Deel Local Payroll
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UK Checklist: Payroll Year-End reporting

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Essential Guide to Payroll Year-End

Payroll Year-End Process

Introduction

Payroll year-end is a crucial process for UK businesses, ensuring payroll records are accurate and compliant with HMRC regulations before the start of the new tax year. This includes finalising employee payments, submitting necessary reports, and meeting key deadlines.

Employers must complete the final Full Payment Submission (FPS) or Employer Payment Summary (EPS), issue P60s to employees, and settle any outstanding taxes and National Insurance contributions. Following these steps helps businesses avoid penalties and stay compliant with UK tax laws.

This checklist outlines the essential tasks and deadlines to help employers successfully close their payroll year.

Main Documents and Processes

1. **Final Full Payment Submission (FPS):** A Full Payment Submission (FPS) is a report sent to HMRC detailing an employee's earnings, tax, and National Insurance contributions. It must be submitted each time an employee is paid and should reach HMRC within three days of the payment date. At the end of the tax year, the FPS for the final period must include the 'final submission' indicator to let HMRC know no further filings are required, allowing HMRC to close their records. If an employer is unable to submit the report by the pay date, it may be considered a late submission. However, HMRC generally accepts a final FPS until 19 April, which is also the deadline for submitting the Employer Payment Summary.

2. **Employer Payment Summary (EPS):** An employer must submit an Employer Payment Summary (EPS) to reclaim statutory payments (such as maternity or paternity), claim the Employment Allowance, reclaim Construction Industry Scheme (CIS) deductions, or pay the Apprenticeship Levy if their annual pay bill exceeds £3 million. An EPS is also required if no payments were made in the final pay period or if the final FPS was submitted early without payments for one or more full tax months.

When submitting an EPS for Month 12 (March 6–April 5) after the final FPS, ensure to mark the EPS as final, just like the FPS. The due date for submitting the Employer Payment Summary is the 19th of April.

3. **Prepare and Distribute P60s:** The P60 provides a summary of each employee's pay and deductions for the year. All employees who were employed by the company on the last day of the tax year must receive their P60 by 31 May. Employers have until 31 May to finalise and distribute these forms.

4. **Report Benefits and Expenses:** Employers must report expenses and benefits received by each employee during the tax year to HMRC. They can either report benefits throughout the year using payroll software (known as payrolling) or submit the P11D forms at the end of the tax year.

   If the employer pays expenses and benefits through payroll (payrolling), they must report them using payroll software and pay tax on them throughout the year. In this case, only the Class 1A National Insurance contributions need to be reported on a P11D(b) form at the end of the year.

   If expenses and benefits are not payrolled, the employer must submit a P11D form for each employee receiving taxable benefits, along with a P11D(b) form to report any Class 1A National Insurance owed.

   Most payroll benefits can be payrolled, except for employer-provided living accommodation and beneficial loans, which must still be reported on a P11D form. For company cars, if the benefit is payrolled, no P46 (Car) form is required.

   Employers must submit the P11D form by 6 July following the end of the tax year. Additionally, they must submit the P11D(b) form to declare the amount of Class 1A National Insurance due on benefits provided to employees. The employer must pay Class 1A National Insurance by 22 July.

   Note: To simplify and modernise the tax system, the Government has announced that from April 2026, all benefits in kind will need to be payrolled. Further details on the mandatory payrolling requirements will be provided once the legislation is published later this year.

5. **Pay PAYE and NIC to HMRC:** An employer must pay their PAYE and NIC bill to HMRC by 19 April if paying by post, or 22 April if paying digitally. The **P30 Employer Payment Summary** and **P32 Employer Payment Detail Report** are key documents for UK employers, summarising payments owed to HMRC each tax period.

   The P32, also known as the Employer Payment Record, is a monthly summary of the amounts you have paid to HMRC. It includes all payments for PAYE (Pay As You Earn), student loan deductions, and National Insurance contributions.

Since the introduction of Real-Time Information (RTI), the details in P32 are sent automatically as part of your FPS and EPS. The P30 is a summary of the PAYE (Pay As You Earn) and National Insurance contributions you have paid to HMRC. It functions similarly to a payslip, confirming the total amount you owe HMRC each month or quarter. The system provides both reports to assist with the payment reconciliation process.

6. **Review HMRC Guidelines:** Check for any updates to tax codes, or reporting requirements to ensure compliance with the latest regulations. HMRC issues the Employer Bulletin six times a year, providing employers and agents with the latest information on topics and issues that may impact them. Although the system is updated regularly, employers should remain aware of any changes.

Other Payroll Considerations

1. **Follow Regular Payroll Procedures:** As part of the regular payroll process, thoroughly review and update all payroll records. This includes verifying details for new starters, leavers, tax codes, and any other payroll changes for the current pay period. Ensuring all information is accurate before finalising the payroll helps prevent errors and ensures compliance.

2. **Calculate National Insurance for Directors**: Directors' NICs can be calculated using either the annual earnings method or the alternative method. The system automatically performs the calculations.
    - **Alternative Method:** NICs are calculated on earnings in each pay period, similar to regular employees. At the end of the tax year, adjustments are made in the final pay period to align with the annual threshold, ensuring any overpayment or underpayment is corrected.
    - **Annual Earnings Method:** NICs are calculated based on total earnings over the tax year rather than per pay period. Since contributions are assessed against the annual threshold throughout the year, no end-of-year adjustment is needed.

    Employers should be aware of any overpayment or underpayment in the final pay period.

What actions to follow on Deel Local Payroll

1. Maintain Accurate Payroll Records

Action Required By 5 April: Follow standard payroll procedures by thoroughly checking and updating all payroll records. This includes reviewing details for new employees, those leaving, tax codes, and any other payroll changes for the current pay period. Ensure all information is accurate before finalising the payroll and submitting the final FPS.

2. Confirm the Final Pay Date for the Tax Year

Action Required By 5 April: If the pay date (the date employees receive payment) is on or after 6th April, it will be considered Week 1, Week 2, Week 4, or Month 1 in the new tax year.

Week 53 occurs when the regular pay date falls on 5 April (or 4th April in a leap year) based on the payroll calendar year, as the tax year doesn't divide evenly into tax weeks. A typical year consists of 52 weeks and 1 extra day (or 2 extra days in a leap year). This is because 52 weeks (52 x 7 days) equals 364 days, leaving 1 day (or 2 in a leap year) remaining. Depending on the payment date, this can create a 'Week 53' in some PAYE years.

For weekly, fortnightly, or four-weekly payrolls, you may need to process an extra period after Week 52 to complete the PAYE tax year. Monthly payrolls do not have a Week 53. The system automatically calculates the correct period based on the payroll calendar.

This extra period is called Week 53, Week 54, or Week 56, depending on the payroll frequency.

The following applies to different payroll frequencies:

- **Weekly Payroll (if the final payday is 5 April)**: This will be a Week 53 payroll, covering the period from 5 April to 11 April.
- **Bi-Weekly Payroll (if the final payday is 5 April):** This will be a Week 54 payroll, covering the period from 5 April to 18 April.
- **Four-Weekly (Monthly) Payroll (if the final payday is 5 April):** This will be a Week 56 payroll, covering the period from 5 April to 2 May.

Tax and National Insurance Impact:

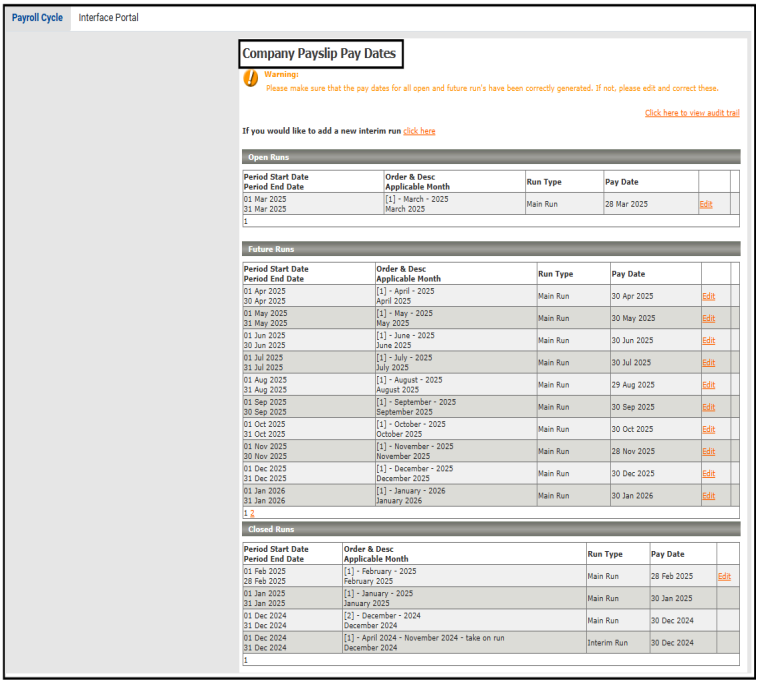
The National Insurance calculation remains the same as usual. The only change to tax is that all employees are assigned a Week 1 or Month 1 tax code for the extra pay period. This means the tax calculation will be based only on the current pay period, not on any previous pay or tax for the year.

Company Payslip Pay Dates:

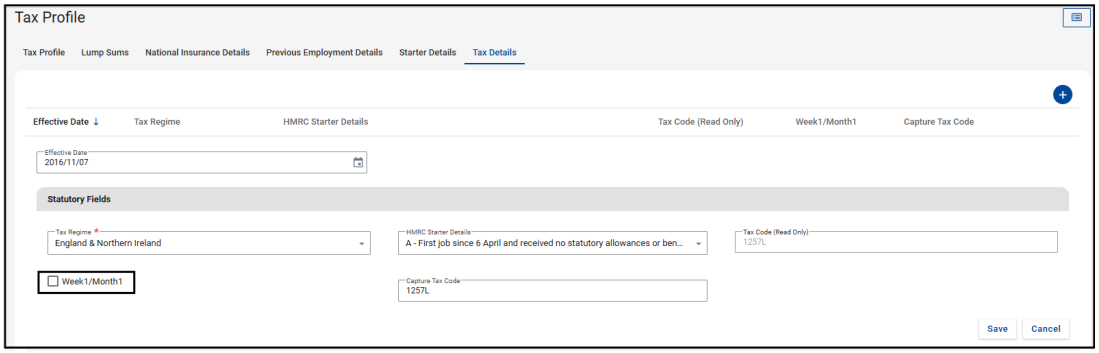
The Company Payslip Pay Dates are configured when the company is registered on the system. Based on the selections made during this process, the system will automatically create pay runs that indicate the start and end dates, a description, the run type and the pay day for every pay run. These pay runs can be viewed on the **Company Payslip Pay Dates Screen.**

- **Payslip Pay Dates:** These are automatically generated based on the customer's first selected pay date when setting up the payment frequency.
- **Changing Payslip Pay Dates:** Pay dates can be adjusted but must align with the fixed pay date calendar set by HMRC. This will be ready for the new tax year, but we recommend checking the pay dates to ensure the correct dates have been selected for the upcoming year.

Note: Pay dates in the UK can be changed to weekends, but they cannot fall on a bank holiday. If an invalid pay date is chosen, an error message will appear.



If Week 1 or Month 1 applies, tick the box on the Employee Tax Profile/Tax Details tab. This will ensure that tax is calculated on a non-cumulative basis.



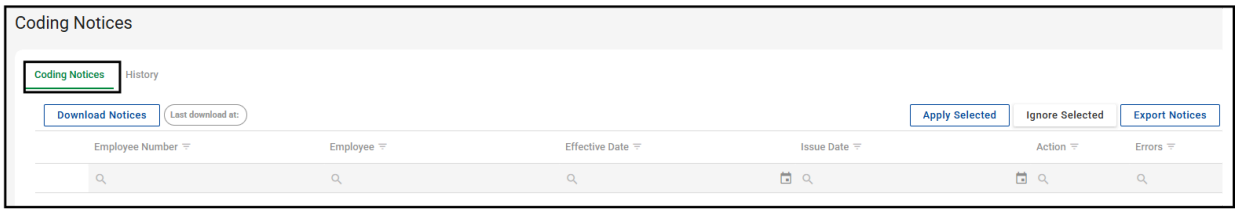
Tax Details Tab Overview

The information entered on the Tax Details tab affects the employee's tax rate.

Field	Description
Effective date	Enter the effective date of the tax code, issued by the HRMC
Tax Code	Determines the tax calculation applied
Tax Regime	Determines whether the employee will be taxed on Scotland/England & Northern Ireland or Welsch tax tables
Week1/Month1	Tick this option if a non-cumulative tax calculation must be applied. When will it be applied: • If the HRMC gives the instruction that the employee must be taxed this way • When a company has either a 27 or 53 week Pay Period

An employee's Tax Code can change throughout the tax year. Coding Notices received from HMRC will be viewable on the Interface Portal/RTI dashboard. This will be received as a P6, or P9, coding notice on the RTI dashboard.

All P6 or P9 dashboard flags on the RTI dashboard pertain to tax code changes.



3. Complete Final Pay Run

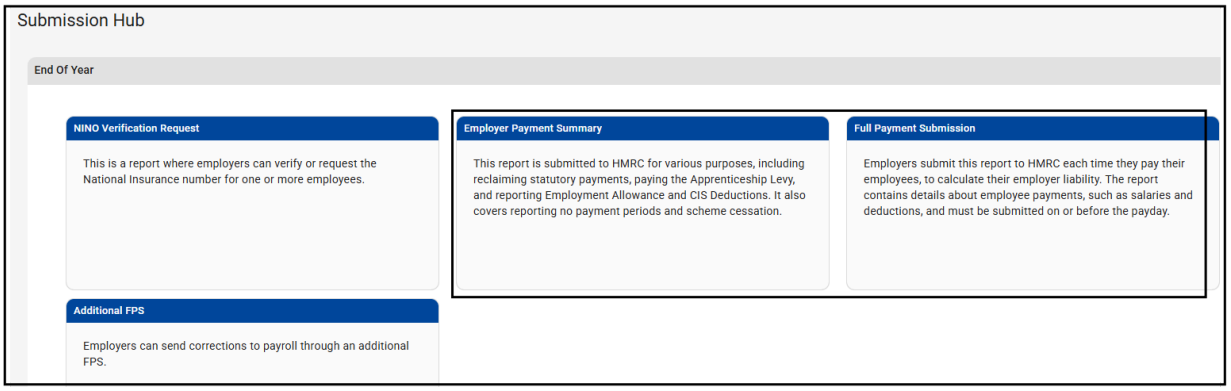
Action Required By 19 April: As with previous pay runs, a final pay run must be completed. If there are no employees to pay, process a nil payment pay run.

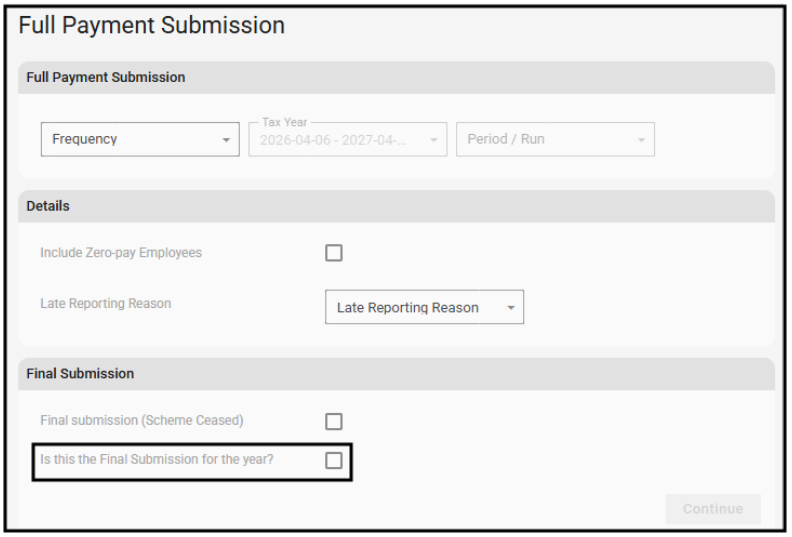
Please note: the payment date must fall within month 12 (usually between 6 March and 5 April).

Once the final pay run is complete and any updates to starters and leavers are made, submit the final FPS and, if necessary, the EPS by 19 April. Make sure to carefully check the submissions to avoid any errors.

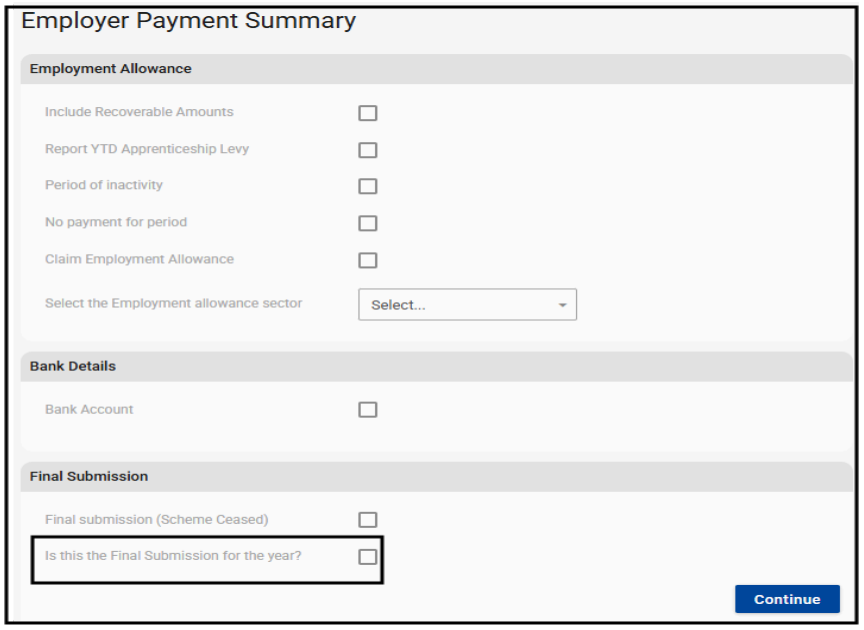
Avoiding errors that require retrospective adjustments is crucial. If adjustments are needed after 19 April, additional FPSs or EPSs will need to be submitted.

The payroll software will submit the final FPS to HMRC. The PAYE (P32) payment is due by 19 April if paying by post, or by 22 April if paying digitally.

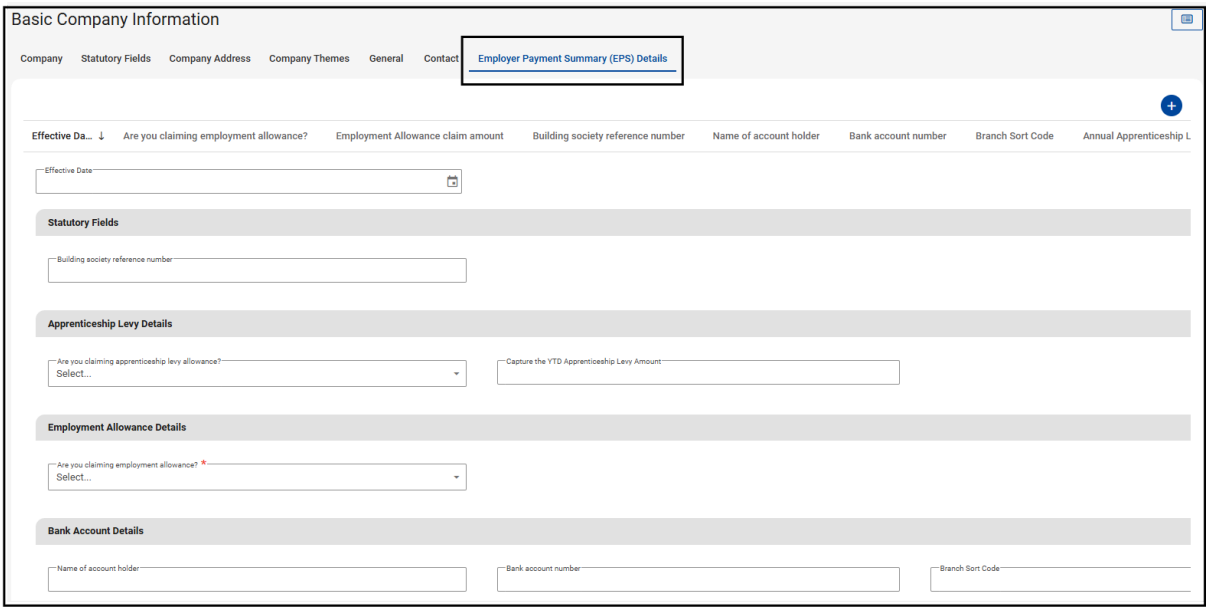




If the final submission indicator is missing on the FPS, the employer can submit an EPS with the correct indicator to correct it.



Ensure that the applicable information is completed on the Basic Company Information/Employment Payment Summary (EPS) Details before submission.



Basic Company Information Tab Overview

Field	Description
Building society reference number	Enter the appropriate Building Society reference if this is applicable.
Annual Apprenticeship Levy Allowance Amount	Enter the annual apprenticeship levy allowance amount being claimed for the Apprenticeship Levy calculation, reported on the Employer Payment Summary (EPS) report. The maximum annual allowance is £15000.
Are you claiming employment allowance	Select “Yes” if the employer is eligible to claim employment allowance. Select “No” if the employer is not eligible to claim an employment allowance. The maximum annual allowance is £5000.
Employment Allowance claim amount	If the user selects “Yes” on the field “Are you claiming employment allowance,” enter the amount of allowance being claimed. The Employment Allowance claim amount will be reduced from the Employers Class 1 NIC liability on the P30 and P32 report.
Name of account holder	Enter the employers account holder details for the HMRC to refund money owed to the employer when statutory reclaims are made.
Bank account number	Enter the employers bank account number details for the HMRC to refund money owed to the employer when statutory reclaims are made.
Branch sort code	Enter the employers branch sort code details for the HMRC to refund money owed to the employer when statutory reclaims are made.

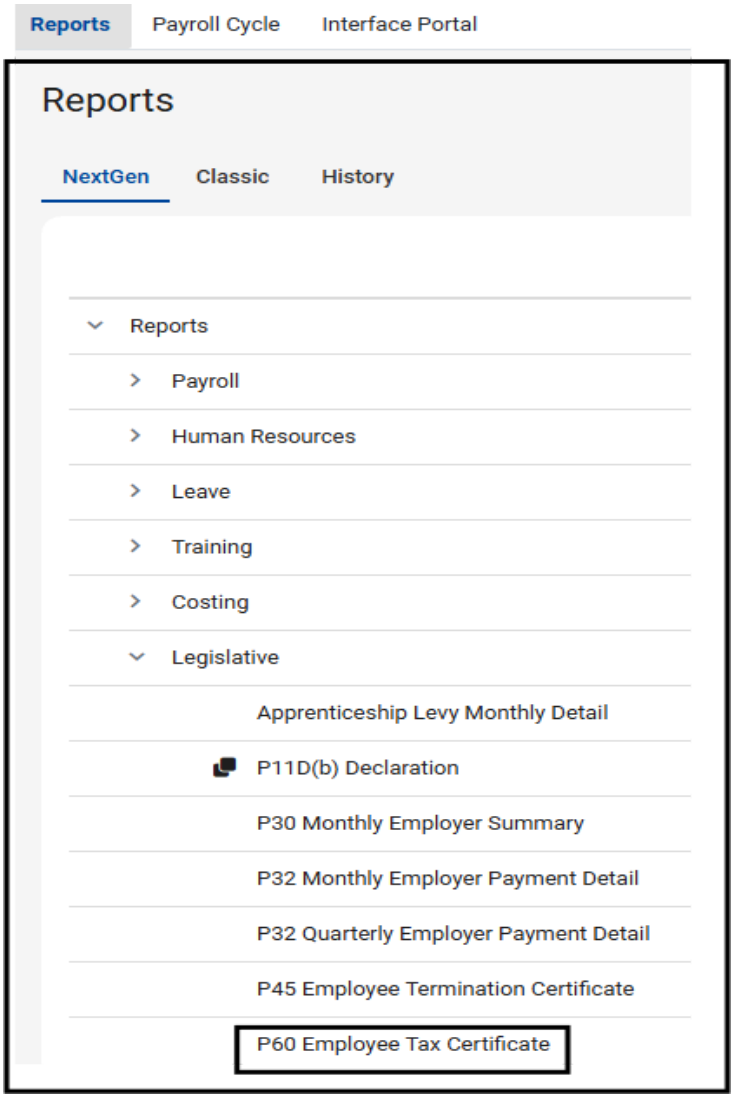
4. Prepare and issue P60s

Action Required By 31 May

Generating P60 Certificates: Clients must generate the P60 certificates after closing the final pay period of the 2024/25(current tax year) tax year.

Viewing P60 Certificates: Once the P60 certificates are generated, they will appear on the employee's Self-Service portal.

Integration Considerations: Please check if the P60 will also be visible on your integration application's ESS, as this may vary.

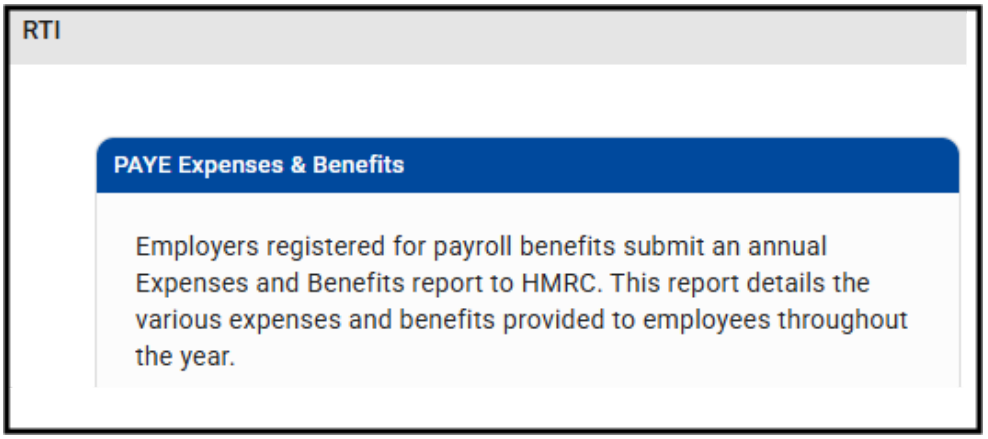


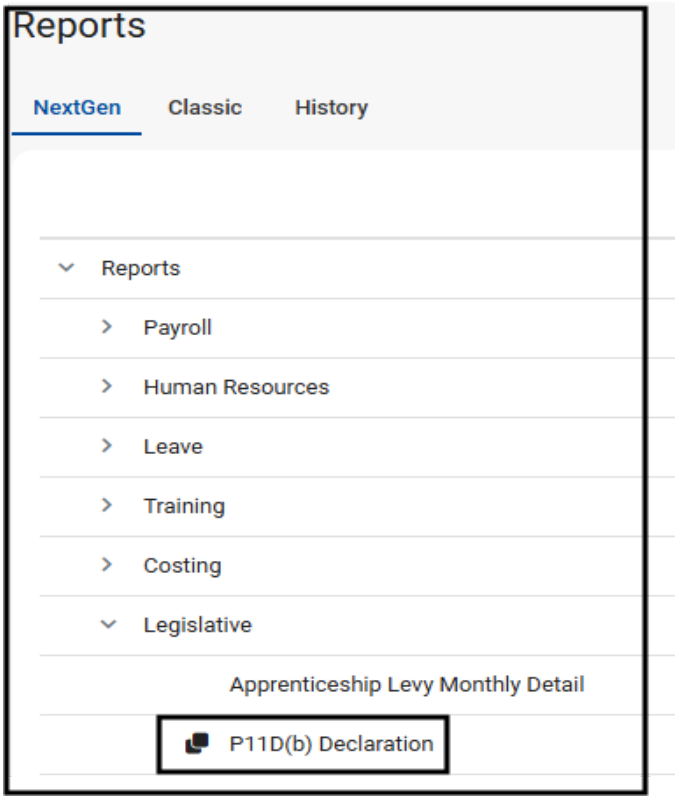
5. Reporting expenses and benefits

Action Required by 6 July and 22 July

At the end of the tax year, if benefits are payrolled, the employer only needs to report the Class 1A National Insurance contributions due using the P11D(b) form. However, if the benefits are not payrolled, the employer must submit both the P11D form (for the benefits) and the P11D(b) form (to report the Class 1A National Insurance).

- **Generating PAYE Expenses and Benefits File through RTI :** Applicable to employers who process their expenses and benefits through payroll (payrolling).
- **Generate P11D** to report expenses and benefits not payrolled, such as living accommodation and interest-free loans, provided to employees.
- **Generate P11D(b)** to declare the amount of Class 1 National Insurance Contributions on all expenses and benefits provided throughout the year.





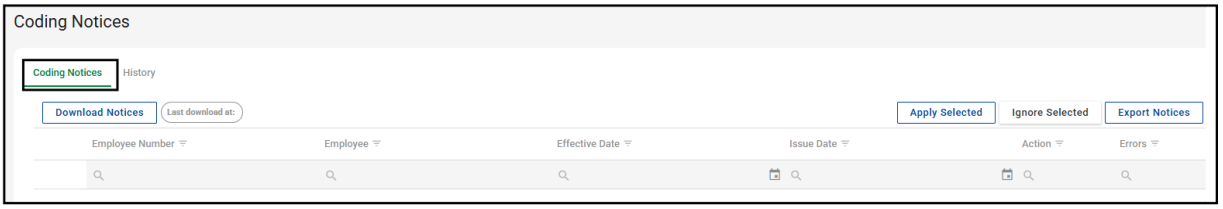
6. Start a new payroll year

Action Required By 6 April

Tax Rates and Updates: All new tax rates and statutory updates will be applied to the Production environment and ready to use by the start of the new tax year. However, we recommend clients conduct UAT testing in their TEST environments before the year-end to ensure everything works as expected.

Non-Cumulative to Cumulative Tax Codes: Clients must ensure that all employees currently on non-cumulative tax codes are switched to cumulative tax codes at the start of the new tax year.

HMRC will issue a **P9 tax code notification**, potentially changing some employees' tax codes. Employers must review the document for any changes to the employee tax code. This update should be made after converting non-cumulative tax codes to cumulative. If the P9 notification arrives on 6 April 2025, it will override previous tax code changes.

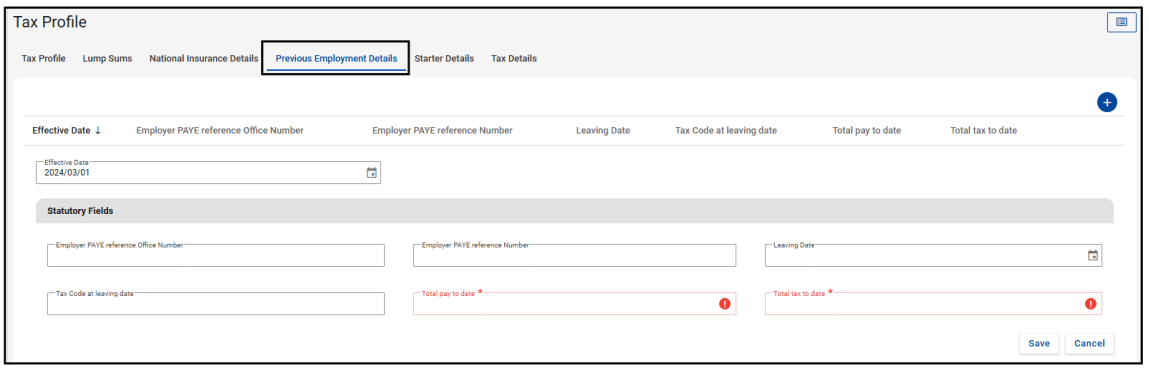


Managing Starters and Leavers

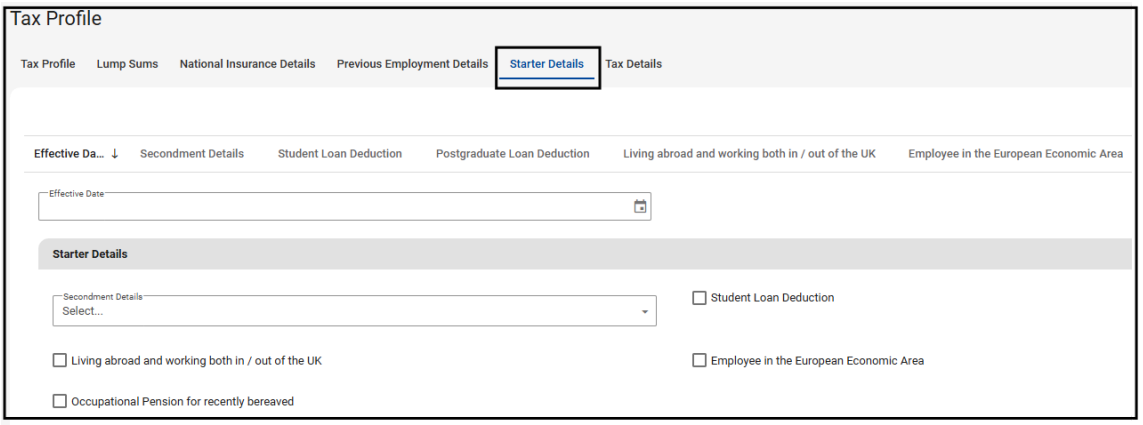
- **Leavers:** No tax code updates are required for employees who leave before 6 April, even if paid after this date. However, if a payment is made post-departure and a **P45** has been issued, tax must be deducted as follows:
    - OT – No tax code available
    - SOT – 'S' prefix tax code
    - COT – 'C' prefix tax code

    (All processed on a non-cumulative basis)

- A **P45** is an important document that employers must provide when an employee leaves their employment. It summarises the employees' earnings and tax deductions for the current tax year up to their leaving date. The P45 is vital for the employee, as it helps them give accurate information to their new employer or claim any benefits they may be entitled to.



- **New Starters (6 April – 24 May):** If a new employee provides a P45, follow HMRC's guidance for processing their tax code.



Statutory Reporting Summary

Report Name	Due Date	Method of Submission
Full Payment Summary (FPS)	5 April - On or before the employee's last payday of the tax year, ending 5 April, to the HMRC. The deadline for final submission is 19 April.	RTI through payroll or HMRC Basic Tool (BPT)
Employer Payment Summary (EPS)	If required by 19 April	RTI through payroll or HMRC Basic Tool (BPT)
P60	31 May	Prepare and issue to employees from payroll software
Expenses and Benefits file	6 July	Generate in payroll and submit via RTI
P11D and P11D(b)	6 July	HMRC PAYE Online service forms
P32 Employer Payment Detail Report is a monthly payment detail report of payments made to employees & PAYE liabilities reported through FPS	Payment is due by 19 April if paying by post, or 22 April if paying digitally	Generate the payroll report at the end of each tax month (6th to 5th). This report assists with payment reconciliation.
P30 Employer Payment Summary is a monthly summary of payments made to employees & PAYE liabilities reported through FPS	Payment is due by 19 April if paying by post, or 22 April if paying digitally	Generate the payroll report at the end of each tax month (6th to 5th). This report assists with payment reconciliation.

Other Payroll Dates

Due Date	Task	Requirement
5 April	End of the tax year	Verify payroll end date, starters and leaver records
5 April	The last day to update employee payroll records (Before the start of the new tax year)	Update Employee Payroll Records
6 April	The new tax year starts	Prepare for the new payroll year by reviewing P9X. This document outlines the tax codes that need updating, how to make changes, and which codes should be carried forward for the new tax year starting 6 April. Review key thresholds and processes to ensure everything is accurate and up to date.
22 April	The deadline for month 12 PAYE. The PAYE (P32) payment is due by 19 April if paying by post, or by 22 April if paying digitally	PAYE bill due to HMRC
22 July	The deadline for payments of class 1A National Insurance Contributions on benefits in kind to HMRC	Direct debit with HMRC online account payment option

Payroll year-end checklist

Successfully navigating year-end payroll requires preparation, and a checklist for tax year-end tasks is a key tool to ensure everything is completed on time.

Completed	Year-End Checklist
☐	Check leavers and new starters before processing FPS or EPS
☐	Calculate National Insurance for directors
☐	Process your final pay run
☐	Send the final last FPS or EPS to HMRC
☐	Report your expenses and benefits by submitting P11D and P11D(b) manually or submitting Expenses and Benefits file in RTI
☐	Issue P60s to all employees working on the final day of the tax year
☐	Remember PAYE payment

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