Payroll Software specification on Statutory Maternity

INTRODUCTION

1. This specification covers Statutory Maternity Pay (SMP) for **women expecting a baby on or after 6 April 2003**. **NB A woman expecting a baby on or after 6 April 2003 could give birth prematurely as early as the end of November 2002.**

2. **It does not currently provide for:**
   - **SMP entitlement where the employee's baby is born before the Qualifying Week**
   - **the calculation of average weekly earnings where weekly payments are mistimed**
   - **interruptions of work in the period used for the continuous employment test**
   - **NHS Trust employees to elect to have their contracts treated as one**
   - **changes of employer where the business is transferred as a going concern and employment is treated as continuous.**

   The Inland Revenue plan to cover these circumstances in later versions of this specification.

3. **It assumes that:**
   - **the employee notifies her pregnancy in time, or the employer accepts any delay**
   - **acceptable evidence of pregnancy is held**
   - **no other payments are offset against SMP liability.**

4. The routines described below make use of
   - Data supplied by IR. These usually apply to a whole year and will be supplied in the Notes for Payroll Software Developers. Please note that changes can be made during the year and may also be applied with effect from a specific Expected Week of Childbirth, or more rarely from a specific start date of a Maternity Pay Period. The system should keep a record of these variables and the year/dates to which they relate.
   - Data in respect of individual employees. The specification also includes validation checks for this data. Some data will not always be relevant to a particular employee.
   - Data derived by the payroll system. The specification also includes validation checks for this data. Some data will not always be relevant to a particular employee.

5. SMP is only payable to employees by their employers.
   An "employee" is defined as a person whose earnings attract a liability for employers' Class 1 National Insurance Contributions, or would if they were high enough.
   The "employer" is whoever is liable to pay the employer's share of Class 1 National Insurance Contributions.
   People who would normally be treated as self-employed, such as agency workers, can be treated as an employee by regulations.

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1. Using the data the system will be able to calculate:
   - the amount of SMP that is due to an employee by her employer during the Maternity Pay Period (MPP)
   - the amount of SMP and, if appropriate SMP compensation, that can be recovered by the employer

2. The system will also be able to keep the basic records required.

NB1 "Date" means the data must be a date, for example in the format dd/mm/yyyy.

IR data			
	Description of data	**Abbreviation used**	**Recommended Field size**
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SMP to arise	**LEL**	£xxx.xx
A2	The number of weeks an employee needs to be continuously employed	**Cont_Emp_weeks**	xx
A3	The number of weeks in the Maternity Pay Period (MPP)	**MPP_weeks**	xx
A4	Standard rate of SMP (this was previously known as the lower rate)	**Standard_Rate**	£xxx.xx
A5	Small Employer Threshold (field size set at 100 thousand just in case)	**SER_Threshold**	£xxx,xxx
A6	Small Employer Recovery Rate	**SER_Recovery**	xxx.xx%
A7	Small Employer Compensation rate	**Comp**	xx.xx%
A8	Standard Recovery rate	**Standard_Recovery**	xx.xx%

NB2 The system will need to be able to retain multiple entries for these variables associated with the relevant dates. A number of these data values are changed each year and normally apply for the whole year. However changes can be made during a year. Changes can also be applied with effect from a specific Expected Week of Childbrith, or more rarely from a specific start date of a Maternity Pay Period.

Employee data			
	Description of data	**Abbreviation used**	**Validation check**
B1	Date baby due on medical evidence – usually from form MAT B1. Required even if baby is born early and paying SMP based on that date.	**Baby_Due_Date**	Date.
B2	Date baby born – only required if baby is born before the employee had started her maternity leave. See also NB3	**Baby_Born_Date**	Date. May be blank if entry at **Notified_Leave_start**
B3	Start date of employment	**Employment_start**	Date

Employee data			
	Description of data	**Abbreviation used**	**Validation check**
B4	End date of employment	**Employment_end**	Date. May be blank unless earlier than **QW_SUN**
B5	Baby still born? NB if the baby survives for only an instant it is a live birth not a stillbirth If the baby is stillborn before the 25th week of pregnancy (treated as the 16th week before the EWC) there is no entitlement to SMP	**Stillbirth**	Yes, No or left blank. May be blank unless **Baby_Born_Date** is < (**QW_SUN** – 7 days)
B6	First day of absence from work because of a pregnancy related illness on or after the Sunday of the 4th week before the Expected Week of Childbirth. Not required after the employee has started her maternity leave.	**PRI_start**	Date. Must be blank unless on or after (**EWC_SUN** – 4 weeks). Leave blank if > **Notified_Leave_start.**
B7	Date on which the employee intends to start her maternity leave, as notified by her. Must be capable of being changed. See also NB3	**Notified_Leave_start**	Date. May be blank if baby born before notification given or if employee notifies intention to work up to baby's birth. Cannot be earlier than 11 weeks before **EWC_SUN.**
B8	Date(s) employee worked during Maternity Pay Period. Must be capable of multiple entries, See NB4	**MPP_work**	Cannot be < **MPP_Start_Week(n=1)** or > **MPP_End_Week(n=MPP_weeks)**
B9	SMP entitlement stops on: ▫ **MPP_End_Week(n+1)** after the employee dies ▫ **MPP_End_Week(n)** after the employee is taken into legal custody	**SMP_stop**	Date. May be blank.
B10	Amount of MA paid to employee shown on letter from Benefits Agency. Not required where **Average_Weeekly_Earnings** and **Earnings_RP** revised as a result of backdated pay rise but old **Average_Weeekly_Earnings** ≥ **LEL**	**MA_Paid**	£x,xxx.xx or blank

NB3 **Either** value **Baby_Born_Date OR Notified_Leave_start** must be held. Both values can be held if desired, though the specification does not require both where the baby is born after leave has started.

NB4 **MPP_work.** This is only one method of identifying the weeks during the MPP when the employee worked. Some systems use flags, others derive the data from dates of

absence. Providing that no SMP is paid for weeks during the MPP when the employee worked any method of storing this data is acceptable.

System derived data			
	Data Definition	Abbreviation used	**Validation check**
C1	Sunday of the Expected Week of Childbirth (EWC) see NB5	**EWC_SUN**	Sunday Date
C2	Sunday of the Qualifying Week (QW)	**QW_SUN**	Sunday Date
C3	Saturday of the EWC	**EWC_SAT**	Saturday Date
C4	Saturday of the QW	**QW_SAT**	Saturday Date
C5	Date of first pay day on or before **QW_SAT**	**Payday_end_RP**	Date Must be ≤ **QW_SAT**
C6	Date Eight weeks before **Payday_end_RP**	**8_weeks_RP**	Date
C7	Date of First pay day before **8_weeks_RP**.	**Payday_start_RP**	Date
C8	Sum Gross Niable Earnings paid in relevant period	**Earnings_RP**	Must be ≥ £0
C9	The employee's average weekly earnings. Must be held truncated to 5 decimal places	**Average_Weekly_ Earnings**	Must be ≥ £0
C10	Number of days from **Payday_start_RP** (exclusive) to **Payday_end_RP** (inclusive)	**Days_in_RP**	Must be ≥ 56
C11	Rounded divisor used when calculating average weekly earnings for employee paid weekly or in multiples of a week **Weekly_Divisor** = **Days_in_RP ÷ 7** rounded down to whole number	**Weekly_Divisor**	Must be ≥ 1
C12	Rounded divisor used when calculating average weekly earnings for employee paid calendar monthly or in multiples of a calendar month. **Monthly_Divisor** = number of whole calendar months in relevant period. If there are not a whole number of calendar months in the relevant period round to a whole number as follows ▫ 30 and 31 day months: 15 days or less round down, 16 days or more round up ▫ 28 and 29 day months: 14 days or less round down, 15 days or more round up.	**Monthly_Divisor**	Must be ≥ 1
C13	Start of each week in the Maternity Pay Period (MPP)	**MPP_Start_Week (n)**	Date. "n" must be ≥ 1 and ≤ **MPP_weeks**
C14	Earnings-related rate. Round up to whole pence	**Earnings_rate**	Must be ≥ £0
C15	End of each week in the Maternity Pay Period	**MPP_End_Week(n)**	Date. "n" must be ≥ 1 and ≤ **MPP_weeks**
C16	The qualifying tax year to establish if the employer qualifies for Small Employers Relief	**Qual_Year**	Must be a tax year

C17	Gross Primary & Secondary Class 1 NIC liability for **Qual_Year** (net of any contracted-out rebate due for that tax year). Do not include Class 1A or Class 1B NICs	**NIC_Qual_Year**	Must be ≥ £0. May be blank
C18	Calculated amount of Class 1 NICs for SER purposes if employer was not liable for Class 1 NICs for the whole **Qual_Year**	**Calc_NIC_Tax_Year**	Must be ≥ £0. May be blank
C19	Calculated amount of Class 1 NICs for SER purposes if employer was not liable for Class 1 NICs in **Qual_Year**	**Calc_NIC_Prev_Year**	Must be ≥ £0. May be blank. Required if value at **NIC_Prev_Year**
C20	Gross Primary & Secondary Class 1 NIC liability for tax year in which **QW_SUN** falls if employer was not liable to Class 1 NICs in **Qual_Year**. Liability is net of any contracted-out rebate due for those tax months even if not actually claimed in those tax months. Do not include Class 1A or Class 1B NICs	**NIC_Prev_Year**	Must be ≥ £0. May be blank. Required if no value at **NIC_Qual_Year**
C21	Total SMP paid during a tax period. If payment of SMP spans more than one tax year a separate total is needed for each tax year.	**SMP_Tax_Period**	Must be ≥ £0.00.

NB5 Expected Week of Childbirth was previous known as Expected Week of Confinement. The legislation, and form MATB1, still refer to confinement, but IR have decided to use childbirth in its guidance as this is a familiar term in general use.

Calculation routines:

1 Check that employee is female.
If employee is not female do not calculate SMP and display error message to user.

2 Establish Expected Week of Childbirth (EWC) and Qualifying Week (QW).

EWC_SUN	If **Baby_Due_Date** = Sunday then **EWC_SUN** = **Baby_Due_Date** if not, then **EWC_SUN** = Sunday before **Baby_Due_Date**
QW_SUN	**EWC_SUN** - 15 weeks
EWC_SAT	Saturday after **EWC_SUN**
QW_SAT	Saturday after **QW_SUN**

3 If value held at Baby_Born_Date check whether Baby_Born_Date < QW_SUN. If yes special rules apply which are not currently covered in this specification. The employee may still be entitled to SMP. Display appropriate message to user.

4 Calculate average weekly earnings

a Establish relevant period. The relevant period runs from **Payday_start_RP** to **Payday_end_RP.** Exclude **Payday_start_RP** and include **Payday_end_RP. Payday_start_RP** is the first pay day before **8_weeks_RP.**

b Calculate **Earnings_RP.** Sum gross earnings, liable for Class 1 NICs, paid in the relevant period

c System must be able to recognise pay frequency, ie weekly, or multiples of a week, calendar monthly etc and Calculate **Average_Weekly_Earnings** - truncated to 5 decimal places:

Where the employee is paid:

weekly or in multiples of a week, eg fortnightly, or the last Friday of every month	**Average_Weekly_Earnings = Earnings_RP ÷ Weekly_Divisor** **Weekly_Divisor = Days_in_RP ÷ 7** rounded down to a whole number
Calendar monthly, or in multiples of a calendar month, eg quarterly or annually	**Average_Weekly_Earnings = Earnings_RP ÷ Monthly_Divisor x 12 ÷52** **Monthly_Divisor =** number of whole calendar months in relevant period. If there are not a whole number of calendar months in the relevant period round as follows ▫ 30 and 31 day months: 15 days or less round down, 16 days or more round up ▫ 28 and 29 day months: 14 days or less round down, 15 days or more round up.
Irregularly	**Average_Weekly_Earnings = Earnings_RP ÷ Days_in_RP x 7**

NB6 **Earnings_RP** does not usually include any earnings liable to Class 1B National Insurance contributions. However if **Average_Weekly_Earnings** < **LEL** applying on **QW_SAT,** then **Earnings_RP** must be increased to include any payment made during the relevant period which would normally attract Class 1 NIC liability but was included in a PAYE settlement agreement and on which Class 1B NICs are due.

NB7 If employee receives a back dated pay rise which retrospectively increases **Earnings_RP** then **Average_Weekly_Earnings**, **Earnings_rate** and **SMP_Tax_Year** MUST be recalculated and the additional SMP due paid to the employee, and the additional SMP and SMP compensation recovered. If employee did not originally qualify then prompt user for entry at **MA_Paid**. See 6d for how to calculate the additional SMP due.

NB8 If employee receives a back dated pay rise which retrospectively increases **Earnings_RP AND Earnings_RP** had to be increased to include Class 1B earnings (as set out in NB5). Then Class 1B earnings must be removed before back-dated payrise is applied. If revised **Average_Weekly_Earnings** (taking into account backdated payrise) < **LEL** applying on **QW_SAT,** then **Earnings_RP** must be re-calculated again including the back-dated pay rise AND the Class 1B earnings.

5 Check if SMP entitlement conditions satisfied:

SMP NOT due if:

- **Average_Weekly_Earnings** < **LEL** at **QW_SAT**
- **Employment_start** > **QW_SAT – Cont_Emp_Weeks**
- **Employment_end** < **QW_SUN**
- **Stillbirth** = Y and **Baby_Born_Date** is < (**QW_SUN** – 7 days)

If SMP not due system should prompt user to complete form SMP1 unless SMP not due because of a stillbirth.

6 Paying SMP

a Establish the start date of the Maternity Pay Period (MPP) **MPP_Start_Week(n=1)**

i. If [{**Baby_Born_Date** ≥ **Notified_Leave_Start**} OR {**Baby_Born_Date** is blank} AND **PRI_Start** is blank] THEN **MPP_Start_Week(n=1)** = Sunday after **Notified_Leave_start**

ii. If {**Baby_Born_Date** < **Notified_Leave_start**} OR {date at **Baby_Born_Date** AND **Notified_Leave_start** is blank} THEN **MPP_Start_Week(n=1)** = day after **Baby_Born_Date**

iii. If date at **PRI_start** THEN **MPP_Start_Week(n=1)** = day after **PRI_start**

iv. If **Baby_Born_Date** AND **PRI_Start** held THEN
- If **Baby_Born_Date < PRI_Start** then follow rules at ii.
- If **Baby_Born_Date** ≥ **PRI_Start** then follow rules at iii.

b Establish the **Earnings_rate = Average_weekly_earnings x 90%** (If this results in a fraction of a pence round up to a whole pence)

c Establish **MPP_End_Week(n)** and the SMP due in each week:

Where (n) = 1 to **MPP_weeks**	If **MPP_work** ≤ **MPP_End_Week(n)** and > **MPP_End_Week(n-1)** then no SMP due for that week If **MPP_work** > **MPP_End_Week(n)** or ≤ **MPP_End_Week(n-1)** AND ΣSMP due on **MPP_End_Week(n)** to date < (**Earnings_rate** x 6) then SMP due = **Earnings_Rate** If **MPP_work** > **MPP_End_Week(n)** or ≤ **MPP_End_Week(n-1)** AND ΣSMP due on **MPP_End_Week(n)** to date ≥ (**Earnings_rate** x 6) then SMP due = **Standard_Rate** UNLESS **Standard_Rate > Earnings_rate** where SMP due = **Earnings_rate**

NB9 SMP due on each **MPP_End_Week(n)** should normally be paid on the next payday, but if the employers pay practices mean that they would normally pay wages or other payments before that date then this is acceptable. An example of this would be where an employee is paid their salary for the month on the 15th of the month. However, if the employee's circumstances change the employer and employee should be aware that this may cause an overpayment and/or over-recovery of SMP that would need to be

corrected. This is most likely to happen if the employee has to attend work unexpectedly or more unusually **SMP_stop** is triggered.

NB10 SMP can be paid in a lump sum at the start of the Maternity Pay Period. This could cause an overpayment if the employee's circumstances change, and the employer and your employee could also pay more in National Insurance Contributions. This could also cause an under-payment if the Maternity Pay Period spans a tax year and the new rate is not known at the time the payment is made.

d Paying additional SMP as a result of a back dated pay rise which retrospectively increases **Earnings_RP.** Recalculate the **Average_Weekly_Earnings** and **Earnings_rate**

- If SMP paid before then extra SMP due:
  - For first 6 weeks of payment is ΣSMP due each **MPP_End_Week(n)** using new **Earnings_rate -** ΣSMP due each **MPP_End_Week(n)** using old **Earnings_rate**
  - For remaining weeks is ΣSMP due each **MPP_End_Week(n)** using lesser of **Standard_Rate** OR new **Earnings_rate -** ΣSMP due each **MPP_End_Week(n)** using old **Earnings_rate**
- If no SMP paid before and
  - blank at **MA_paid**, then SMP due is only (**Earnings_rate** – **Standard_rate)** x 6
  - amount at **MA_paid** then SMP due is ΣSMP due each **MPP_End_Week(n)** – **MA_paid**

7 Stopping paying SMP

SMP stops

- if **SMP_Stop** < **MPP_End_Week(n=MPP_weeks)**
- at **MPP_End_Week(n=MPP_weeks)**

If SMP ends other than at **MPP_End_Week(n=MPP_weeks)** system should prompt user to complete form SMP1.

8 Recovering SMP

a For each Maternity Pay Period establish whether SMP paid to that employee qualifies for Small Employers Relief or not by establishing **Qual_Year** and **NIC_Qual_Year**:

- **Qual_Year** = tax year before **QW_SUN**
- if the employer was not liable for Class 1 NICs for the whole of **Qual_Year** year then establish **Calc_NIC_Qual_Year**.
- If employer was not liable to Class 1 NICs in qualifying tax year then establish **Calc_NIC_Prev_Year.**

Calc_NIC_Qual_Year =	**ΣNIC_Qual_Year ÷** number of months employer was liable for Class 1 NICs x 12
Calc_NIC_Prev_Year =	**ΣNIC_Prev_Year ÷** number of months between start of liability for Class 1 NICs and tax month ending prior to **QW_SUN**

	(inclusive) x 12

NB11 The qualifying tax year could be two years before the tax year in which the SMP has been paid

NB12 Where payment of SMP spans a tax year the SMP recovery on each payment of SMP is calculated using the relevant rates that apply to the tax year in which the SMP was paid.

b If **NIC_Qual_Year, Calc_NIC_Qual_Year,** OR **Calc_NIC_Prev_Year** ≤ **SER_Threshold** then SMP recovery is **SMP_Tax_Period** x **SER_Recovery** AND SMP compensation is **SMP_Tax_Period** x **Comp** (If this results in a fraction of a pence round up to a whole pence).

c If **NIC_Qual_Year, Calc_NIC_Qual_Year,** OR **Calc_NIC_Prev_Year** > **SER_Threshold** then SMP recovery is **SMP_Tax_Period** x **Standard_Recovery Comp** (If this results in a fraction of a pence round up to a whole pence).

Records

System must be able to produce the following reports:
For each employee:

- The weeks and amounts of SMP paid in the tax year
- Any weeks in the Maternity Pay Period where SMP is not due and the reason why

Amount of SMP recovery and any SMP compensation due for a tax year. If a payment of SMP spans a tax year separate records are required for each year.

System should prompt user to keep the medical evidence of pregnancy provided by the employee, eg form MAT B1

System must also transfer required SMP details for required legislative returns:

- P11 or substitute - SMP paid on each payday during tax year
- P14 ∑ SMP paid during tax year
- P35 ∑ SMP recovered and ∑ SMP compensation recovered.