

Payroll Software specification on Statutory Sick Pay

INTRODUCTION

1. This specification covers Statutory Sick Pay (SSP). **Applicable for Periods of Incapacity for Work (PIW) starting on or after 1 October 2006.** For PIWs starting before 1 October 2006 use previous specification, version 1.3.4.
Note: the changes for over 65s do not apply to employees where the PIW/linked PIWs started when they were under 65 years as the rules for them did not need to change.
2. **It does not provide for:**
 - **the SSP entitlement of short term contract workers**
 - **the calculation of average weekly earnings where weekly payments are mistimed**
 - **NHS Trust employees who 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 employer is not exercising their choice whether or not to operate the rules of the SSP scheme if they pay contractual remuneration at or above the SSP rate for each day of incapacity.**
 - **the employee notifies their incapacity in time, or the employer accepts any delay**
 - **acceptable evidence of incapacity is held**
 - **no other payments are offset against SSP liability.**
4. The routines described below make use of
 - Data supplied by HMRC. These usually apply to a whole tax year and will be supplied in the Notes for Payroll Software Developers. The system should keep a record of these variables and the tax year to which they relate.
 - Data in respect of individual employees. Some additional suggested text is provided in a further document to help ensure users input the correct details. 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.
5. SSP is payable to all employees by their employers as a measure of earnings replacement when they are unfit for work due to incapacity or illness and satisfy the conditions of entitlement. It is payable as a daily payment for a maximum of 28 weeks either as a single PIW of at least 4 days or a series of linked PIWs. After this the employee either claims state benefit or must work for a minimum period to break the linking. SSP is not normally recoverable from the NI fund but there is a limited scheme for employers to claim back SSP paid to their employees. An "employee" is defined as a person whose earnings attract a liability for employers' Class 1 National Insurance Contributions, or would but for the employee's age or 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 for NICs, that is their earnings attract a liability for Class 1 NICs, such as agency workers, are to be treated as employees for SSP.

Payroll Software specification on Statutory Sick Pay

SPECIFICATION

1. Using the data the system will be able to calculate:
 - the amount of SSP that is due to an employee by their employer in a Period of Incapacity for work (PIW) or linked PIWs
 - the amount of SSP, if any, that can be recovered by the employer
2. The system will also be able to keep the basic records required (details at end).

NB1 "Date" means the data must be a date in the format dd/mm/yyyy (See Section 8,9 & 10)

HMRC data																				
	Description of data	Abbreviation used	Values for Tax Year 07/08	Recommended Field size																
A1	The maximum number of days used to link PIWs	Max_Link_PIW	56 days	xxx																
A2	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SSP to arise	LEL	£XX	£xxx.xx																
A3	The Weekly rate of SSP payable	Weekly_Rate	£xx.xx	£xxx.xx																
A4	Number of qualifying days at the start of a PIW or series of linked PIW for which SSP is not due (Waiting days)	Waiting_Days	3 QDs	x																
A6	The maximum number of weeks for which SSP is payable	Max_Weeks	28	xx																
A7	See table: <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <thead> <tr> <th style="width: 50%;">Number_Qual_Days</th> <th style="width: 50%;">QD_Dec_Frac</th> </tr> </thead> <tbody> <tr><td style="text-align: center;">7</td><td style="text-align: center;">0.143</td></tr> <tr><td style="text-align: center;">6</td><td style="text-align: center;">0.167</td></tr> <tr><td style="text-align: center;">5</td><td style="text-align: center;">0.2</td></tr> <tr><td style="text-align: center;">4</td><td style="text-align: center;">0.25</td></tr> <tr><td style="text-align: center;">3</td><td style="text-align: center;">0.334</td></tr> <tr><td style="text-align: center;">2</td><td style="text-align: center;">0.5</td></tr> <tr><td style="text-align: center;">1</td><td style="text-align: center;">1.0</td></tr> </tbody> </table>	Number_Qual_Days	QD_Dec_Frac	7	0.143	6	0.167	5	0.2	4	0.25	3	0.334	2	0.5	1	1.0	QD_Dec_Frac		x.xxx
Number_Qual_Days	QD_Dec_Frac																			
7	0.143																			
6	0.167																			
5	0.2																			
4	0.25																			
3	0.334																			
2	0.5																			
1	1.0																			
A5	Percentage Threshold Scheme recovery rate	PTS_Rate	13%	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 tax year and normally apply for the whole tax year. However changes can be made during a tax year.

Employee data			
	Description of data	Abbreviation used	Validation check
B1	Start date of contract	Contract_start	Date
B2	Start date of incapacity. System must be able to deal	Sick_Start	Date

Payroll Software specification on Statutory Sick Pay

Employee data			
	Description of data	Abbreviation used	Validation check
	with multiple entries of this data		Cannot be < Contract_start .
B3	Last <i>known</i> date of incapacity. Must be capable of being changed - system should automatically recalculate amount of SSP due when changed. System must be able to deal with multiple entries of this data	Sick_End	Date. Cannot be < Sick_Start . Required if value at Sick_Start .
B4	Last day of SSP entitlement on SSP1(L) if held	SSP1(L)_End_PIW	Date if applicable. Must be < PIW_start .
B5	Number of weeks on SSP1(L) if held	SSP1(L)_weeks	If applicable must be a number from 1 to 28 Required if date at SSP1(L)_End_PIW .
B6	Start of PIW on linking letter (BF220/220A/220B/220C) if held	Link_Let_Start	Date if applicable
B7	An employee is not entitled to SSP once <ul style="list-style-type: none"> □ a disqualifying period related to pregnancy starts □ a trade dispute they have an active involvement with starts □ they are taken into legal custody □ they are working abroad and the employer is no longer liable to pay Class 1 NICs NB reason for exclusion must be reported on form SSP1	Exclusion_start	Date if applicable.
B8	Number of qualifying days in a week. System must be able to recognise and hold different qualifying day patterns for different weeks. From this system must be able to handle many values of this variable for one employee in one PIW. For SSP purposes weeks always run Sunday to Saturday	Number_Qual_Days	At least one day must be selected from the choice of seven.
B9	An employee stops being entitled to SSP once <ul style="list-style-type: none"> ▪ a disqualifying period related to pregnancy starts ▪ a trade dispute they have an active involvement with starts ▪ they are taken into legal custody ▪ they are working abroad and the employer is no longer liable to pay Class 1 NICs ▪ their contract ends ▪ they die. ▪ a linked PIW lasts longer than 3 years NB if employee is still sick reason for exclusion must be reported on form SSP1	Stop_Date	Date
B10	Has employee asked for SSP1(L)? NB this field is only required if the system will be used to produce the SSP1(L).	EE_Ask_SSP1(L)	"Yes" or "No"

Payroll Software specification on Statutory Sick Pay

System derived data			
	Data Definition	Abbreviation used	Validation check
C1	Start of Period of Incapacity for Work (PIW). System must be able to deal with multiple entries of this data.	PIW_Start	Date. Must be either Sick_Start or no value
C2	Last known date of PIW. System must be able to deal with multiple entries of this data.	PIW_End	Date. Must be either Sick_End or no value.
C3	Date of first pay day before Start_PIW	Payday_end_RP	Date Must be < Start_PIW
C4	Date Eight weeks before Payday_end_RP	8_weeks_RP	Date
C5	Date of First pay day before 8_weeks_RP .	Payday_start_RP	Date
C6	Sum Gross NIable Earnings paid in relevant period	Earnings_RP	Must be ≥ £0
C7	The employee's average weekly earnings. Must be held truncated to 4 decimal places	Average_Weekly_Earnings	Must be ≥ £0
C8	Number of days from Payday_start_RP (exclusive) to Payday_end_RP (inclusive)	Days_in_RP	Must be > 0
C9	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
C10	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 <ul style="list-style-type: none"> ▪ 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

Payroll Software specification on Statutory Sick Pay

System derived data			
	Data Definition	Abbreviation used	Validation check
C11	<p>Divisor used when calculating average weekly earnings for weekly paid employees where Payday_start_RP does not exist.</p> <p>Divisor_New_Employee_Weekly = the number of weeks they have been paid for - any odd days should be shown as a fraction of a week as follows:</p> <ul style="list-style-type: none"> ▪ 1 working day in each week: 1 day's pay = 1 week ▪ 2 working days in each week: 1 day's pay = half a week, 0.5 ▪ 3 working day in each week: 1 day's pay = one third of week, 0.334 ▪ 4 working days in each week: 1 day's pay = one quarter of a week, 0.25 ▪ 5 working days in each week: 1 day's pay = one fifth of a week, 0.2 ▪ 6 working days in each week: 1 day's pay = one sixth of a week, 0.167 ▪ 7 working days in each week: 1 day's pay = one seventh of a week, 0.143 <p>Where there is more than one day's pay in each week use the above rounded fractions, eg 6 working days in a 7 day week = 6 x 0.143 = 0.858.</p>	Divisor_New_EE_Weekly	Must be ≥ 0.143 and ≤ 7.858
C12	daily rate of SSP unrounded to four decimal places	Daily_Rate	Must be ≥ 0.001 and \leq Weekly_Rate
C13	Number of qualifying days in PIW	Total_QD_PIW	Must be ≥ 1 and ≤ 199
C14	Total SSP due in PIW to employee	Total_SSP_PIW	Must be \geq Daily_Rate and $<$ (Weekly_Rate x 29)
C15	SSP recoverable in a tax month by employer	SSP_Rec_Tax_Month	Must be \geq £0 and \leq SSP_Paid_Tax_Month
C16	Gross Primary & Secondary Class 1 NIC liability for tax month (net of any contracted-out rebate due for that tax month even if not actually claimed in that tax month). Do not include Class 1A or Class 1B NICs	NIC_Tax_Month	Must be \geq £0
C17	Total SSP paid in tax month to all employees	SSP_Paid_Tax_Month	Must be \geq £0

Payroll Software specification on Statutory Sick Pay

System derived data			
	Data Definition	Abbreviation used	Validation check
C18	Number of weeks of SSP due in a PIW = (Total_QD_PIW - Waiting_Days) ÷ Number_Qual_Days (rounded down)	Weeks_SSP_PIW	Must be ≥ 1 and ≤ 28
C19	Number of odd days of SSP due in a PIW = (Total_QD_PIW - Waiting_Days) – (Weeks_SSP_PIW x Number_Qual_Days)	Odd_Days_SSP_PIW	Must be ≥ 1 and ≤ Max_Weeks
C20	Divisor used when calculating average weekly earnings for calendar monthly paid employees where Payday_start_RP does not exist. Divisor_New_EE_Monthly = the number of months they have been paid for - any odd days should be rounded as follows: <ul style="list-style-type: none"> □ 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. 	Divisor_New_EE_Monthly	Must be whole number ≥ 0

Calculation routines:

1 Has a PIW formed?

If **Sick_Start** to **Sick_End** is 4 days or more (inclusive) then Yes. System recognises as variable **PIW_Start** and **PIW_End** respectively.

If **Sick_Start** to **Sick_End** is 3 days or less (inclusive) then No. System ignores days of sickness for SSP payment purposes. System may want to still keep a record of these dates in case for example a spell of sickness lasts longer than initially thought.

2 Does the PIW link to a previous PIW?

PIWs link if $PIW_End(n) - PIW_Start(n+1) \leq Max_Link_PIW + 2$. Where **PIW_End(n)** is the last day of the previous PIW (PIW(n)) and **PIW_Start(n+1)** is the first day of the next PIW (PIW(n+1)).

Linked PIWs are treated as one. The system should check whether the employee satisfied the qualifying conditions in PIW(n), the previous PIW.

If the employee was not entitled at the start of PIW(n) or stopped being entitled during PIW(n) then the employee is not entitled for PIW(n+1) and system should either prepare form SSP1 OR prompt user to complete clerical form.

If the employee was entitled throughout PIW(n) then go to step 5 **Paying SSP** but when working out how much SSP to pay the system should use the sum of **Total_QD_PIW** in PIW(n) and PIW (n+1) as **Total_QD_PIW**

3 Calculate average weekly earnings

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

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

Payroll Software specification on Statutory Sick Pay

- c System should be able to recognise pay frequency, ie weekly, or multiples of a week, calendar monthly etc and Calculate **Average_Weekly_Earnings** - truncated at 4 decimal places so that the unrounded value can be used in other calculations:

Where the employee is paid:

weekly or in multiples of a week, eg fortnightly, or the last Friday of every month	<p>Average_Weekly_Earnings = Earnings_RP ÷ Weekly_Divisor</p> <p>Weekly_Divisor = Days_in_RP ÷ 7. When the divisor is not a whole number it is always rounded down to the nearest whole number</p>
Calendar monthly, or in multiples of a calendar month, eg quarterly	<p>Average_Weekly_Earnings = Earnings_RP ÷ Monthly_Divisor x 12 ÷ 52</p> <p>Monthly_Divisor = number of whole calendar months in relevant period.</p> <p>If there are not a whole number of calendar months in the relevant period round as follows</p> <ul style="list-style-type: none"> □ 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	<p>Average_Weekly_Earnings = Earnings_RP ÷ Days_in_RP x 7</p>
Where Payday_start_RP does not exist and the employee is paid weekly.	<p>Average_Weekly_Earnings = Earnings_RP ÷ Divisor_New_EE_Weekly</p> <p>Divisor_New_EE_Weekly = the number of weeks they have been paid for - any odd days should be shown as a fraction of a week as follows:</p> <ul style="list-style-type: none"> ▪ 1 working day in each week: 1 day's pay = 1 week ▪ 2 working days in each week: 1 day's pay = half a week, 0.5 ▪ 3 working day in each week: 1 day's pay = one third of week, 0.334 ▪ 4 working days in each week: 1 day's pay = one quarter of a week, 0.25 ▪ 5 working days in each week: 1 day's pay = one fifth of a week, 0.2 ▪ 6 working days in each week: 1 day's pay = one sixth of a week, 0.167 ▪ 7 working days in each week: 1 day's pay = one seventh of a week, 0.143
Where Payday_start_RP does not exist and the employee is paid calendar monthly	<p>Average_Weekly_Earnings = Earnings_RP ÷ Divisor_New_EE_Monthly x 12 ÷ 52</p> <p>Where the employee has not been paid for a full month round as follows</p> <ul style="list-style-type: none"> ▪ 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. <p>If this rounding means that</p>

Payroll Software specification on Statutory Sick Pay

	Divisor_New_EE_Monthly = 0 calculate average weekly earnings as though Payday_end_RP does not exist
Where Payday_end_RP does not exist	<p>Average_Weekly_Earnings is based on the employee's contractual earnings, for example</p> <ul style="list-style-type: none"> ▪ If the employee has an annual contractual salary Average_Weekly_Earnings = annual contractual salary ÷ 52 ▪ If the employee has weekly contractual earnings Average_Weekly_Earnings = weekly contractual earnings ▪ If the employee has contractual earnings in multiples of a week Average_Weekly_Earnings = contractual earnings divided by the number of weeks (ie fortnightly - divide by 2) ▪ If the employee has a calendar monthly contractual salary Average_Weekly_Earnings = calendar monthly contractual salary x 12 ÷ 52

NB3 **Earnings_RP** does not usually include any earnings liable to Class 1B National Insurance contributions. However if **Average_Weekly_Earnings** < **LEL** applying on **PIW_Start** 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.

4 Check if SSP entitlement conditions satisfied:

SSP NOT due if:

- **Average_Weekly_Earnings** < **LEL** at **PIW_Start**
- **PIW_Start** ≤ (**SSP1(L)_End_PIW** + **Max_Link_PIW**) and **SSP1(L)_weeks** = **Max_Weeks**
- **PIW_Start** ≤ **Link_Let_Start**
- **PIW_Start** > **Exclusion_Start**
- If **PIW_Start** = **Contract_Start** prompt user to check if employee attended work at all - if user answers "YES" SSP is due, if user answers "NO" SSP is not due.

If SSP is not due the system should either prepare form SSP1 OR prompt user to complete a clerical form.

5 Paying SSP

- a Calculate daily rate of SSP **Daily_Rate** = **Weekly_rate** ÷ **Number_Qual_Days**
- b Count number of QDs in PIW **Total_QD_PIW**
- c SSP due in PIW = (**Total_QD_PIW** - **Waiting_Days**) x **Daily_Rate** (rounded up to 2 decimal places and Limited to **Max_Weeks** x **Weekly_Rate** unless the employee's qualifying days vary)
- d To work out how much SSP is payable in this pay period, subtract SSP paid on previous pay days from total SSP due in PIW.

Payroll Software specification on Statutory Sick Pay

NB4 If employee's qualifying days vary these calculations will need to be done separately for each week, remembering to carry forward **Waiting_Days** if necessary. For SSP purposes weeks run from Sunday to Saturday. Where qualifying days vary the maximum amount of SSP due will not equal **Max_Weeks x Weekly_Rate**.

To work out the number of weeks of SSP paid calculate **(Total_QD_PIW - Waiting_Days) ÷ Number_Qual_Days** for each PIW or spell of sickness within a PIW in which the qualifying days remain the same and add these totals together to give the sum of weeks of SSP paid. Subtract this from **Max_Weeks**. To calculate the number of odd days needed to make up the fraction of a week divide the fraction by **QD_Dec_Frac** and round up.

NB5 If **PIW_Start** ≤ 6/4/yyyy and **PIW_End** ≥ 5/4/yyyy (ie the PIW spans the tax year), then count number of QDs as if 5/4/yyyy = **PIW_End** and 6/4/yyyy = **PIW_Start** remembering to carry forward **Waiting_Days** if necessary

NB6 Other methods of calculating the SSP due to an employee, such as working out the SSP due on a rolling basis or separately for each week, can also be used provided they achieve the same result

NB7 The calculation method outlined above is different from that specified in the guidance for employers working out SSP manually but achieves the same result as it allows the system to apply the **Max_Weeks** for a PIW or series linked PIWs as part of the calculation. The guidance to employers refers to this limit separately and assumes it will be applied as necessary.

6 Stopping paying SSP

SSP stops

- at **PIW_End**
- if **Stop_Date** < **PIW_End**
- **Total_QD_PIW** > (**Max_Weeks x Number_Qual_Days**) + **Waiting_Days**, see **NB7A**
- **Total_QD_PIW** > ((**Max_Weeks - SSP1(L)_Weeks**) x **Number_Qual_Days**) + **Waiting_Days**, see **NB7A**

If SSP ends other than at **PIW_End** system should either prepare form SSP1 OR prompt user to complete clerical form.

NB8 Where SSP is expected to end because the employee will receive the **Max_Weeks** entitlement, form SSP1 should be issued:

- at the beginning of the **Max_Weeks** - 5 week of SSP
- as soon as it is known that it will end or has ended.

7 Recovering SSP

In each tax month **SSP_Rec_Tax_month = SSP_Paid_Tax_month - (NIC_Tax_Month x PTS_Rate)**

NB9 When calculating **NIC_Tax_Month x PTS_Rate** round down to two decimal places

NB10 If **SSP_Rec_Tax_month** is less than 0, then make it 0.

Payroll Software specification on Statutory Sick Pay

8 Records

System should be able to produce the following data outputs:

For each employee:

- a record of all spells of sickness for four or more days **PIW_Start** to **PIW_End** inclusive
- The amount of SSP paid in a PIW **Total_SSP_PIW**
- Any days of sickness where SSP is not due and the reason why

Amount of SSP recovery due in a tax month **SSP_Rec_Tax_month**, and a total for the tax year Σ **SSP_Rec_Tax_month**.

If **EE_Ask_SSP1(L)** = "yes" system should either prepare form SSP1(L) OR prompt user to complete clerical form

System must input required SSP details onto forms:

- P14 in tax months where **SSP_Rec_Tax_month** > 0 record Σ **SSP_Paid_Tax_month** for each individual employee
- P35 Σ **SSP_Rec_Tax_month**

9 Requirement for system produced SSP1

- the employee's name
- the employee's National Insurance number
- the employee's clock or payroll number
- the employee's tax reference number
- the reason(s) why SSP is not payable
- the first day of sickness, **PIW_Start** or **Link_Let_Start**
- last day for which SSP is due, either **PIW_End** or **Stop_PIW** whichever is the earlier
- the number of weeks and days of SSP paid - **Weeks_SSP_PIW** and **Odd_Days_SSP_PIW**
- the number of qualifying days **Number_Qual_Days**
- the date the form is completed
- the employers name address and telephone number

10 Requirement for system produced SSP1(L)

- the employee's name
- the employee's National Insurance number
- the employee's clock or payroll number
- the first day in PIW, **PIW_Start**
- last day for which SSP is due, either **PIW_End** or **Stop_PIW** whichever is the earlier
- the number of weeks of SSP due, **Total_SSP_PIW** ÷ **Weekly_Rate** (≥ 0.5 round-up, <0.5 round down)
- the date the form is completed
- the employers name address and telephone number

Payroll Software specification on Statutory Sick Pay

- advice to employee's that they should hand the form to any new employer

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