payroll to HMRC on or before your payday, otherwise it is considered late. Dates between 06 Jan 23 and 05 Feb 23 are valid for this pay period.

2 Review and edit payslips
Review and edit the payslips for all employees in this month's Payroll. To add an employee you need to create a payroll profile for them.

Name	Total Pay	Tax	Employee NI	Other Deductions	Net Pay	Employer NI
Ben Mor	£12,345.00	£384.00	£55.63	£0.00	£11,905.37	£471.50 Edit Payslip

default to the 25th of the month, but you can change it.

Once the payslips have been generated, you can edit them - for example, if you need to add in a bonus or commission. To do this, select 'Edit Payslip' to the right of the employee's name.

Overview Contacts Work Bills My Money Banking Taxes Accounting payroll demo

Edit Payslip for 25 Jan 23 - Ben Mor

Payslip Details

Hours worked this month hours

Comment

Pay

Basic Pay

Overtime

Bonus

Commission

Allowance

Absence Payments

Other Payments

Once you have checked all the figures and made any adjustments that you need to, you can run the payroll. If you are late running the payroll, you will need to select a reason from the drop-down menu for each employee.

2 Review and edit payslips

Review and edit the payslips for all employees in this month's Payroll. To add an employee you need to create a payroll profile for them.

Name	Total Pay	Tax	Employee NI	Other Deductions	Net Pay	Employer NI
Ben Mor	£17,345.00	£1,384.00	£692.13	£0.00	£15,268.87	£1,198.00
	£17,345.00	£1,384.00	£692.13	£0.00	£15,268.87	£1,198.00

[Edit Payslip](#)

3 Please provide appropriate reasons for late submission

This submission is considered late because the date you have entered for your payday is prior to today. HMRC require that you provide a reason for late submission for each individual employee.

Name	Reason for Late Submission
Ben Mor	<input checked="" type="checkbox"/> No other reason applies <input type="checkbox"/> Notional payment: Payment to Expat by third party or overseas employer <input type="checkbox"/> Notional payment: Employment related security <input type="checkbox"/> Notional payment: Other <input type="checkbox"/> Payment subject to Class 1 NICs but P11D/P9D for tax <input type="checkbox"/> No requirement to maintain a Deduction Working Sheet or Impractical to report work done on the day <input type="checkbox"/> Reasonable excuse <input type="checkbox"/> Correction to earlier submission

4 Double-check everything

Make sure that you have chosen the correct date, that all employees you need to pay are included in your Payroll and that all employee details are correct.

On the Payroll Profiles

- ✓ Employee leaving dates
- ✓ Tax code and student loan
- ✓ Childcare vouchers and other benefits

On the Payslips

- ✓ Bonuses, commission and deductions
- ✓ Sick pay, maternity, paternity, adoption, and parental bereavement pay
- ✓ Pension contributions

5 Run Month 10 Payroll

☒ Don't report Month 10 payroll to HMRC. Are you sure you don't need to file RT1?

If you are mirroring the payroll in FreeAgent and not reporting to HMRC, tick the box labelled 'Don't report Month [X] payroll to HMRC'. Once this is done, you can then run the payroll.

4 Double-check everything

Make sure that you have chosen the correct date, that all employees you need to pay are included in your Payroll and that all employee details are correct.

On the Payroll Profiles

- ✓ Employee leaving dates
- ✓ Tax code and student loan
- ✓ Childcare vouchers and other benefits

On the Payslips

- ✓ Bonuses, commission and deductions
- ✓ Sick pay, maternity, paternity, adoption, and parental bereavement pay
- ✓ Pension contributions

5 Run Month 10 Payroll

☒ Don't report Month 10 payroll to HMRC. Are you sure you don't need to file RT1?

If you are running the payroll in FreeAgent and reporting to HMRC, select the green 'Run & Report Month [X] Payroll' button at either the top or bottom of the page. You will then have to enter your Government Gateway ID and password.

Once you have run the payroll, under 'History' click on the month and it will give you a breakdown of the money owed to HMRC on the right.

If you click on any payroll month, you will be able to see and save the payslips and also check the figure due to HMRC, which will show on the right of the screen. Here, you need to click on the month to show the breakdown of the liability on the right.

The screenshot shows the FreeAgent Payroll 2022/23 interface. At the top right, there is a green button labeled 'Prepare Month 11 Payroll'. The main content area is divided into several sections:

- Status:**
 - Month 11:** A warning message states 'You have until 05 Mar 23 to prepare Month 11 Payroll.' with a 'Prepare Month 11 Payroll' button.
 - Month 10:** A green checkmark indicates 'Marked as filed'. A note explains that the month has been manually marked as filed and no RTI submission was made through FreeAgent. A 'Payment deadline' of 22 Feb 23 is shown, along with 'PAYE/NI Due' of £3,274.13.
- Year-to-date:** A table showing cumulative figures:

Total Pay	£17,345.00
Total Tax	£1,384.00
Total NI	£1,890.13
Employment Allowance	£0.00
- History:** A table with columns: Date, Pay, Tax, Employee NI, Employer NI, and Due to HMRC.

	Date	Pay	Tax	Employee NI	Employer NI	Due to HMRC
Month 10	25 Jan 23	£17,345.00	£1,384.00	£692.13	£1,198.00	£3,274.13

 An 'Export auto-enrolment CSV' button is located at the end of the row.
- Employees:** A section with an 'Add an employee' button and a table with columns: Monthly Pay, Total Pay, Total Tax, and Auto-enrolment.

Payroll reports

Under the History section, there is an 'Export report' drop-down list at the end of each line of a payroll month.

The following reports are available:

- National Insurance breakdown which can be exported to a CSV file.

HL, Edin. You are currently viewing the Payroll Demo Eain account. [Return to your dashboard](#)

Overview Contacts Work Bills My Money Banking Taxes Accounting

Payroll 2023/24 [Prepare Month 3 Payroll](#)

Status

Month 3

You have until 05 Jul 23 to prepare Month 3 Payroll.

[Prepare Month 3 Payroll](#)

Month 2

Marked as filed

This month has been manually marked as filed and no RTI submission was made through FreeAgent for this month. Please ensure you have made any appropriate RTI submissions by other means.

Payment deadline

22 Jun 23

PAYE/NI Due

£571.28

Year-to-date

Total Pay	£4,000.00
Total Tax	£0.00
Total NI	£571.28
Employment Allowance	£0.00

History

	Date	Pay	Tax	Employee NI	Employer NI	Due to HMRC
Month 2	25 May 23	£4,000.00	£0.00	£228.48	£342.80	£571.28 Export report

Employees

	Monthly Pay	Total Pay	Total Tax	Auto-enrolment
Tom Platz	£2,000.00	£2,000.00	£0.00	Making contributions
Arnold Schwarzenegger	£1,800.00	£2,000.00	£0.00	Making contributions

- Auto-enrolment - this is a CSV file which contains details of pension and other values which you can use to fill in your pension providers' file requirements for upload each month.
- Submission data - this PDF report will return the response from HMRC
- Summary in Excel and in PDF showing the monthly and Year-to-date breakdown of payments and deductions. It also includes the Net Pay and Employer's NI and Pension figures.

If you click on any payroll month, at the top right, you can also export the various payroll reports.

HL, Edin. You are currently viewing the Payroll Demo Eain account. [Return to your dashboard](#)

Overview Contacts Work Bills My Money Banking Taxes Accounting

Month 2 Payroll to 05 Jun 23 [Export report](#) [Mark as unfilled](#)

Month 2

Tax Year 2023/24

Name	Total Pay	Tax	Employee NI	Employee Pension	Other Deductions	Net Pay	Employer NI	Employer Pension
Tom Platz	£2,000.00	£0.00	£14.24	£100.00	£0.00	£1,785.76	£17.40	£300.00
Arnold Schwarzenegger	£2,000.00	£0.00	£14.24	£64.00	£0.00	£1,821.76	£17.40	£64.00
	£4,000.00	£0.00	£28.48	£164.00	£0.00	£3,607.52	£34.80	£364.00

NI breakdown (CSV)

Auto-enrolment (CSV)

Submission data (PDF)

Summary (XLSX)

Summary (PDF)

[View Payroll](#)

Money due to HMRC

PAYE/NI	£571.28
TOTAL DUE	£571.28

This is the amount owed to HMRC this period after any deductions such as statutory reclaim or employment allowance.

Making adjustments to payroll

Current tax year

You can only make adjustments to earlier months in a tax year up to the point when month 12 is submitted. Once month 12 is submitted, no further adjustments can be made to that tax year.

To make adjustments to any employee's payslip in any month in the current tax year, navigate to the month in question, then select 'View Payslip' to the right of the relevant employee's name.

Month 2 Payroll to 05 Jun 23

Month 2 Tax Year 2023/24

Name	Total Pay	Tax	Employee NI	Other Deductions	Net Pay	Employer NI
Ben Mor	£12,345.00	£3,936.60	£1,454.40	£0.00	£6,954.00	£1,703.61
	£12,345.00	£3,936.60	£1,454.40	£0.00	£6,954.00	£1,703.61

[View Payslip](#)

Payroll Summary

Marked as Filed

This month has been manually marked as filed and no RTI submission was made through FreeAgent for this month. Please ensure you have made any appropriate RTI submissions by other means.

[Find out more about RTI](#)

[Export NI Breakdown](#)

Money due to HMRC

PAYE/NI	£7,094.61
TOTAL DUE	£7,094.61

This is the amount owed to HMRC this period after any deductions such as statutory reclaim or employment allowance.

Next, select 'Edit Payslip' at the top-right of the screen and adjust or add the required figures to the payslip. Once you have made the amendment, the payslip will update immediately.

Edit Payslip for 25 May 23 - Ben Mor

Before making changes we recommend [downloading a PDF](#) of the payslip for your records. Please note, amendments will only be sent to HMRC when a subsequent payroll period is filed in this tax year, and at least one director or employee paid.

Payslip Details

Hours worked this month hours

Comment

Pay

Basic Pay	12345.00
Overtime	0.00
Bonus	0.00
Commission	0.00
Allowance	0.00

The amendment will be sent through to HMRC, in the year to date figures, on the next payroll run where at least one director or employee is paid.

Previous tax year (2020/21 tax year onwards)

The option to make a correction for a previous tax year in FreeAgent will only be available after 19th April of the following tax year once you've filed, or marked as filed, Month 12 payroll for the tax year in question and if there are no account locks in place dated after the Month 12 payslip.

To make corrections for a change that happened mid-tax year, such as a tax code amendment, you'll need to edit each impacted payslip individually. Before proceeding with corrections, make sure you save a copy of any original payslips and reports as it won't be possible to undo changes.

Please note FreeAgent currently supports the filing of an FPS correction but not an EPS correction for a previous tax year.

Moving to a new tax year

You can only start a new tax year once Month 12 has been submitted to HMRC. When you're ready to move to a new payroll year, you're presented with this screen. You're given the chance to make any corrections to the previous payroll year by selecting the 'Make corrections' button.

Payroll 2022/23 Make corrections

The payroll year for 2022/23 has been fully filed
 Before making changes please download a PDF of the existing payslips for your records. [Learn more about making payroll corrections](#)
 You can now start a new payroll year for 2023/24.
[Start 2023/24 payroll year](#)

Status		Year-to-date
Year End	P60s are now available to download from the employee salary pages	Total Pay £42,035.00
Month 12	Marked as filed This month has been manually marked as filed and no RTI submission was made through FreeAgent for this month. Please ensure you have made any appropriate RTI submissions by other means. Payment deadline 22 Apr 23 PAYE/NI Due £5,625.64	Total Tax £5,905.00
		Total NI £8,620.62
		Employment Allowance £0.00

History						
	Date	Pay	Tax	Employee NI	Employer NI	Due to HMRC
Month 12	25 Mar 23	£12,345.00	£2,260.40	£1,571.52	£1,793.72	£5,625.64 Export auto-enrolment CSV
Month 11	25 Feb 23	£12,345.00	£2,260.60	£1,571.52	£1,793.73	£5,625.85 Export auto-enrolment CSV

You'll see that the employees' tax codes have been updated automatically. To make any changes to an employee's payroll profile, select the 'Edit' button to the right of the employee's name.

Overview Contacts Work Bills My Money Banking Taxes Accounting payroll demo

Payroll 2023/24 [Start new Payroll year](#)

Status

Payroll Setup
Transfer your employees' profiles for 2023/24
 To start your new payroll year, we've brought across the employee profiles from last year. Just update the information on each profile to ensure that your payroll runs correctly. If an employee has left the company, please enter the leaving date on their profile.

Year-to-date

Total Pay	£0.00
Total Tax	£0.00
Total NI	£0.00
Employment Allowance	£0.00

Employees [Add an employee](#)

	Tax codes	Monthly basic pay	Status	
Ben Mor	1250L -> 1250L	£12,345.00 -> £12,345.00	Ready for 2023/24	Edit

To start a new payroll year, select the green 'Start new Payroll year' button at the top-right of the page. You will then be able to start submitting payroll from Month 1 of the new tax year.

Overview Contacts Work Bills My Money Banking Taxes Accounting payroll demo

Payroll 2023/24 [Prepare Month 1 Payroll](#)

Status

Month 1
You have until 05 May 23 to prepare Month 1 Payroll.
[Prepare Month 1 Payroll](#)

Year-to-date

Total Pay	£0.00
Total Tax	£0.00
Total NI	£0.00
Employment Allowance	£0.00

Employees [Add an employee](#)

	Monthly Pay	Total Pay	Total Tax	
Ben Mor	£12,345.00	£0.00	£0.00	Edit Profile

How to view payslips, P60s and P45s

If an employee wants to view their payslip, P60 or P45, they will need to have a minimum permission level of 2. They will then need to log in to FreeAgent, navigate to 'My Money' and select 'Salary'.

Date	Description	Owed	Paid	Balance Owed
	Brought forward			£35,367.05
25 Apr 23	Apr 23 Payslip for Ben Mor	8,408.85		£43,775.90
25 May 23	May 23 Payslip for Ben Mor	30,896.00		£74,671.90
25 Jun 23	Jun 23 Payslip for Ben Mor	6,927.45		£81,599.35

Here they will be able to view all of their payslips that have been generated in FreeAgent, as well as their P60s for each tax year. Their P60 is automatically generated once Month 12 payroll has been processed.

P60 for 2020/21 - Ben Morley

To the Employee:
Please keep this certificate in a safe place as you will need it if you have to fill in a tax return. You also need it to make a claim for tax credits and Universal Credit or to renew your claim.
It also helps you check that your employer is using the correct National Insurance number and deducting the right rate of National Insurance contributions.
By law you are required to tell HM Revenue and Customs about any income that is not fully taxed with PAYE, as well as to file a return.

Employee's details

Surname	Morley	National Insurance number	AB1234567
Forename or initials	Ben	Work/payer number	

Pay and Income Tax details

	Pay	Tax deducted
In previous employment(s)	£ 0.00	£ 0.00
In this employment *	£ 9000.00	£ 0.00 (if refund made by)
Total for year	£ 9000.00	£ 0.00
Final tax code	1000L	

* The figure marked * should be used for your tax return if you get one.

National Insurance contributions in this employment

NIC table letter	Earnings at the Lower Earnings Limit (LEL), up to and including the Primary Threshold (PT)	Earnings above the LEL, up to and including the Upper Earnings Limit (UEL)	Earnings above the UEL	Employer's contributions due on all earnings above the PT
A	£ 0.00	£ 708	£ 0	£ 0.00

Statutory Payments included in this pay / in two employment figures above

	£	£	
Statutory Sick Pay	£ 0.00	Statutory Shared Parental Pay	£ 0.00
Statutory Paternity Pay	£ 0.00	Statutory Adoption Pay	£ 0.00
Statutory Parental Bereavement Pay	£ 0.00		

Other details

Student Loan Deductions in this employment (see L1 also)	£ 0
Postgraduate Loan Deductions in this employment (see L1 also)	£ 0

To Employee Employer's full name and address Employer PAYE reference
 Ben Morley, 1 Trade Lane, A201 Sharnbrook RU10, 9 Church Street, Weymouth, Dorset, DT1 1SS A201 0001

Certificate by Employer/Paying Office:
This form shows your total pay for income tax purposes in this employment for the year. Any overtime, bonus,

To change tax years, select the year from the grey drop-down menu at the top left.

How to explain payroll payments

When payroll payments go through the client's bank account, you need to explain these as 'Money Paid to User', selecting the relevant employee and choosing the 'Net Salary and Bonuses' category.

The screenshot shows the 'Business Current Account' page in FreeAgent. The 'Unexplained' tab is active, showing a list of transactions. The first transaction is dated 25 Nov 22, with a description 'DAN CARTER//OTHER/£392.84'. The 'Type' is set to 'Money Paid to User', 'Payment to' is 'Ben Mor', and the 'Category' is 'Net Salary and Bonuses'. The 'Description' field contains 'Dan Carter'. There are buttons for 'Explain transaction' and 'Cancel'. Below this, there are three more transactions: 'STEVE ROGERS//OTHER/£1,558.84', 'PETER BANNER//OTHER/£1,520.84', and 'TONY STARK//OTHER/£843.64'. On the right, there is a 'Statement upload' section showing '0% transactions explained' and a 'Bank details' section showing a total balance of £-6,957.84.

Please note that if your client pays themselves or their employees any out-of-pocket expenses at the same time as their payroll payment, you will need to split the transaction to show the expenses separately. For more details on how to split bank transactions in FreeAgent, see the [Knowledge Base](#).

If your client has any pension payments, then explain the transaction to the 'Pension Creditor' category under 'Other Money Out'.

The screenshot shows the 'Business Current Account' page in FreeAgent. The 'Unexplained' tab is active, showing a list of transactions. The first transaction is dated 25 Nov 22, with a description 'STEVE ROGERS//OTHER/£1,558.84'. The 'Type' is set to 'Money Paid to User', 'Payment to' is 'Ben Mor', and the 'Category' is 'Net Salary and Bonuses'. The 'Description' field contains 'Dan Carter'. There are buttons for 'Explain transaction' and 'Cancel'. Below this, there are three more transactions: 'PETER BANNER//OTHER/£1,520.84', 'TONY STARK//OTHER/£843.64', and 'BRUCE WAYNE//OTHER/£1,520.84'. On the right, there is a 'Statement upload' section showing '16% transactions explained' and a 'Bank details' section showing a total balance of £-6,957.84. A dropdown menu is open over the first transaction, showing options: 'Liabilities', 'Other Payroll Deductions', 'Payment from Contra Account', 'Payment to Initial Creditor', 'Payment to Other Creditor', 'Pension Creditor' (highlighted), 'Other', and 'Realized Currency Exchange Loss'.

Closing a payroll scheme

To be able to close a payroll scheme, you first need to make sure all of the employees and directors have a leaving date and that these have been filed to HMRC. To do this, go into their payroll profile and enter the date under 'Leaving Details'.

☐ Postgraduate loan

Total pay in previous employment

Total tax in previous employment

Leaving Details

Employee leaving during the next pay run? ☐ No ☒ Yes
Select "Yes" if the next pay run will be the final time this member of staff is being paid.

Employee Leaving Date

Required when employee leaves, even if the employee started and left in the same month. This leaving date will be sent to HMRC on your next submission. After it is sent the employee cannot be paid again.
Please calculate prorated pay and amend employee's final payslip accordingly.

ⓘ Any changes to the options below will not be applied to existing payslips
To make changes to the current month's payroll either edit payslips individually or delete and run the payroll again.

Monthly Pay
Unsure how to enter monthly pay or deductions? [Let us show you how -->](#)

Basic Pay

Allowance

Before you enter the leaving date, make sure all of the payroll details for each employee are correct, as once you have entered a leaving date you will no longer be able to edit a previous month's payroll.

If you need to pro rata any of the pay for anyone then simply click on the edit payslip button to the right of the screen. This will enable you to pro rata the pay for that month. Once you have made the relevant changes click on 'Run and report month [x] payroll'.

After you've done this, you'll need to run the next month's payroll to be able to close the scheme.

To do this, select 'Run and report month [x] payroll'. On the next screen, you'll see the option to close the scheme next to number 3. Tick this box and enter the date that the payroll closes. This date needs to be after the date of the previous month's payroll.

Name	Total Pay	Tax	Employee NI	Other Deductions	Net Pay	Employer NI
	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00

2 Please provide appropriate reasons for late submission

This submission is considered late because the date you have entered for your payday is prior to today. HMRC require that you provide a reason for late submission for each individual employee.

Name	Reason for Late Submission

3 Payroll scheme closure

☒ Close this payroll scheme

This will close the payroll scheme. [Learn more about closing a payroll scheme -->](#)

Date *

dd mm yy

This must be on or after the last pay run (25 Apr 23) and cannot be in the future.

4 Double-check everything

Make sure that you have chosen the correct date, that all employees you need to pay are included in your Payroll and that all employee details are correct.

[On the Payroll Profiles](#) [On the Payslips](#)

Once you're happy with all the information, you can select 'Run and report month [X]'. This will now close the payroll.

Please note:

- If you're trying to run the payroll before the beginning of the month - i.e. the 6th - then you'll receive an error message.
- If in future you want to reopen the payroll, you'll need to first check with HMRC that you can use the same PAYE reference as before. In some cases you'll need to request a new one, depending on how much time has elapsed.

Bulk payroll

When using bulk payroll, you can only run payroll for clients that have been assigned to you on the Practice Dashboard. You can also only use bulk payroll for those clients that have been authorised in your HMRC agent services account.

To run bulk payroll from the Practice Dashboard, select 'Payroll' on the main menu. This will take you to the bulk payroll screen, where you will see a list of all of your clients who currently run payroll through FreeAgent.

Selecting the arrow to the right of any of the names will take you directly through to that client's payroll, where you can make any adjustments needed. To run the payroll, you can either click on 'Prepare Payslips' or 'Prepare & File Payslips' at the top-right.

Payroll

Prepare Payslips Prepare & File Payslips

Any status ▾ All active payroll clients ▾

		LAST PAYRUN		CURRENT PAYRUN				
Included	Company	Period	Total Pay	Period	Total Pay	Tax	NI	Status
Yes	Ben Morley Limited							Late
Yes	Ben Test FA							Late
Yes	Brightpay Testing							Late
Yes	CIS Subcontractor							Late
Yes	Greenbank Farm Ltd			Month 11				Late
Yes	IR35 Webinar			Month 8				Late
Yes	payroll demo	Month 3	£0	Month 4	£12,345			Ready to file
Yes	Sherlock RUFC	Month 1	£10,950	Month 2	£10,950	£713	£1,209	Late

Prepare payslips for 1 company

Payroll must be reported to HMRC on or before the payday, otherwise it is considered late. Dates between 06 Jul 23 and 05 Aug 23 are valid for this pay period.

Payment date
25 Jul 23

Prepare payslips Cancel

Clicking 'Prepare Payslips' generates payslips for your clients and allows you to review all the details for that month's payroll before you file, including your clients' tax figures. You might want to give your clients the chance to double-check this information before filing.

If you're confident that payroll for that month has been set up correctly and you don't need to review your clients' tax figures, you can prepare and file payroll on behalf of all your selected clients in a single step by selecting 'Prepare & File Payslips'.

Payroll

Prepare Payslips Prepare & File Payslips

Any status ▾ All active payroll clients ▾

		LAST PAYRUN		CURRENT PAYRUN				
Included	Company	Period	Total Pay	Period	Total Pay	Tax	NI	Status
Yes	Ben Morley Limited							Late
Yes	Ben Test FA							Late
Yes	Brightpay Testing							Late
Yes	CIS Subcontractor							Late
Yes	Greenbank Farm Ltd			Month 8				Late
Yes	IR35 Webinar			Month 3	£0	£0	£0	Ready to file (Prepared)
Yes	payroll demo	Month 3	£0	Month 4	£0	£0	£0	Ready to file (Prepared)
Yes	Sherlock RUFC	Month 1	£10,950	Month 2	£10,950	£713	£1,209	Late

Run Month 4 payroll for 1 company

Payroll must be reported to HMRC on or before the payday, otherwise it is considered late. Dates between 06 Jul 23 and 05 Aug 23 are valid for this pay period.

Enter the date your clients will pay their staff, then your Government Gateway login details.

Payment date
25 Jul 23

Government Gateway ID
[Input field]

Gateway password
[Input field] Show

Forgot password?

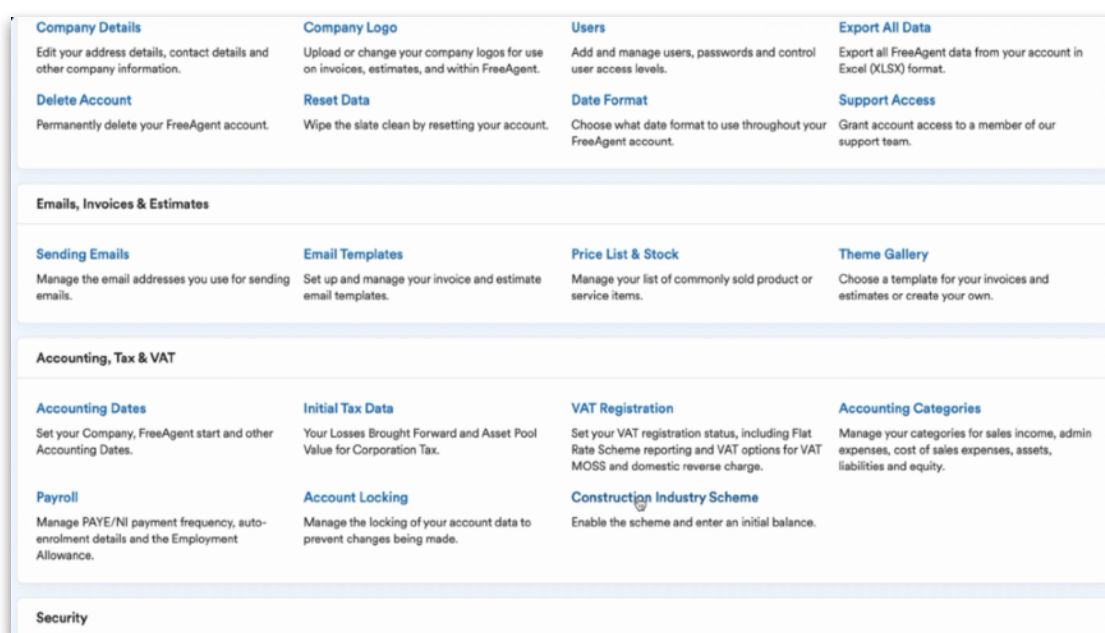
Run & Report Payroll Cancel

If you select 'Prepare & File Payslips', you will be prompted to select a payment date for the payroll run and to enter your Government Gateway login credentials. Please note that you can only submit payroll in bulk through FreeAgent if you have been set up as an agent with HMRC.

Once you've entered these details in the pop-up window, select 'Run & Report Payroll' to complete the process. FreeAgent will file payroll on behalf of all the clients you've included in that month's payroll run and will submit their RTI data to HMRC. For more details on how to file your clients' payroll in bulk, see the [Knowledge Base](#).

CIS subcontractors

FreeAgent supports the Construction Industry Scheme (CIS) for sole trader and limited company subcontractors. To set this up, navigate to Settings and select 'Construction Industry Scheme'.



The first option, 'Making submissions via RTI', relates to FreeAgent's payroll system. If you want to make RTI payroll submissions then select 'Yes' and enter the tax year in which you want to start.

The next box lets you enter any CIS deductions that have occurred on invoices created in the tax year selected in the previous box, but that have not been recorded in FreeAgent.

The final box is to select which rate applies to your client - either 20%, 30% or gross. You only need to select one of these. If and when the business needs to change CIS type, you can return and select either of the other options.

Once you have entered these settings, you can start accounting for CIS on your sales invoices. When creating a new invoice, you will see a 'CIS Category' box. Select from the drop-down and the CIS deduction line will be added to the invoice.

Once you have filled in the other information required, you can select 'Create New Invoice'.

You can then add line items to the invoice. When either selecting an item from your price list or creating a specific line item, select the appropriate CIS income category.

You will notice that the correct amount of CIS deduction has been calculated on the invoice. Once the invoice has been sent to a customer or marked as sent, the system will know that the amount due will have both CIS, and VAT, if applicable, deducted from the total.

Quantity	Details	Unit Price (£)	VAT	Net Subtotal (£)
1	CIS Reverse Charge Applies at @20%	1,000.00	20%	1,000.00
				Net Total 1,000.00
				VAT 200.00
				GBP Total £1,200.00
				CIS Deduction (20%) £200.00
				GBP Due £1,000.00

When the invoice payment is received into the bank account, it's a simple case of explaining the transaction with 'Invoice Receipt' as the 'Type'. Then select the appropriate invoice from the drop-down list.

Business Current Account

Upload statement Enable bank feed Edit details More

All transactions Unexplained For approval Manually added

July 23 Search

Date	Description	Money in	Money out	Balance
	Balance brought forward			£10,996.00
12 Jul 23	sales Sales, Inc £200.00 VAT	1,200.00		12,196.00

Type Invoice Receipt

Value £ 1200.00

Invoice Search by reference, contact, or total...

Attachment	Invoice	Description	Amount	Status
	003	Sub Contractor	£1,200.00	Overdue
	006	Sub Contractor 1	£120.00	Overdue
	010	Sub Contractor 1	£1,000.00	Overdue

25

Explained Unexplained Manually added

Bank feed
It doesn't look like you've set up a bank feed.
Find out more about bank feeds
Enable bank feed

Bank details
Total balance
£12,196.00
Bank
Unknown

Once you have marked the invoice as paid, the CIS deduction will then be posted to the CIS Deductions account on the balance sheet.

Show Transactions

Current Year So Far 812 CIS Deductions Current Accounting Year to 12 Jul 23

812 CIS Deductions

Date	Description	Debit	Credit
01 Jan 23	Brought Forward	2,236.00	
12 Jul 23	Invoice receipt against 003 Invoice Receipt	240.00	
	Total	£2,476.00	

If you're using FreeAgent's payroll system, then it will also be posted in there and used to lower the amount owed to HMRC.

If there is PAYE due, you can also view the CIS offset in the PAYE/NI account. Navigate to the Taxes menu, select PAYE/NI and then choose the appropriate tax year from the drop-down menu at the top-left.

PAYE and NI Summary for Tax Year 2019/20				
Tax Year 2019/20		06 Apr 19 - 05 Apr 20		
Date	Description	Owed	Paid	Balance Owed
	<i>Brought forward</i>			£0.00
30 May 19	Payment of CIS Tax PAYE/NI		100.00	-£100.00
31 May 19	CIS New Off PAYE/NI	100.00		£0.00
21 Oct 19	Payment of CIS Tax PAYE/NI		200.00	-£200.00
21 Oct 19	CIS New Off PAYE/NI	200.00		£0.00
25 Oct 19	Oct 19 Payslip for CIS Subcontractor	0.00		£0.00
25 Nov 19	Nov 19 Payslip for CIS Subcontractor	0.00		£0.00
25 Dec 19	Dec 19 Payslip for CIS Subcontractor	0.00		£0.00
25 Jan 20	Jan 20 Payslip for CIS Subcontractor	0.00		£0.00

CIS contractors

FreeAgent does not fully support CIS for contractors as you are not able to make the required submissions from within FreeAgent. However, you can use FreeAgent to handle the transactions that will enable you to gather all the information required to be able to do the submissions.

To set FreeAgent up for CIS for contractors, there are a number of steps to complete.

1. Navigate to the name of your client's account in the top-right of the screen. Select 'Settings' and then from under the heading 'Accounting, Tax & VAT', select 'Construction Industry Scheme'. Then, under the heading 'Contractor details' select 'Yes' beside 'Are you a registered CIS contractor?'

Overview Contacts Work Bills Expenses Banking Taxes Accounting

Construction Industry Scheme (CIS)

Some of your CIS settings are locked

- The contractor settings are locked. You may have bills, bank account entries or journals in CIS categories.
- The subcontractor rates are locked. You may have invoices or journals in CIS categories.

[Learn more about the Construction Industry Scheme](#)

Contractor details

Are you a registered CIS contractor? ☐ No ☒ Yes

Reporting start date: 06 Apr 25

CIS returns and subcontractor contact payment and deduction statements will be available from the tax month in which this date falls

CIS payment frequency: Monthly

This will update your payment frequency for CIS.

Subcontractor details

Are you a registered CIS subcontractor? ☐ No ☒ Yes

CIS deduction rates: ☐ Gross (0%) ☒ Standard (20%) ☐ Higher (30%)

[Save changes](#) [Cancel](#)

2. Create your CIS subcontractor contacts in FreeAgent. Navigate to the 'Contacts' tab at the top of the screen and select 'Add New Contact'. Complete the Subcontractor's contact details. Under the 'CIS Options' tab, select 'Yes' beside 'Is this contact a CIS Subcontractor?'. Under the 'CIS deduction rate' select the applicable rate for this subcontractor and add the their 'Unique Tax Reference' number. Next you must enter and verify the 'Subcontractor verification number' by clicking the link to the HMRC website. Finally you can save the subcontractor's details by selecting 'Create New Contact'.

Invoices that have already been created will not be affected by changes made here.

Default Payment Terms days
Set to zero to display 'Due on Receipt' on invoices
 Leave this blank if you don't want to set contact-level payment terms.

☐ Use contact-level email settings?
☐ Contact-level Invoice Sequence?
Can be overridden by project-level sequences

☒ Display Contact Name
Check this box if you want invoices to show the Contact name as well as an Organisation Name.

Charge VAT

VAT Registration Number
If applicable, and needing to be displayed on invoices.

Invoice/Estimate Language
This allows you to display Invoices and Estimates in different languages.

CIS Options

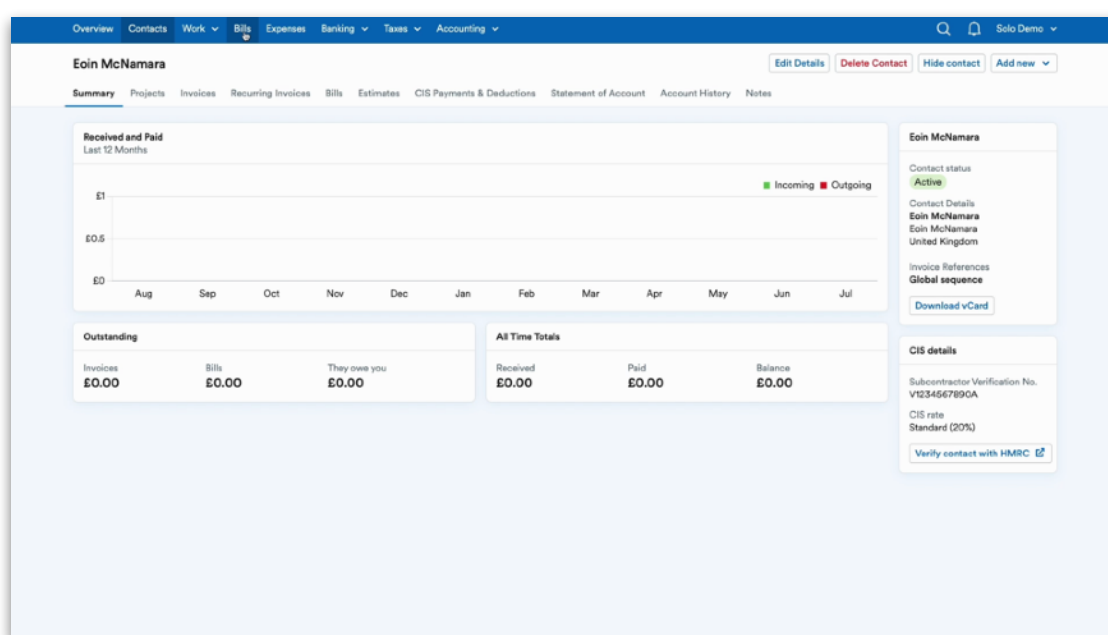
Is this contact a CIS subcontractor? ☐ No ☒ Yes

CIS deduction rate ☐ Gross (0%) ☒ Standard (20%) ☐ Higher (30%)

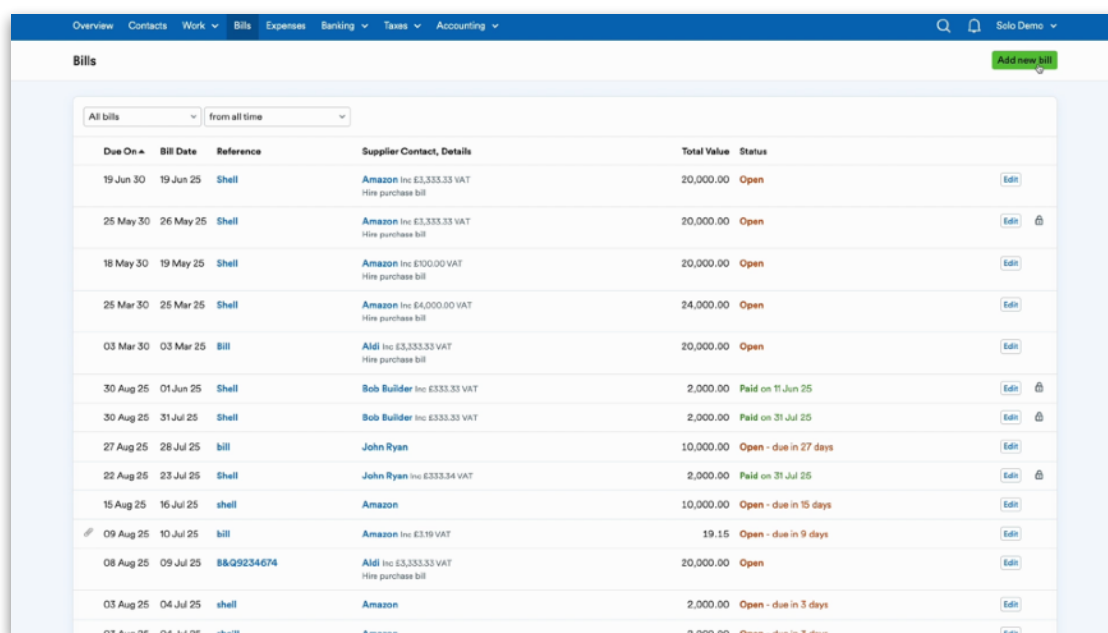
Unique Tax Reference
Usually 10 numbers without spaces e.g. 1234567890

Subcontractor verification number
Starts with a V, then 10 numbers, then optionally up to 2 letters e.g. V1234567890A.
 Ensure you're making the correct deductions by verifying this contact with HMRC [↗](#)

3. You can now raise the Bill for this CIS contact by navigating to the 'Bills' tab.

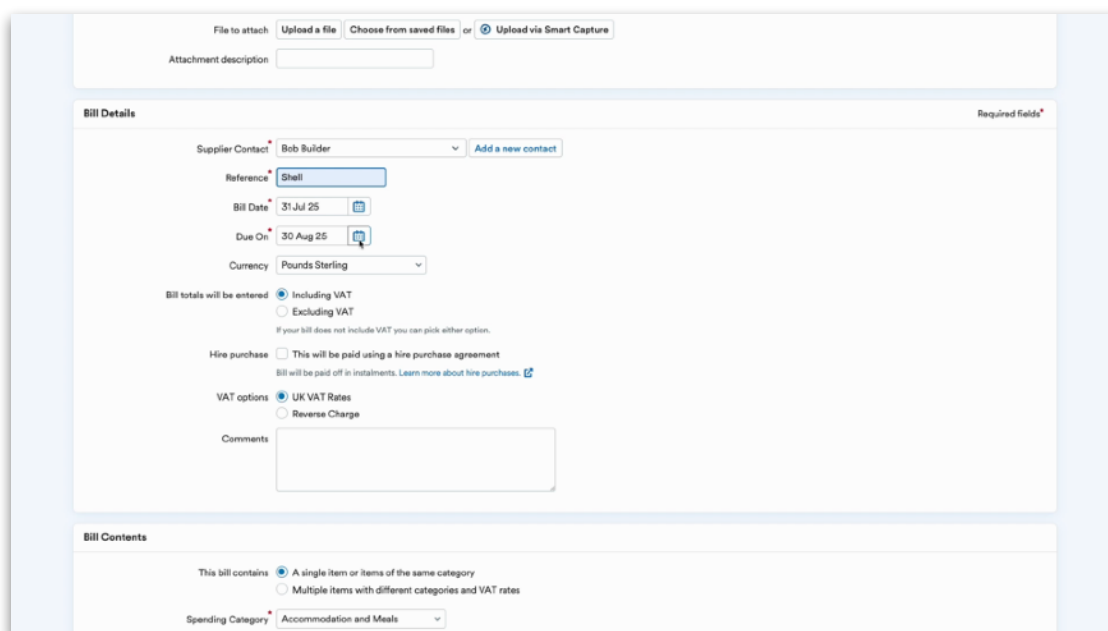


Then select 'Add new bill'.



Due On	Bill Date	Reference	Supplier Contact, Details	Total Value	Status
19 Jun 30	19 Jun 25	Shell	Amazon Inc £3,333.33 VAT Hire purchase bill	20,000.00	Open
25 May 30	26 May 25	Shell	Amazon Inc £3,333.33 VAT Hire purchase bill	20,000.00	Open
18 May 30	19 May 25	Shell	Amazon Inc £100.00 VAT Hire purchase bill	20,000.00	Open
25 Mar 30	25 Mar 25	Shell	Amazon Inc £4,000.00 VAT Hire purchase bill	24,000.00	Open
03 Mar 30	03 Mar 25	Bill	Aldi Inc £3,333.33 VAT Hire purchase bill	20,000.00	Open
30 Aug 25	01 Jun 25	Shell	Bob Builder Inc £333.33 VAT	2,000.00	Paid on 11 Jun 25
30 Aug 25	31 Jul 25	Shell	Bob Builder Inc £333.33 VAT	2,000.00	Paid on 31 Jul 25
27 Aug 25	26 Jul 25	bill	John Ryan	10,000.00	Open - due in 27 days
22 Aug 25	23 Jul 25	Shell	John Ryan Inc £333.34 VAT	2,000.00	Paid on 31 Jul 25
15 Aug 25	16 Jul 25	shell	Amazon	10,000.00	Open - due in 15 days
09 Aug 25	10 Jul 25	bill	Amazon Inc £3.19 VAT	19.15	Open - due in 9 days
08 Aug 25	09 Jul 25	8&Q9234674	Aldi Inc £3,333.33 VAT Hire purchase bill	20,000.00	Open
03 Aug 25	04 Jul 25	shell	Amazon	2,000.00	Open - due in 3 days
03 Aug 25	04 Jul 25	shell	Amazon	2,000.00	Open - due in 3 days

You must ensure your subcontractor has been selected in the 'Supplier Contact'. Then complete the 'Reference', 'Bill Date' and 'Due On' fields.



File to attach: or ☒ Upload via Smart Capture

Attachment description:

Bill Details Required fields*

Supplier Contact:

Reference:

Bill Date:

Due On:

Currency:

Bill totals will be entered: ☒ Including VAT ☐ Excluding VAT

If your bill does not include VAT you can pick either option.

Hire purchase: ☐ This will be paid using a hire purchase agreement
Bill will be paid off in instalments. [Learn more about hire purchases.](#)

VAT options: ☒ UK VAT Rates ☐ Reverse Charge

Comments:

Bill Contents

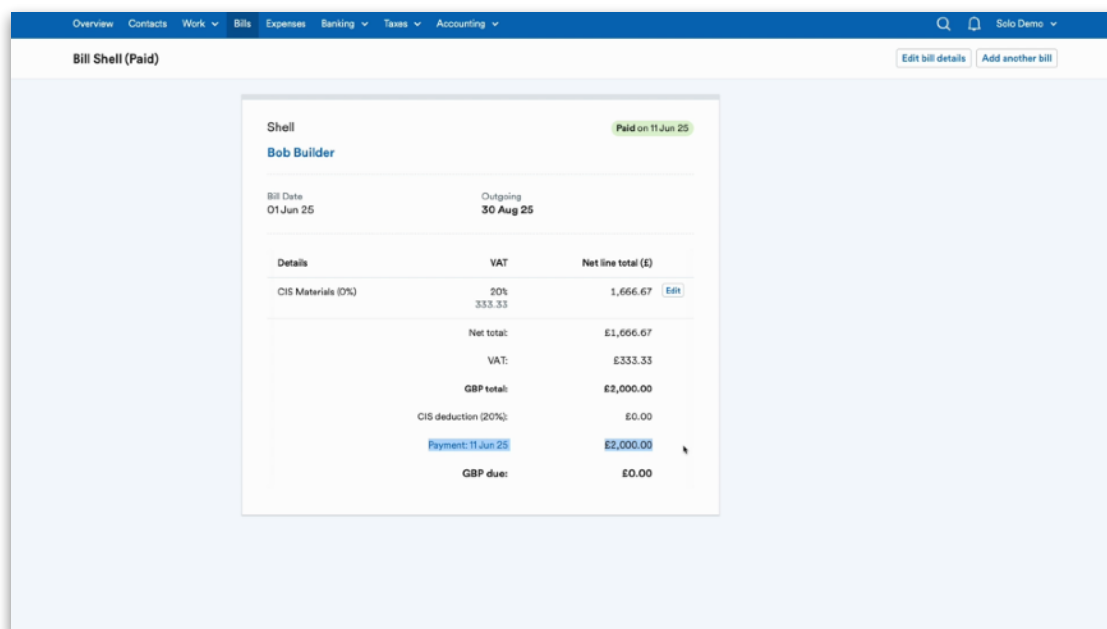
This bill contains: ☒ A single item or items of the same category ☐ Multiple items with different categories and VAT rates

Spending Category:

When it comes to Bill Contents you will notice FreeAgent has added three nominal codes; CIS labour, CIS Travel and CIS Accommodation and Meals. When these codes are selected it will revert to the supplier contact's CIS

deduction rate which you selected in step 2. There is also a code for CIS Materials but this is at a CIS Rate of 0%.

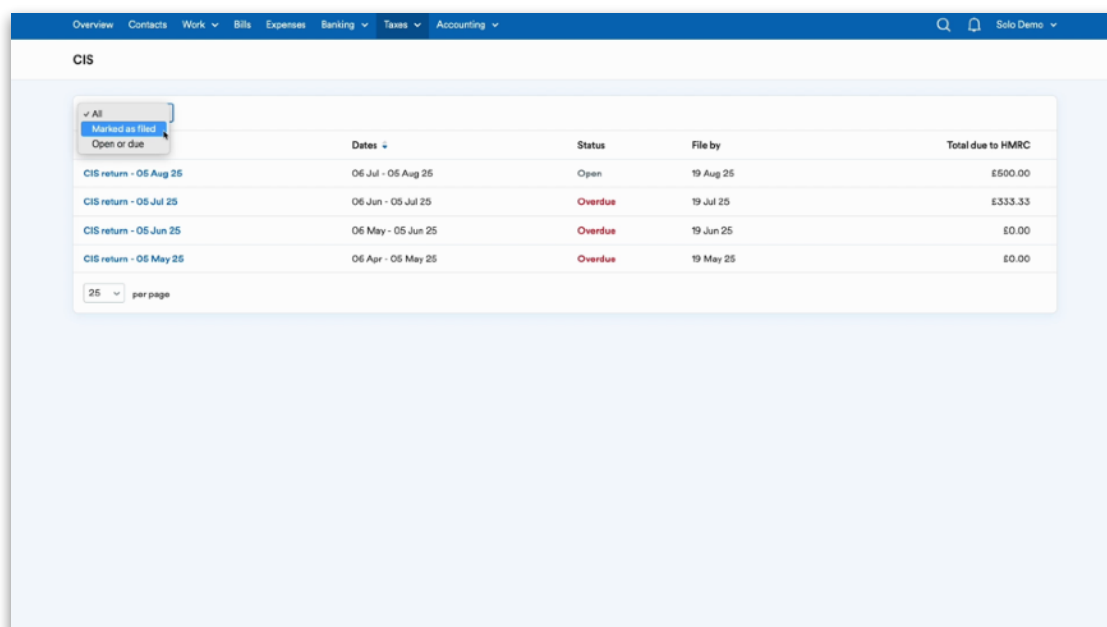
4. Once the money has been paid to the subcontractor, it will appear as a banking transaction as the net amount in your account.



From there you select the bill in question to explain the bank transaction as a bill payment for. The amount withheld will then populate the CIS 300 report.

CIS reporting

To view the CIS 300 report in FreeAgent navigate to the 'Taxes' tab and select CIS. On the top-left of the screen you can select to view all CIS reports, 'Open or due' and 'Marked as filed' reports. You can also view 'Changed since filing' and 'Non-nil returns'.



Select a CIS return from the list to view the report. In the report you will see a list of all subcontractors paid during that period with four columns covering Total payments, Cost of materials, Liable for deduction and CIS deducted.

The screenshot shows the 'CIS return - 05 Jul 25' page in FreeAgent. The main table lists subcontractors with columns for Total payments, Cost of materials, Liable for deduction, and CIS deducted. The first entry is 'Bob Builder' with a total payment of £3,333.34, cost of materials of £1,666.67, and a CIS deduction of £333.33. To the right of the table is a 'Statement' column with 'View' and 'Send' links. Below the table, there is a '25 per page' dropdown and a note 'Amounts are exclusive of VAT'. On the right side, there are two summary boxes: 'Submission details' showing the period (06 Jun 25 - 05 Jul 25), file by date (19 Jul 25), and payment due date (22 Jul 25); and a 'Return summary' box listing the totals for each category.

Subcontractor	Total payments	Cost of materials	Liable for deduction	CIS deducted	Statement
Bob Builder UTR: 1234567890 SVN: V1234567890A	£3,333.34	£1,666.67	£1,666.67	£333.33	View Send

25 per page

Amounts are exclusive of VAT

Submission details

- Period: 06 Jun 25 - 05 Jul 25
- File by: 19 Jul 25
- Payment due: 22 Jul 25

Return summary

- Total payments: £3,333.34
- Cost of materials: £1,666.67
- Liable for deduction: £1,666.67
- CIS deducted: £333.33

You can also view and send 'CIS Payment & deduction' reports directly to your subcontractors from the same page.

This screenshot is identical to the one above, but with the 'View' and 'Send' links in the 'Statement' column highlighted with a blue box, indicating the next steps for the user.

This will take you into the 'Contacts' page in FreeAgent and open the selected statement during the period of the report. From there you can select to save the report or send in an email.

The screenshot shows the 'CIS Payments & Deductions' page for 'Bob Builder'. The page includes a navigation bar with tabs like Overview, Contacts, Work, Bills, Expenses, Banking, Taxes, and Accounting. The main content area displays a 'Construction Industry Scheme Payment and deduction statement' for the period 06 Jun 25 - 05 Jul 25. The statement includes contact details for 'Bob Builder' and a table of payments and deductions.

Date	Gross paid (A)	Cost of materials	Liable for deduction	Deducted (B)	Payable (A - B)
11 Jun 25	£1,666.67	£1,666.67	£0.00	£0.00	£1,666.67
18 Jun 25	£1,666.67	£0.00	£1,666.67	£333.33	£1,333.34
Totals	£3,333.34	£1,666.67	£1,666.67	£333.33	£3,000.01

Buttons for 'Save as PDF' and 'Send by email' are visible. A sidebar on the right contains contact details and a 'Download vCard' button.

Currently you can't file the CIS 300 return through FreeAgent, but you can export the report as a PDF or CSV file to file outside of FreeAgent.

The screenshot shows the 'CIS return - 05 Jul 25' page. It displays a table with columns for Subcontractor, Total payments, Cost of materials, Liabe for deduction, CIS deducted, and Status. The status column shows 'Unfiled'. A dropdown menu is open, showing options to 'Export' as 'CIS300 (PDF)' or 'CIS300 (CSV)', and a 'Mark as filed' button. A 'Return summary' panel on the right provides a breakdown of the totals.

Subcontractor	Total payments	Cost of materials	Liabe for deduction	CIS deducted	Status
Bob Builder UTR: 1234567890 SVN: V1234567890A	£3,333.34	£1,666.67	£1,666.67	£333.33	Unfiled

Buttons for 'Export' and 'Mark as filed' are visible. A 'Return summary' panel on the right shows the following details:

- Total payments: £3,333.34
- Cost of materials: £1,666.67
- Liabe for deduction: £1,666.67
- CIS deducted: £333.33

Once you have filed your CIS 300 report outside of FreeAgent you will be able to mark the report as filed by selecting 'Mark as filed'.

If any amendments are made after the filing has been completed, you can view the status of the CIS 300 by clicking 'Taxes' and then 'CIS'. Under the status column it will state 'Edited since marked as filed' if any changes have been made since submission.

CIS

Payments on 1 filed CIS return have changed and must be resubmitted to HMRC
If you haven't already, please review these changes and resubmit this return to HMRC. You will also need to resend any affected subcontractors their updated payment and deduction statements.

Description	Dates	Status	File by	Total due to HMRC
CIS return - 05 Aug 25	06 Jul - 05 Aug 25	Open	19 Aug 25	£166.67
CIS return - 05 Jul 25	06 Jun - 05 Jul 25	Edited since marked as filed	19 Jul 25	£0.00 <small>Filed: £333.33</small>
CIS return - 05 Jun 25	06 May - 05 Jun 25	Overdue	19 Jun 25	£0.00
CIS return - 05 May 25	06 Apr - 05 May 25	Overdue	19 May 25	£0.00

25 per page

CIS reverse charge

To set up the CIS reverse charge, navigate to Settings and then select 'VAT Registration'. Make sure that 'Do you need to use VAT rates other than standard UK ones?' is set to 'Yes'.

UK VAT Registration

VAT registration status Required fields*

Are you VAT Registered? Registered

VAT settings

VAT Registration Number* 123545678
The 9 digit number on your VAT registration certificate.

Do you need to use VAT rates other than standard UK ones? No **Yes**
For example, if you trade outside the UK, use VAT MOSS or the domestic reverse charge

Important dates on your VAT registration certificate
You will find these dates on the VAT registration certificate HMRC sent you. Make sure you copy them exactly.

Effective Date of VAT Registration* 01 Jan 19
First VAT return period end date* 31 Mar 19
The end date of your first VAT Return can be found on your VAT certificate.

Frequency of returns Quarterly
Changing this setting will only affect future VAT returns.

Sales invoices

First, set up a price list item. Navigate to Settings, select 'Price List & Stock', then enter a description to comply with HMRC rules, for example 'Labour rate

20% VAT: customer to pay VAT to HMRC'. Adding the item to the price list avoids you having to fill it in every time you create an invoice.

The screenshot shows a software interface with a 'Price List & Stock' section. A modal dialog titled 'Edit this Price List Item' is open. The dialog contains the following fields and options:

- Name/Code:** A text input field containing 'cis demo'.
- Quantity:** A text input field containing '1' and a dropdown menu set to '-no unit-'.
- Description:** A text area containing 'CIS Reverse Charge Applies at @20%'.
- Unit Price:** A text input field containing '1000.00'.
- Income Category:** A dropdown menu set to 'Sales'.
- VAT Status:** A dropdown menu set to 'Standard'.
- Buttons:** 'Save Changes' (blue), 'Cancel' (blue), and 'Delete' (red).

The background table shows a list of items with columns: Name/Code, Quantity, Detail, Day Rate, and Total Price. The item 'cis demo' is highlighted with a quantity of 1 and a total price of 1,000.00.

Once you have made sure that 'Do you need to use VAT rates other than standard UK ones?' has been set to 'Yes' in the VAT registration settings, you will see 'Reverse Charge' is an option when you create a new sales invoice.

The screenshot shows a 'Create New Invoice' form. The form includes the following fields and options:

- Invoice Discount:** A text input field with a percentage symbol.
- Custom Contact Name:** A text input field.
- Custom Payment Terms:** A text input field.
- PO Reference:** A text input field.
- Bank Account:** A dropdown menu set to 'Business Current Account'.
- Checkboxes:**
 - ☐ Are you using Letterheaded Paper?
 - ☐ Display the project name in the Other Information section.
 - ☐ Always display the BIC and IBAN numbers, if defined, on this invoice.
- VAT Options:**
 - ☐ UK VAT Rates
 - ☒ Reverse Charge
 - ☐ EC VAT MOSS
- Buttons:** 'Create New Invoice' (blue) and 'Cancel' (blue).

On the sales invoice, you can either create an item if it's a one-off, making sure to add the text to the description box so as to comply with HMRC rules, or you can select the item from the drop-down menu under 'Autofill from your price list'.

New Invoice Item

Autofill from your price list ▼

Select a price list item to automatically fill in the form below.

Quantity: 1 -no unit-

Details: CIS Reverse Charge Applies at @20%

Unit Price: £ 1000.00

Enter discounts and credits as negative.

Income Category: Sales

☐ Add this to your Price List

Create and Finish Create and Add Another Cancel

On the VAT return, the relevant figure has been added to box 6. You'll need to reverse this by going into the VAT return, clicking on 'Edit Details' and then entering a negative figure to reverse it.

VAT Return for period 09 23

Export Edit Details

Preview Full Report

Sales

Date	Description	Box 1	Box 6	Box 8
		1	6	8
		£200.00	£2,000.00	£0.00
12 Jul 23	Invoice 015	200.00	1,000.00	
12 Jul 23	Invoice 016	0.00	1,000.00	

Purchases

Date	Description	Category	Box 4	Box 7	Box 9
			4	7	9
			£833.33	£4,166.67	£0.00
12 Jul 23	Sub Contractor 1 - Bill sub 1	Subcontractor Costs	833.33	4,166.67	

Unfiled

VAT period dates

Start: 01 Jul 23 End: 30 Sep 23

Important deadlines

File by: 07 Nov 23 Pay by: 07 Nov 23

Calculation details

Scheme: Standard Scheme
Calculation Basis: Invoice
Fuel Scale Charge: None

Reverse charge bills

If you receive a bill from a subcontractor where the reverse charge is applied, you will need to select 'Reverse Charge' under 'Options' on the 'Add new bill' page. You will only see this option if you have 'Do you need to use VAT rates other than standard UK ones?' set to 'Yes'.

Supplier Contact	Sub Contractor 1	Or, add a new contact
Reference	<input type="text"/>	
Bill Date	12 Jul 23 <input type="text"/>	
Due On	11 Aug 23 <input type="text"/>	
Currency	Pounds Sterling <input type="text"/>	
Bill totals will be entered	<input checked="" type="radio"/> Including VAT <input type="radio"/> Excluding VAT <small>If your bill does not include VAT you can pick either option.</small>	
Hire purchase	<input type="checkbox"/> This will be paid using a hire purchase agreement <small>Bill will be paid off in instalments. Learn more about hire purchases.</small>	
VAT Options	<input type="radio"/> UK VAT Rates <input checked="" type="radio"/> Reverse Charge	
Comments	<input type="text"/>	

Bill Contents	
This bill contains	<input checked="" type="radio"/> A single item or items of the same category <input type="radio"/> Multiple items with different categories and VAT rates
Spending Category	Accommodation and Meals <input type="text"/>

If you need to account for only 5% VAT on the bill, for example if the work is related to converting premises, then you will need to create journal entries to reduce the relevant amounts of VAT in boxes 1 and 4, using the VAT codes 819 and 818 respectively.

Support for your clients

FreeAgent offers you and your clients a wide range of support, including:

- bespoke practice training for you and your colleagues
- 'Getting Started' webinars for you, your staff and your clients to help them understand the FreeAgent basics
- a searchable online Knowledge Base
- telephone and online support for you and your staff from our dedicated Practice Support team
- telephone and online support for your clients from FreeAgent's customer support team
- a co-branded onboarding email journey to help clients get started and understand the basics of the software

Security measures at FreeAgent mean our Practice Support team will only communicate with account managers who are listed on your Practice's dashboard. Make sure that you add your staff members so they can receive support when they need it.

For more information on how to use FreeAgent, visit our Knowledge Base online. You'll find step-by-step instructions on how to complete a wide range of actions in FreeAgent, from basic functions right through to more complex accounting procedures.

[Knowledge Base](#)

[Accountants' Knowledge Base](#)

Practice Support team

You can also contact our dedicated Practice Support team via email or telephone, 9am - 5pm on Monday to Thursday and 9am - 4pm on Friday.

Email: practicesupport@freeagent.com

Telephone: 0800 025 3800

Please have your [account manager ID](#) ready when contacting the Practice Support team.