

Employer errors in deduction of Pay As You Earn tax

The vast majority of employers and pension payers calculate Pay As You Earn (PAYE) deductions accurately and correctly pay the tax to HM Revenue & Customs (HMRC). However mistakes can be made.

If you think that your employer or pension payer has made a mistake in the deduction of PAYE tax which has resulted in the issue of a Tax Calculation (P800) to you, then in some limited circumstances you may not have to pay the underpayment caused by that error.

The circumstances are that your employer or pension payer did not take reasonable care to operate PAYE and the error was not made in 'good faith'. In describing a 'failure to take reasonable care', this means failing to follow proper instructions to deduct PAYE tax from your pay or by failing to use Tax Code notices issued to them. Not made in 'good faith' means that an employer or pension payer may have known that they were not deducting the right amount of tax from you but took no action to correct their mistake.

This guidance explains some of the general errors that employers or pension payers may make, who to contact in HMRC if they have and what information you'll need to provide to HMRC.

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What counts as an error?

The following list describes some of the most general errors made by employers or pension payers in deduction of PAYE:

- failure to operate the right tax code upon start of your employment
- using a tax code without HMRC authority
- failure to use the same tax code for a new tax year, where no new code has been issued
- failing to operate tax codes sent electronically by continuing with out of date tax codes
- incorrect use of the PAYE Taxable pay tables
- mistakes in setting up software for use in the new tax year
- failure to follow guidance issued in Employers Help books or Bulletins
- addition or mistype of pay figures

Making an enquiry

It is not always apparent that an employer or pension payer has made an error in the operation of PAYE. If you think your employer or pension payer has made an error then you can either ask them if they can check their records or you can ask HMRC to check.

Your employer or pension payer may be able to explain that no error has been made. If you are happy with what they say then there is no need to contact HMRC and your tax will be collected as confirmed in your Tax Calculation

If you are unable to get in contact or approach your employer or pension payer, you should contact HMRC and it will ask them for an explanation.

If you write to HMRC, please send your letter to the address on your Tax Calculation indicating that you are making an 'Employer Error' enquiry. You will need to provide the following information:

- your name and National Insurance number
- what tax year and underpayment the enquiry relates to
- who your employer or pension payer is including their reference if known
- what the error or mistake is, an incorrect code for instance
- reason(s) why you thought your employer or pension payer had failed to take reasonable care and did not make an error in good faith

HMRC will make enquiries to confirm if there is an error or not. If HMRC do make enquiries, please note that it may be some time before HMRC can contact you with the outcome.

Employer error identified

HMRC will consider the explanation given by the employer or pension payer. If HMRC agree that the employer or pension payer has made an error in good faith and they have a reasonable explanation, then HMRC may direct that you should pay the under-deducted tax.

That Direction will carry a right of appeal if you think that HMRC have made the wrong decision. The appeal procedure will be detailed in any Direction Notice sent to you.

Complaints

If you believe that your case has not been dealt with correctly, then please read 'How to Complain to HMRC' to decide if your case has not been dealt with properly.

[How to complain to HM Revenue & Customs](#)

More useful links

[HMRC Employer underdeductions of PAYE-PAYE manual 'PAYE92066'](#)