

Correcting payroll reports misaligned with payment dates and tax periods

When you report your PAYE in real time, your Full Payment Submission (FPS) must report the correct payment date.

This is the date on which your employees were **paid**.

You should **not** record the date that you ran your payroll as the payment date (unless they are the same) on your FPS.

Your FPS, and any Employer Payment Summary (EPS), must also align to tax rather than calendar periods - for example a tax month is the 6th day of one month to the 5th day of the next - otherwise payments may be allocated to the wrong tax periods.

For example, if you paid your employees on 7 October but ran your payroll on 4 October your FPS should give the:

- payment date as 7 October
- tax month as 6 October - 5 November

Reporting PAYE in real time has highlighted that not all employers are following this approach and are therefore not operating PAYE according to the regulations. You must make sure that PAYE is calculated and reported with reference to the payment date, not the date you ran your payroll, unless they are the same.

If you have not been operating PAYE in this way, you should follow the guidance below.

Step one: correct earlier errors

1. Work out what your next correct payment date should be.
2. Check whether this new, correct date means that the payment date your last FPS reported relates to:
 - a) the same tax period as the one you had already given in your last FPS or
 - b) a later tax period than your last FPS
3. If the answer is (a) the correct figure should be reported in the same tax period as you had already given in your last FPS. You should treat this figure as an extra payment for the tax week or month in question and you should consider sending an additional FPS to make up the balance.
4. If the answer is (b) the correct figure should be reported in a later tax period, you do not need to do anything now. Your next FPS should simply reflect the correct payment date and tax week/month, giving year-to-date figures. It may mean that you need to skip a tax week or month to correct the position.

For example, the:

- last reported incorrect 'payment date' was 1 June and reported as month 2, but the **correct** payment date is the 7 June (month 3)
- next **correct** payment date to report is 7 July which is month 4

If, as a result of making this skip, you have no FPS submissions to make for any month, you should notify HM Revenue & Customs (HMRC) by submitting an EPS showing no

payment due for the period - for further guidance, read 'Employer Payment Summary (EPS)'.
[Employer Payment Summary \(EPS\)](#)

In the example above, a nil EPS is needed for Month 3.

Where no month 12 payment is due to be made to HMRC, the nil EPS should show that it is the final submission of the year.

Step two: make correct future reports in real time

Use the correct tax Week or tax Month number and payment date on your **next** FPS. You do not need to move earnings - just dates of calculation and their recording.

What you don't need to change

Please note that you do not need to change:

- the way you calculate PAYE
- the way you pay your employees
- the frequency or date of payment to employees
- your payments to HMRC - deductions of tax, National Insurance contributions (NICs) and student loans must be paid over to HMRC by the payment deadline for the tax month that the pay date falls within.

For example, deductions from a payment made to an employee on 4 October should be paid over to HMRC by the payment deadline for Month 6 (6 September to 5 October). The payment deadline for Month 6 is 19 October (or 22 October if you pay electronically).

Changing your payment to employees dates

If you decide to change your payment dates for example, to improve alignment with tax periods, you should check what effect that this will have on your employees. Key points to consider and actions to take are detailed below.

For tax

At the point that you change your payroll dates your employee may:

- Incur additional tax in that period. You may want to make your employees aware of this before running your payroll. If this correcting action is likely to cause hardship to any of the affected employees you should contact the HMRC's Employer Helpline before running the payroll to discuss the appropriate course of action.
- Have paid too much tax in that period. A refund or reduction in tax will apply.

If your employee advises you that their P60 does not match their actual annual pay or salary as a result of changing your payroll, you may want to advise them that this has happened and why. You may also wish to consider giving them a letter or other document confirming the correct pay or salary for the tax year.

For National Insurance contributions

If changing your payroll dates will lead to a tax week, fortnight or month being 'skipped', it could lead to impacts on the benefit entitlement of an employee in the tax year in which the realignment takes place, even though the payment of NICs will be correct over the course of the employment (except in some very individual circumstances). If a week or month is skipped, you must take the following action to protect individual employees' entitlements.

1. Once you change your payment date, you should submit an additional FPS recording both NICs (in accordance with the following table) and all of the other 'year-to-date' entries from the last FPS (unless it is the first FPS of the current tax year). You can do this at any time after you change your payment date, but it makes sense to do it at the same time to ensure both the tax and NICs are corrected at the same time.
2. You should report the following for each NICs data set for the relevant NI category letter.

Data item no.	Description	Record as follows
79	NI category	NI category letter(s) reported on last FPS*
79B	Gross earnings NICs this period	Show value as 0.00
82	Value of earnings at Lower Earnings Limit (LEL) to date	Actual Year to Date (YTD) plus the value of the LEL that is in force for the tax year and relates to the earnings period of the employee - ie for the 2013-14 tax year, £109 (weekly paid employees), £218 (fortnightly paid employees) or £473 (monthly paid employees)
86A	Total NICs pay period	Show value as 0.00
86Aa	Total NICs year to date	Value submitted on latest FPS
86B	EE NICs pay period	Show value as 0.00
86Ba	EE NICs year to date	Value on latest FPS

* In any case where you submitted two or more NI category letters on the last FPS, you should submit an FPS showing the above for the NI category letter which currently applies and also submit the same year-to-date data for the NI category letter(s) that do not apply to this pay period.

3. If your software does not allow you to make the adjustments above in-year, you can make them at the end of the tax year instead using an Earlier Year Update (EYU). Your EYU should report as the year-to-date figure for data item 82, the actual year-to-date figures plus the value of the LEL that is in force for the tax year and relates to the earnings period of the employee (ie for the 2013-14 tax year, £109 (weekly paid employees), £218 (fortnightly paid employees) or £473 (monthly paid employees)).

If your software does not allow you to send an EYU to HMRC, you can use HMRC's Basic PAYE Tools to do this, no matter how many employees are involved.

4. A director's annual earnings period means if earnings do not reach the annual threshold for a tax year, no NICs will be due for that tax year.

To correct the error completely, you should go back and realign all payments actually made to the appropriate week/month. But, **exceptionally in these cases**, HMRC has agreed that this is not necessary and realignment can be done from the date the realignment takes place. However, this can mean a reduced amount of earnings will be recorded in this tax year. Benefit entitlement will be protected as long as earnings at the LEL are reported. If earnings to be reported in the tax year fall below the LEL as a result of the realignment, you should adjust the earnings reported to the annual LEL in accordance with the realignment guidance above.