

Payroll Standard



Optional Features	2 weekly 4 weekly pay frequencies	
	Directors National Insurance	
	Contracted-out Pension Deductions	

The Payroll Standard helps employers to identify payroll software products or services with the essential features necessary to calculate PAYE, National Insurance contributions (NICs), Statutory Payments and to perform a range of other payroll functions.

Payroll software developers can apply to have their products or services tested against the Payroll Standard. Products or services that successfully pass the tests and receive accreditation can display the HM Revenue & Customs (HMRC) Payroll Standard logo on their marketing material. The accreditation is free and a summary of the process is at the end of this document.

Employers who want to buy accredited software should note that the Payroll Standard:

- is a minimum requirement and some products or services may exceed the requirements listed in this document
- does not include every possible payroll function and accreditation is not a guarantee that a particular software product or service will suit your business (please read this document in full before purchasing an accredited product)
- does not assess how easy a product or service is to use or what costs are involved.

Employers can find out which payroll products or services have been accredited by visiting our website, go to www.hmrc.gov.uk/ebu/acclist.htm

Accredited payroll software products or services may be used by employers themselves, or on their behalf by:

- an agent
- a payroll bureau
- an internet payroll service.

The Payroll Standard is updated periodically to show changes in legislation and is available to view and download from our website, go to www.hmrc.gov.uk/ebu/payroll.htm

The requirements of the Payroll Standard, as shown on pages 3 - 7, must be satisfied before a payroll product or service can be accredited.

The standard is divided into the Core Standard (sections 1 - 5) that must be covered by all accredited payroll systems and three options (sections 6 - 8) that are only required in some circumstances. To decide if you need the options for your system, see below.

At what intervals do you pay people?

Weekly or monthly only

Weekly and monthly pay are covered by the core standard. The 'extra pay frequencies' option is not needed. Note that holiday pay paid in advance to a weekly paid person still counts as weekly and will be covered by the core standard.

Weekly, monthly, 2-weekly or 4-weekly only

You will need the 'extra pay frequencies' option for 2-weekly and 4-weekly pay periods.

Periods other than weekly, monthly, 2-weekly and 4-weekly for example, quarterly

You will need to ask the software vendor if these other periods are covered as the standard does not test for other frequencies.

Do you or could you pay Directors?

If **'No'** the core standard is enough.

If **'Yes'** you will need the Directors' National Insurance (NI) option. The NI for Directors has different rules from the NI for employees who are not Directors. For more information, go to

www.hmrc.gov.uk/manuals/nimmanual/nim12003.htm

Do you or could you have a pension scheme that is not a contracted-in stakeholder pension scheme?

If **'No'** the core standard is enough. The core standard allows for standard contracted-in stakeholder schemes but does not cover contracted-out schemes or schemes that allow deduction of pension contributions before tax.

If **'Yes'** for contracted-out pension schemes or schemes that allow the deduction of contributions before tax you will need the 'contracted-out and net pay pension deductions' option.

Where a software package has any part of an additional option then it must have the whole of that option and must have accreditation for it. This is to ensure that if accredited software has a feature that is in any part of the standard then a purchaser has assurance that the feature operates correctly. For example, if a package allows NI category D then it must have the whole of Option 3 COMP, COSR and net pay pension deductions and must have accreditation for that option; the package could not be given the core accreditation on its own.

If you are running a Pensioners Payroll only, which means you only pay annuitants and there are no employees on your payroll, then you may only need a payroll system that has the HMRC Pensioner Payroll Accreditation. The HMRC Pensioner Payroll Standard is a subset of this standard, and has some, but not all, of the features in this standard. Pensioner payrolls are not suitable for paying employees.

Guidance for software developers

References are made to technical specifications in the standard. These technical documents and their locations are:

- *Validation rules* - Online Services: Quality Standard Validation Specifications, go to www.hmrc.gov.uk/ebu/qual_stand.htm
- *Payroll tests* - Online Services: Payroll Test Data, go to www.hmrc.gov.uk/ebu/testdata.htm Use these tests to check if you will meet the Payroll Standard requirements

- *PAYE specification* - PAYE Tax Tables Routine, go to www.hmrc.gov.uk/ebu/ebu_paye_ts.htm
- *NI specification* - NI Guidance for Software Developers, go to www.hmrc.gov.uk/ebu/ebu_paye_ts.htm
- *CWG2 - Employer Further Guide to PAYE and NICs*, go to www.hmrc.gov.uk/guidance/cwg2.pdf
- *Technical specifications* - PAYE Online for Employers, go to www.hmrc.gov.uk/ebu/ebu_paye_ts.htm and Online Services: User Guides, Technical Specifications and Notes for Software Developers, go to www.hmrc.gov.uk/ebu/ebu4.htm
- *CA44 - National Insurance for Company Directors*, go to www.hmrc.gov.uk/nitables/ca44.pdf
- *Attachment Orders guide* - Attachment Orders, a guide for employers, go to www.hmrcourts-service.gov.uk/courtfinder/forms/aehandbook_e.pdf

1 General (core standard)

The software must:

- 1.1 support weekly and monthly pay frequencies (compare Option 1 extra pay frequencies if you need to pay at other pay frequencies)
- 1.2 provide the information needed to support monthly/quarterly payments made to HMRC as shown on form P32
- 1.3 allow the creation of new starters in any pay period
- 1.4 allow a person to be made a leaver in any pay period (while retaining leaver details until the end of the tax year) and meet P45 requirements
- 1.5 provide employee pay statements and/or online versions of employee pay statements which show at least the minimum information required by the Employment Rights Act 1996
- 1.6 provide the details for the P14 return for all relevant people (including leavers)
- 1.7 provide payroll related data/figures for the P35 Return
- 1.8 provide each employee on the payroll at 5 April who has a completed form P11 or equivalent record, with a form P60
- 1.9 carry forward data on the record of everyone who is on the payroll at 5 April and is not a leaver to enable the payroll to be reset for the start of the new tax year
- 1.10 provide a record of payments and deductions in a form suitable for a compliance review by HMRC compliance/assurance staff
- 1.11 allow payroll data to be aligned correctly on government issued pre-printed forms and employee payslips
- 1.12 include built-in checking to ensure that statutory returns cannot be created with invalid data

- 1.13 provide on-screen help, online help or phone helpline services under the conditions set out in the Software Licence Agreement. There must be no additional charge to disabled customers for these services (in accordance with Section 19(1)(d) of the Disability Discrimination Act 1995)
- 1.14 the marketing material must specify how annual updates are made and any charges involved.

Payroll developers should refer to the *Validation rules, CWG2, NI specification* and *Payroll tests*. See page 2 for further details.

2 PAYE (core standard)

The software must be:

- 2.1 able to calculate, deduct (or refund) and record tax including week 53 (weekly paid) payments in accordance with PAYE regulations
- 2.2 able to input all valid tax code numbers, including the Scottish Variable Rate indicator if and when it is introduced. (A software package may allow a code that is not a valid tax code to be entered for calculation purposes only, for example NI; this must not be returned to HMRC on any returns. The tax code on any return must be a valid tax code)
- 2.3 able to handle specific tax codes on a week 1/month 1 and cumulative basis
- 2.4 able to record and action in-year tax code changes including tax code uplifts
- 2.5 able to calculate tax correctly on payments made in advance
- 2.6 capable of withholding tax refunds in a trade dispute.

Payroll developers should refer to the *PAYE specification, CWG2* and *Payroll tests*. See page 2 for further details.

3 NICs (core standard)

The software must be able to:

- 3.1 calculate, deduct (or refund) and record Class 1 NICs using the exact percentage method and/or the table method for categories A, B, C, J and X
Note: compare Option 3 - contracted-out and net pay pension deductions if you wish to deduct pension contributions for a contracted-out pension scheme or before tax. For contracted-out pension schemes the software must also calculate correctly for categories D, E, F, G, L and S
- 3.2 make more than two changes to the NI category during the tax year from current or past dates. An audit trail of the changes must be available

- 3.3 calculate NICs correctly on payments in advance.

Note: see Option 2 - Directors' National Insurance if you wish to pay Directors through the payroll.

Payroll developers should refer to the *NI specification*, CWG2 and *Payroll tests*. See page 2 for further details.

4 Statutory payments and deductions (core standard)

The software must be able to:

- 4.1 calculate, deduct and account for Student Loan deductions

- 4.2 calculate stakeholder pension contributions for contracted-in stakeholder schemes

Note: compare Option 3 contracted-out and net pay pension deductions if you wish to deduct pension contributions for a contracted-out pension scheme or to make pension deductions before tax

- 4.3 record and deduct all types of attachment/arrestment orders and Deduction from Earnings Orders

- 4.4 calculate and record Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP)(birth), Statutory Paternity Pay (SPP)(adoption) and Statutory Adoption Pay (SAP).

From 1 April 2011 accredited products must also be able to calculate and record Additional Statutory Paternity Pay (ASPP)(birth) and Additional Statutory Paternity Pay (ASPP)(adoption).

Payroll developers should refer to the *Technical specifications*, CWG2, *Attachment Orders guide* and *Payroll tests*. See page 2 for further details.

5 Electronic returns (core standard)

The software must be able to make electronic returns to HMRC by the internet and/or by Electronic Data Interchange (EDI).

- 5.1 The software must:

- have recognition from the HMRC Software Developers Support Team (SDST) for the return of a single complete end of year return which includes P14s and the corresponding P35

or, where it is not possible for the software to collate all the P14/P35 data, for example when the data from separate payrolls for the same employer is not available, then the following is acceptable:

- have recognition from SDST for the return of end of year P14s in parts plus recognition for either the return of a single P35 part submission or the ability to provide the figures that are required to complete a P35.

- 5.2 Accredited products or services must have recognition from SDST for the latest versions of the online P45(1), P45(3) and P46.

- 5.3 The marketing material must:
- where there are additional charges for the provision of electronic filing services, specify the charges that will be made
 - indicate whether Internet or EDI is used for electronic returns
 - indicate if the P35 cannot be filed by the software.

Payroll developers should refer to the *Validation rules* and *Technical specifications*. See page 2 for further details.

6 Option 1 – extra pay frequencies

To process other pay frequencies the software must, in addition to the core standard:

- 6.1 support 2-weekly and 4-weekly pay periods
- 6.2 for 2-weekly paid people allow payments in week 54 and prevent the tax period being advanced past week 54 for advance payments
- 6.3 for 4-weekly paid people allow payments in week 56 and prevent the tax period being advanced past week 56 for advance payments.

Payroll developers should refer to the CWG2 and *Payroll tests*. See page 2 for further details.

7 Option 2 – Directors' National Insurance

To process Directors' NICs the software must, in addition to the core standard, be able to:

- 7.1 calculate Directors' NICs using an annual/pro-rata earnings period and the alternative assessment method in accordance with the CA44 manual
- 7.2 make changes of NI category during the year.

Payroll developers should refer to the CA44, *NI specification* and *Payroll tests*. See page 2 for further details.

8 Option 3 – contracted-out and net pay pension deductions

To process pension contributions under Contracted-out Money Purchase (COMP), Contracted-out Stakeholder, Contracted-out Salary Related (COSR) and Pension Contributions deducted before PAYE the software must, in addition to the core standard:

- 8.1 be able to calculate, deduct and record Class 1 NICs using the exact percentage method and/or the table method for categories D, E, F, G, L, and S, taking into account NICs rebates
- 8.2 be able to record Scheme Contracted-out Numbers (SCONs) in the correct format for Contracted-out Money Purchase (COMP) and COMP Stakeholder pension schemes and to prevent such numbers being returned for people who are not in one of these schemes
- 8.3 be able to record Employer's Contracted-out Numbers (ECONs) in the correct format

- 8.4 be able to calculate, deduct and record pension contributions as a percentage of pay or as a fixed amount
- 8.5 be able to deduct pension contributions giving tax relief under the net pay arrangements and relief at source
- 8.6 be able to calculate, deduct and record Additional Voluntary Contributions (AVCs), Free Standing Additional Voluntary Contributions (FSAVCs), Personal Pensions and Group Personal Pensions
- 8.7 provide records of pension contributions for audit purposes.

Payroll developers should refer to the *NI specification*, CWG2 and *Payroll tests*. See page 2 for further details.

Support for Payroll Standard

Free payroll test data is available on our website, go to www.hmrc.gov.uk/ebu/testdata.htm This data is similar to the test data used during the accreditation process. Developers can use this data to test changes to their software and assess whether their products or services meet the requirements of the Payroll Standard shown in sections 1 - 8.

HMRC actively promotes the Payroll Standard to employers and lists accredited software products on its website, go to www.hmrc.gov.uk/ebu/acclist.htm

Support and technical advice will be provided on all Payroll Standard requirements to help developers through the accreditation process.

The Payroll Standard Accreditation Scheme

The Payroll Standard Accreditation Scheme is free and operated by HMRC. Registration forms for the scheme are available on our website, go to www.hmrc.gov.uk/ebu/payroll_accred.htm

On receipt of the completed registration form an accreditation test pack will be issued to the software developer. The completed tests should then be returned for checking. Time will be given to correct any errors before we visit the developer's premises to run further tests on the payroll software. The time taken to complete the accreditation process will depend on how quickly the developer can successfully complete these tests. When the software satisfies the Payroll Standard requirements by correctly processing the test data provided by the Payroll Support Team the Payroll Standard logo is awarded.

Full details of the accreditation process can be found on our website, go to www.hmrc.gov.uk/ebu/payroll_accred.htm

Any software developer can apply to have their payroll products or services tested, whether or not it is used by small employers, a large corporation or a bureau. Employers who have developed their own payroll software in-house can also apply.

HMRC does not accept any responsibility for incorrect use of accredited payroll products or services.

The Payroll Standard logo may be awarded on any date during the year and is valid for 12 months from that date. Accredited products or services must be retested after 12 months to retain their accredited status.

The software developer is responsible for keeping their accredited payroll software up to date with changes to legislation, the Payroll Standard and other HMRC guidance during the period of accreditation. This is in accordance with the terms and conditions of the Payroll Standard Accreditation Scheme.

For help and advice

For advice on the Payroll Standard and accreditation scheme go to www.hmrc.gov.uk/ebu/payroll_accred.htm

For general enquiries about our online services contact the Online Services Helpdesk:

- phone **0845 60 55 999**
open from 08.00am to 08.00pm, seven days a week including bank holidays (except Christmas Day, Boxing Day and New Year's Day), or
- email helpdesk@ir-efile.gov.uk

For help and advice on the online filing requirements of the Payroll Standard, contact the Software Developers Support Team:

- phone **01274 539 666**
open from 09.00am to 05.00pm, Monday to Friday, or
- email SDSteam@hmrc.gsi.gov.uk

Your rights and obligations

Your Charter explains what you can expect from us and what we can expect from you. For more information go to www.hmrc.gov.uk/charter