

ERRORS and CORRECTIONS to PAYROLL

Following queries and discussions with developers of payroll software we have revised our advice to developers on making corrections.

Overview

The fundamental requirement is for the year to date figures for the latest RTI submission to be as accurate as possible. HMRC and DWP will use the most recent year to date values to update their systems. We would ask developers to allow their systems to enable end users to provide updated year to date figures, that reflect retrospective corrections, in the next FPS to HMRC. To minimise the burden on employers we do not require a separate correcting or amendment FPS for the period being corrected.

If late information necessitates an additional payment being made to an employee, outside of the regular payroll cycle, this payment should be treated as a new payment and reported under RTI in the same way as any other payment.

If the late information is about a payment that has already been made to an employee, then the information should be included in the year to date figures sent with the FPS for the next relevant payroll. An additional FPS with information about this payment is not required.

Supplementary Runs

Our understanding of the usual purpose of supplementary payroll runs is to make additional payments to employees. Where, for example, an employee is paid £200 in a main run and £30 overtime in a supplementary run, we would expect an FPS for this supplementary payment. Our preference would be for the additional FPS to contain "this period" values for the additional payment only – so the FPS in the example above would indicate £30 pay in this period. However our systems will cope with an FPS that states the total pay of £230 for the pay period rather than just the additional amount as long as the year to date figures are corrected.

It is recommended that developers do not seek to use supplementary runs for corrections to periods prior to last pay period and instead provide revised year to date figures in the next regular FPS following the identification of details requiring correction. (To correct an overpayment in this way, negative 'this period' figures would be required and for 2012/13 this will not be possible.)

Roll-back Recalculations

A number of software products provide users with the facility to roll the system back to an earlier tax period, for corrections then to be applied and net differences to be carried forward into the current period. Where this roll-back is applied to recalculate tax and NICs for an additional payment that is being made to the employee an FPS should be sent to report the additional payment. Our preference would be for the additional FPS to contain "this period" values for the additional payment only. However our systems will cope

with an FPS that states the total recalculated pay for the pay period rather than just the additional amount as long as the year to date figure is correct.

Some developers have indicated that they can produce correcting or amendment FPSs for each of the periods revised. While HMRC's RTI system will accept these earlier period FPSs, we believe that the additional transactions create an additional burden on employers as well as being a potential source of confusion. Our preferred solution is for revised year to date figures to be reported only in the next FPS.

Impact of correcting FPS's on Employer Payments

It might appear that corrections to earlier submissions will affect the payments due to HMRC from employers for earlier months (or in the case of small employers, quarters). However, the requirement is for employers to pay over the correct amounts based on the figures that were available at the time, and so corrections will not usually change the amount that should be paid to HMRC for previous months. Instead, corrections to previously reported months will adjust the payment to HMRC for the month (or quarter) in which the FPS is submitted with the revised year to date values.

For example, in Month 6 an employer realises that he needs to make a correction to Month 3's pay for an employee. He submits a regular FPS for the employee in Month 6 with adjusted YTD figures. The adjustment should be reflected in the Month 6 employer payment to HMRC. It will not, usually, affect the month 3 liability.

Corrections After Final Submissions for the Tax Year

Corrections cannot be submitted using revised year to date figures in an FPS after the 19th of April following the end of the year. Instead the Earlier Year Update (EYU) must be used. For example, a correction to the tax year 2013/14 should be submitted on an FPS up to and including 19 April 2014, and on an EYU any time after that. The EYU will affect the payment due for the final month (or quarter) of the tax year. Please note the technical specifications for the EYU will be available in the spring