

INTRODUCTION

1. This specification covers Statutory Paternity Pay (SPP) where a baby is expected to be born on or after 1 April 2007. The amendment to this technical specification is to correct an error in the description of data for B8 so is effective immediately.
2. It does not provide for:
 - SPP 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.
3. It assumes that:
 - the employee notifies their entitlement to SPP in time, or the employer accepts any delay
 - acceptable self-certified evidence of entitlement is held
 - no other payments are offset against SPP liability.
4. The routines described below make use of
 - Data supplied by HMRC. 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 Baby Due Date, or more rarely from a specific start date of a Paternity 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. SPP 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 do but for the employee's age and level of earnings. The "employer" is whoever is liable to pay the employer's share of Class 1 National Insurance Contributions. People who are treated by regulations as employees/employers for National Insurance contributions, such as agency workers, are treated as employees for SPP.

SPECIFICATION

1. Using the data the system will be able to calculate:
 - the amount of SPP that is due to be paid to an employee by their employer during the Paternity Pay Period (PPP)
 - the amount of SPP and, if appropriate SPP 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.

HMRC data				
	Description of data	Abbreviation used	value for tax year	Recommended Field size

			07/08	
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SPP to arise	LEL	£xx	£xxx.xx
A2	The number of weeks an employee needs to be continuously employed	Cont_Emp_weeks	26	xx
A3	The number of weeks in the Paternity Pay Period (PPP) (field size set in double figures just in case)	PPP_weeks	≤2	xx
A4	Standard rate of SPP	Standard_Rate		£xxx.xx
A5	Small Employer Threshold (field size set at 100 thousand just in case)	SER_Threshold	£45,000	£xxx,xxx
A6	Small Employer Recovery Rate	SER_Recovery	100%	xxx.xx%
A7	Small Employer Compensation rate	Comp	4.5%	xx.xx%
A8	Standard Recovery rate	Standard_Recovery	92%	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 Baby Due Date, or more rarely, from a specific start date of a Paternity Pay Period.

NB3 values A1, A2, A4, A5, A6, A7 and A8 will usually be the same as those for Statutory Maternity Pay.

Employee data			
	Description of data	Abbreviation used	Validation check
B1	Date baby due – as self-certified by the employee. No requirement or right for employer to see MAT B1. Required even if baby is born early and paying SPP based on that date.	Baby_Due_Date	Date.
B2	Date baby born– as self-certified by the employee	Baby_Born_Date	Date.
B3	Start date of employment	Employment_start	Date
B4	End date of employment	Employment_end	Date. May be blank unless < Baby_Born_Date

B5	Baby still born? Note: if the baby survives for only an instant it is a live birth not a stillbirth If the baby is stillborn before the 25 th week of pregnancy (treated as the 16 th week before the EWC) there is no entitlement to SPP	Stillbirth	Y or N. May be blank unless Baby_Born_Date is < (QW_SUN - 7 days)
B6	Date employee notifies that they intend to start their paternity leave. Must be capable of being changed. The employee does not have to notify a specific date, for example they can say they want to work up to the birth or that they want to start their leave 10 days after the birth. If this enter a date based on Baby_Due_Date	Notified_Leave_start	Date. May be blank if employee notifies intention to start leave immediately after baby's birth. Cannot be < Baby_Born_Date or Baby_Due_Date . Cannot be > later of (Baby_Born_Date + 49 days) OR (Baby_Due_Date + 49 days)
B7	Date(s) employee worked during Paternity Pay Period. Must be capable of multiple entries. See NB4	PPP_work	Cannot be < PPP_Start_Week(n=1) or > PPP_End_Week(n=PPP_weeks)
B8	SPP entitlement stops on: PPP_End_Week(n+1) after the employee dies PPP_End_Week(n) after the employee is taken into legal custody PPP_End_Week(n) before the later of (Baby_Born_Date + 56 days) OR (BDW_SUN + 56 days)	SPP_stop	Date. May be blank.
B9	Date(s) employee was paid Statutory Sick Pay (SSP) for during Paternity Pay Period. Must be capable of multiple entries. Dates must be worked out and recorded even if employee paid occupational sick pay or other contractual payment instead of SSP. See NB4	PPP_SSP	Cannot be < PPP_Start_Week(n=1) or > PPP_End_Week(n=PPP_weeks)

NB4 PPP_work and PPP_SSP. This is only one method of identifying the weeks during the PPP when the employee worked or was paid Statutory Sick Pay (SSP). Some systems use flags, others derive the data from dates of absence. Providing that no SPP is paid for weeks during the PPP when the employee worked or was paid SSP any method of storing this data is acceptable.

System derived data			
	Data Definition	Abbreviation used	Validation check
C1	Sunday of the Baby Due Week	BDW_SUN	Sunday Date
C2	Sunday of the Qualifying Week (QW)	QW_SUN	Sunday Date
C3	Saturday of the BDW	BDW_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. If does not give whole number result is to be rounded down to nearest 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 Paternity Pay Period (PPP)	PPP_Start_Week(n)	Date. "n" must be ≥ 1 and ≤ PPP_weeks
C14	Earnings-related rate. Rounded up to a whole penny	Earnings_rate	Must be ≥ £0
C15	End of each week in the Paternity Pay Period	PPP_End_Week(n)	Date. "n" must be ≥ 1 and ≤ PPP_weeks
C16	The qualifying tax year for Small Employers Relief which is tax year before QW_SUN	Qual_Year	Must be a tax year

C17	Gross Primary & Secondary Class 1 NIC liability for Qual_Year . Liability is net of any contracted-out rebate due for that tax year even if not actually claimed. 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 between start of liability for Class 1 NICs and tax month ending prior to QW_SUN (inclusive) 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 SPP paid during a tax period. If payment of SPP spans more than one tax year a separate total is needed for each tax year.	SPP_Tax_Period	Must be ≥ £0.

Calculation routines:

- Establish Baby Due Week (BDW) and Qualifying Week (QW).

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

- 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 SPP. Display appropriate message to user.
- Calculate average weekly earnings
 - 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	$\text{Average_Weekly_Earnings} = \text{Earnings_RP} \div \text{Weekly_Divisor}$ $\text{Weekly_Divisor} = \text{Days_in_RP} \div 7$ Calculate truncated to 5 decimal places of days, then if 1 st , 2 nd , 3 rd , 4 th or 5 th decimal places > zero round up to next whole day
Calendar monthly, or in multiples of a calendar month, eg quarterly or annually	$\text{Average_Weekly_Earnings} = \text{Earnings_RP} \div \text{Monthly_Divisor} \times 12 \div 52$ $\text{Monthly_Divisor} = \text{number of whole calendar months in relevant period. If there are not a whole number of calendar months in the relevant period round as follows}$ <p style="margin-left: 40px;">30 and 31 day months: 15 days or less round down, 16 days or more round up</p> <p style="margin-left: 40px;">28 and 29 day months: 14 days or less round down, 15 days or more round up.</p>
Irregularly	$\text{Average_Weekly_Earnings} = \text{Earnings_RP} \div \text{Days_in_RP} \times 7$

NB5 **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.

NB6 If employee receives a back dated pay rise which retrospectively increases **Earnings_RP** AND **Earnings_RP** was < **Standard_Rate** then **Average_Weekly_Earnings**, **Earnings_rate** and **SPP_Tax_Period** MUST be recalculated and the additional SPP due paid to the employee, and the additional SPP and SPP compensation recovered. See 5d for how to calculate the additional SPP due.

NB7 If employee receives a back dated pay rise which retrospectively increases **Earnings_RP** AND **Earnings_RP** was < **Standard_Rate** 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.

6. Check if SPP entitlement conditions satisfied:

SPP NOT due if:

Average_Weekly_Earnings < **LEL** at **QW_SAT**
Employment_start > **QW_SAT** – **Cont_Emp_Weeks**
Employment_End < **Baby_Born_Date**

Stillbirth = Y and Baby_Born_Date is < (QW_SUN - 7 days)

If SPP not due employer will be required to tell employee why

7. Paying SPP

a. Establish the start date of the Paternity Pay Period (PPP) **PPP_Start_Week(n=1)**

PPP_Start_Week(n=1) = Notified_Leave_start

If **Notified_Leave_start** is blank then **PPP_Start_Week(n=1)** = first whole day of absence from work on or after **Baby_Born_Date**

b. Establish the **Earnings_rate = Average_weekly_earnings x Earnings_Related_Percentage** (round up to whole penny as NB12)

c. Establish **PPP_End_Week(n)** and the SPP due in each week:

If **PPP_work** or **PPP_SSP** \leq **PPP_End_Week(n)** and $>$ **PPP_End_Week(n-1)** then no SPP due for that week

If **PPP_work** or **PPP_SSP** $>$ **PPP_End_Week(n)** or \leq **PPP_End_Week(n-1)** then SPP due = **Standard_Rate** UNLESS **Standard_Rate** $>$ **Earnings_rate** where SPP due = **Earnings_rate**

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

If SPP was paid before the pay rise then extra SPP due is Σ SPP due for each

PPP_End_Week(n) using the lesser of **Standard_rate** OR new **Earnings_rate** - SPP due for each **PPP_End_Week(n)** using old **Earnings_rate**

If no SPP was paid before the pay rise then the SPP due is as in step 5c

NB8 SPP due on each **PPP_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.

NB9 **Optional** Part-week payments to align with normal pay frequency. Payments due for part-weeks of SPP at the beginning or end of the pay period **may** be made at the same time as the normal monthly payment. If this function is included the SPP should be displaced or calculated as follows:: take the weekly SPP and multiply by the number of days in the part-week, then divide by 7 truncated to 5 decimal places and round up to nearest penny above. [Do not calculate a rounded daily rate].

NB10 If the SPP has been paid used other than using the SPP weeks , such as by way of a lump sum or using part-weeks, and the employee's circumstances change the employer and employee should be aware that this may cause an overpayment and/or over-recovery of SPP that would need to be corrected. This is most likely to happen if the employee has to attend work unexpectedly or more unusually **SPP_Stop** is

triggered.

8. Stopping paying SPP

SPP stops

if **SPP_Stop** < **PPP_End_Week(n=PPP_weeks)**
at **PPP_End_Week(n=PPP_weeks)**

If SPP ends other than at **PPP_End_Week(n=PPP_weeks)** employer will be required to notify employee.

9. Recovering SPP

- a. For each Paternity Pay Period establish whether SPP paid to that employee qualifies for Small Employers Relief or not by establishing
- b. Establish the **NIC_Qual_Year**, or
- c. if the employer was not liable for Class 1 NICs for the whole of **Qual_Year** year then establish **Calc_NIC_Qual_Year** or.
- d. If the employer was not liable to pay Class 1 NICs in the qualifying tax year then establish **Calc_NIC_Prev_Year**.

Calc_NIC_Qual_Year =	Σ NIC_Qual_Year ÷ number of months employer was liable for Class 1 NICs x 12
Calc_NIC_Prev_Year =	Σ NIC_Prev_Year ÷ number of months between start of liability for Class 1 NICs and tax month ending prior to QW_SUN (inclusive) x 12

NB12 The qualifying tax year could be two years before the tax year in which the SPP has been paid

NB13 Even though entitlement to Small Employers' Relief is established for the whole Paternity Pay Period, if payment of SPP spans a tax year separate calculations are needed for each year as compensation rates may vary.

- e. If **NIC_Qual_Year**, **Calc_NIC_Qual_Year**, OR **Calc_NIC_Prev_Year** ≤ **SER_Threshold** then SPP recovery is **SPP_Tax_Period** x **SER_Recovery** AND SPP compensation is **SPP_Tax_Period** x **Comp** (rounded up to nearest penny see NB12)
- f. If **NIC_Qual_Year**, **Calc_NIC_Qual_Year**, OR **Calc_NIC_Prev_Year** > **SER_Threshold** then SPP recovery is **SPP_Tax_Period** x **Standard_Recovery** (rounded up to nearest penny)

NB14 Where calculations are to be “rounded up to the nearest penny” first calculate the value truncated to 3

decimal places, then round up to the next penny above if the 3rd, 4th and 5th decimal place is not zero.

Records

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

The weeks and amounts of SPP paid in the tax year

Any weeks in the Paternity Pay Period where SPP is not due and the reason why

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

System should prompt user to keep self-certificate provided by the employee.

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

P11 or substitute - SPP paid on each payday during tax year

P14 Σ SPP paid during tax year

P35 Σ SPP recovered and Σ SPP compensation recovered.

symbol	Meaning as used in technical specification
=	Equal or “on”
<	Less than or “earlier than”
\leq	Equal or less than or “on or before”
>	More than or later than
\geq	Equal or more than or “on or after”
Σ	Summation such as in Σ SMP is the sum of several weeks SMP