

Year-end payroll procedures (Lecture B1304 – 18.39 minutes)

This article provides a useful summary of the payroll tasks that need to be undertaken by the employer when transitioning from 2021/22 through into 2022/23.

Running the final payroll for 2021/22

For monthly paid employees, this will be the March payroll but remember there will be a 53, 54 or 56-week run where employees are paid weekly, two weekly or four weekly respectively.

A word of warning for directors. Remember their national insurance contributions are calculated on a cumulative basis so the employer will need to check at the year-end that they have paid the correct amount for the year.

File final full payment submission (FPS) report

Having run the payroll for last pay day in tax year, we must file the final FPS report for the tax year and this must be done on or before pay day. When filing this last report it is important to remember to insert 'YES' in the "final submission for year" field.

The filing deadline for the final FPS is 19 April 2022 which means that the report filed on or before the final pay day can be corrected up until this date.

File final employer payment summary (EPS)

Where an adjustment is needed to the FPS, the employer must submit an EPS. This could be because the final FPS needed changing due to an SMP reclaim or a number of other reasons. Maybe the employer did not have any employees to pay in the final payroll period and so no FPS was submitted or simply be due to the employer omitting 'YES' in the "final submission for year" field.

Final Payroll Checklist:

Here is a list of the steps that should have been undertaken by 19 April 2022:

- Do PAYE/NIC payments made to HMRC agree with payroll deductions? If not, check and reconcile and amend
- Do CIS deductions made agree to CIS paid to HMRC?
- Have claims been made on EPS to recover:
 - SMP/SAP?
 - SSP rebate re COVID-19?
 - Employment allowance?
 - CIS suffered if limited company?

If not submit final EPS and make final payment to HMRC by 19/22 April 2022

Errors found after 19 April 2022

If an error is found after 19 April and after submission of the final FPS or EPS:

From April 2020 onwards any correction to 2020/21 and future years must be made on an FPS. This means that corrections for the 2021/22 tax year filing will be made on an FPS in the 2022/23 tax year. In this situation, the FPS reports the current payroll run as usual. The employer would then run a second FPS to show the amendments to the payroll in the prior tax year using the “late reporting” submission (option H- correction to earlier submission), enabling HMRC to pick it up as being a change to a prior tax year.

Issue P60s for 2021/22

The employer must issue 2021/22 form P60s to employees by 31 May 2022.

These are only issued to employees still working for the employer at the tax year end. Remember, leavers during the tax year will already have been issued a P45.

The P60 shows:

- gross taxable pay;
- tax paid – total, in this employment and prior;
- national insurance contributions;
- Statutory payments – SMP, SAP, SSP etc;
- Student and post graduate loan deductions;
- NI number and tax code;
- Employer PAYE reference.

Update payroll software for 2022/23

Employers must download updates from the software provider for 2022/23 and ensure that it is using:

- Correct allowances for 2022/23;
- Correct UK and Scottish tax bands;
- UK tax rates – 20%, 40% and 45%;
- Scottish tax rates – 19%, 20%, 21%, 41% and 46%;
- Updated thresholds for national insurance;
- 2022/23 rates for statutory payments – SMP, SAP, SSP etc.

Update payroll records for 2022/23

The basic tax code usually changes from one tax year to the next, after the budget. However, for 2022/23, the standard tax code remains unchanged at 1257L.

When an employee with a week1/ month 1 tax code moves into the new tax year, this week1/month1 indicator can be removed from 6 April 2022.

Where HMRC want to vary a tax code for an employee, they will issue a P9T form indicating that this is the case.

Expenses and benefits

The filing deadline for the 2021/22 P11D forms is 6 July 2022 and the related Class 1A employer NIC is payable by 19/22 July 2022.

If a PAYE Settlement Agreement (PSA) is in place the calculations must be submitted to HMRC by 31 July 2022 and the related Class1B employer NIC paid by 31 October 2022

Checklist for start of new tax year

And finally, here is a checklist for the start of 2022/23:

- Have new tax codes from HMRC been entered for employees?
- Have 2021/22 week 1/month 1 indicators been removed?
- Check criteria for claiming employment allowance and claim it on first EPS;
- Note new rates for SMP/SAP/ShPP/OSP - £156.66 weekly from 3/4/22;
- Note new rates for SSP - £99.35 weekly from 6/4/22;
- Ensure pay rates comply with both the National Minimum Wage and National Living Wage. from first full pay period after 1 April 2022.

Created from the seminar recorded by Alexandra Durrant