Guidance for employers on:

Identifying and correcting payments reported in the incorrect year

General end of year issues.
1. Purpose of document

Following contacts from employers who have incorrectly processed December 2018 and January 2019 payroll, this document provides guidance to employers on how to reconcile their submissions. Employers who made payments to employees in January 2019 in respect of work carried out in 2018 and included this payment in their 2018 December P30 and 2018 P35 using December 2018 credit/rate bands to calculate employee deductions must amend their records.

Additional guidance is provided for some end-of-year issues.

2. Employers who made payments to employees in 2019 and reported these payments in the 2018 P35

This section provides guidance to employers on how to reconcile their records where employers reported, in their 2018 P35 return, payments made to employees during January 2019. This may result in employees having only 51 weeks’ contributions at the end of 2019.

This is not in line with PAYE legislation and regulations and should be rectified immediately.

Requirements

Under the tax credit system, an employee is entitled to credits and cut-off points depending on their personal circumstances. Tax and USC must be deducted or refunded in accordance with: employee’s tax credits; employee’s tax and USC cut-off points; the tax and USC rates applicable at the time the payment is made (i.e. the date the payment is available to the employee). This must be applied even if all or part of the payment is considered earned, or treated as earned, in a different period.

The date that the employee receives the payment determines the period and tax year that the payment applies to and, regardless of the employment period they relate to, any payments that were paid to employees in 2019 must be included in a payroll submission for 2019 and must not be included in the 2018 P35 or the December 2018 P30.

To reconcile records and returns, the Employer must ensure that:

- An amended 2018 P35 and P35L is filed, excluding payments made in 2019. This may result in the amended 2018 P35L and P60 showing less than 52 weeks’ pay for affected employees.

- The LPT value on the amended 2018 P35 should only include LPT deductions made in 2018. LPT deducted in 2019, but reported in the 2018 P35, must be amended in the same manner.

- The 2018 P35 includes a PRSI contribution for each insurable week an employee was in employment in 2018. The amended 2018 P35L should include the appropriate number of insurable weeks in line with the number of weeks actually worked by the employee. For example, if an employee had 52 weeks of employment in 2018, the amended 2018 P35L should include 52 insurable weeks, even where it shows only 51 pay weeks.

- Employees are informed of such amendments, as they may have an impact on their 2018 tax record. The employee can address this by filing/refiling a Form 11 or Form 12 for 2018. This may result in an overpayment or underpayment of tax for 2018.

December 2019
3. Employers who made payments to employees in 2018 and reported these payments with a pay date of 2019

This section provides guidance to employers on how to reconcile their records where payments made to employees during December 2018 were calculated using 2019 tax credits/rate bands. As these payments were made in 2018 these pay details should have been reported to Revenue in the 2018 P35 and not in 2019 payroll submission.

This is not in line with PAYE legislation and regulations and must be rectified immediately.

Requirements

Any payments that were paid to employees in 2018, regardless of when the work was carried out, should be included in the 2018 P35. These pay details should not be reported in a payroll submission for January 2019.

To reconcile records and returns, the Employer must ensure that:

- Any payments made in 2018 which were reported in a payroll submission with a pay date in 2019 are deleted from that payroll submission. This will result in the employer’s return for January 2019 being amended.

- An amended 2018 P35 and P35L is filed, including payments made in 2018 but reported in 2019 with a 2019 payment date.

- The LPT value on the amended P35 and P35L should only include LPT deductions made in 2018.

- The 2018 P35 includes a PRSI contribution for each insurable week an employee was in employment in 2018. The amended 2018 P35L should include the appropriate number of insurable weeks in line with the number of weeks actually worked by the employee. For example, if an employee had 52 weeks of employment in 2018, the amended 2018 P35L should not show 53 insurable weeks, unless there was a genuine Week 53 pay date.

- Any 2018 P60s and P45s that did not include all 2018 payments should be amended and reissued to employees to replace the incorrect ones, which should be destroyed.

- Employers must inform employees that the amendment could have an impact on their 2018 tax record. This can be addressed by the employee filing/refiling a Form 11 or Form 12 for 2018. This may result in an overpayment or underpayment of tax for 2018.
The correct year-to-date credits are being applied and that the correct year-to-date tax is being deducted. Also that in the next 2019 payroll run, the tax credits/rate bands being applied are those which apply to the period in which the payment is being made. For example, if a weekly paid employee is being paid on 10th December, then Week 50 credits/rate bands should be applied to that payment. See Appendix for payroll periods.

4. Related information

This section provides additional guidance to employers on aligning payment dates at end-of-year.

Advance/holiday payments

Tax credits/rate bands set against any ‘holiday pay’ paid in advance are strictly those that relate to the income tax week in which the payment is made.

- **Within same tax year.** If the effect of paying holiday pay in advance is that the employee receives the equivalent of two weeks’ pay in the same week and no pay in the following week, the tax credits/rate band for those two weeks may both be used as long as both weeks are in the same tax year.

**Spanning two tax years.** If the advance/holiday payment spans two tax years, the above scenario cannot be applied as it may result in an underpayment of tax in the year in which the payment is made (because the amount of credits/rate bands used in the year exceeds the annual limit). However, if this has occurred, the employee will be required to file a Form 11/Form 12 tax return and may need to make a payment to balance their record.

To ensure that the correct tax is deducted from the employee, and avoid an underpayment of tax, the employer can either:

a) Make a double payment in 2019 and use only one week’s tax credits, as in the example below. It should be noted that this can result in lower than expected net pay as all of the 2019 credits will have been used (a week 53 cannot be used in this instance). As there will be no payroll reported in tax week 1 of 2020, two weeks of credits will be available in tax week 2 of 2020, resulting in higher net pay.

Or

b) Run payroll in advance: one week with a payment date in December 2019, one week with a payment date in early January 2020, using the actual pay dates. The employee receives the expected net pay i.e. does not receive two weeks’ pay before Christmas.

**Example – Holiday pay spanning two tax years**

Employee is normally paid every Friday in 2019. The employer wishes to pay two weeks’ pay on Tuesday 24 December in respect of pay days Friday 27 December 2019 and Friday 3 January 2020 because the business is closed over Christmas.

- The employer applies only one week of credits/rate bands (week 52 of 2019) to the payment made on 24 December 2019. The payroll submission in respect of this payment should also report only 1 insurable week i.e. Week 52 in 2019.

- When the employee is paid on Friday 10 January (Week 2), the calculation should be based on pay period 2 of 2020 and an employee on a cumulative basis will get the benefit of the first two weeks credits/rate bands for 2020.

In terms of PRSI, as the employee will not be paid in Week 1 of 2020 (3 January 2020), one of the following options should be used to correctly record the insurable weeks for PRSI purposes:
The employer can submit a “NIL” pay value payroll submission in Week 1 (3 January 2020) showing 1 insurable week
or
The employer can report 2 insurable weeks (PRSI) on the payroll submission for the Week 2 pay date (10 January 2020). It is essential that each subsequent weekly payroll submission should show only 1 insurable week.

Payment Date and Bank Holiday – Funds transfer through bank

Where pay day falls on a bank holiday and an employee is due to be paid by funds transfer on that day, Revenue regards the bank holiday as the pay day. In cases where the payment is made by funds transfer the employer may wish to make the funds available to the employee on the last banking day before the bank holiday and report the payment date as the bank holiday date.

Example

An employee’s normal pay day is Wed 1 January 2020. The payment cannot be made on 1 January 2020 as it is not a SEPA/TARGET date, so the employer makes the payment on Tuesday 31 December 2019. In this scenario, the pay date should be reported as 1 January 2020, applying credits/rate bands for tax Week 1 of 2020, even though the payment is made on 31 December 2019.
## Appendix 1

### Sample Tax Weeks 2018, 2019 & 2020

<table>
<thead>
<tr>
<th>Tax Week</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week 1</td>
<td>Mon 1 Jan to Sun 7 Jan</td>
<td>Tues 1 Jan to Mon 7 Jan</td>
<td>Wed 1 Jan to 7 Tues Jan</td>
</tr>
<tr>
<td>Week 2</td>
<td>Mon 8 Jan to Sun 14 Jan</td>
<td>Tues 8 Jan to Mon 14 Jan</td>
<td>Wed 8 Jan to Tues 14 Jan</td>
</tr>
<tr>
<td>Week 3</td>
<td>Mon 15 Jan to Sun 21 Jan</td>
<td>Tues 15 Jan to Mon 21 Jan</td>
<td>Wed 15 Jan to Tues 21 Jan</td>
</tr>
<tr>
<td>Week 4</td>
<td>Mon 22 Jan to Sun 28 Jan</td>
<td>Tues 22 Jan to Mon 28 Jan</td>
<td>Wed 22 Jan to Tues 28 Jan</td>
</tr>
<tr>
<td>Fortnight 1</td>
<td>Mon 1 Jan to Sun 14 Jan</td>
<td>Tues 1 Jan to Mon 14 Jan</td>
<td>Wed 1 Jan to Tues 14 Jan</td>
</tr>
<tr>
<td>Fortnight 2</td>
<td>Mon 15 Jan to Sun 28 Jan</td>
<td>Tues 15 Jan to Mon 28 Jan</td>
<td>Wed 15 Jan to Tues 28 Jan</td>
</tr>
<tr>
<td>Fortnight 3</td>
<td>Mon 29 Jan to Sun 11 Feb</td>
<td>Tues 29 Jan to Mon 11 Feb</td>
<td>Wed 29 Jan to Tues 11 Feb</td>
</tr>
<tr>
<td>Month 1</td>
<td>Mon 1 Jan to Wed 31 Jan</td>
<td>Tues 1 Jan to Thurs 31 Jan</td>
<td>Wed 1 Jan to Fri 31 Jan</td>
</tr>
<tr>
<td>Week 48</td>
<td>Mon 26 Nov to Sun 2 Dec</td>
<td>Tues 26 Nov to Mon 2 Dec</td>
<td>Wed 25 Nov to Tues 1 Dec</td>
</tr>
<tr>
<td>Week 49</td>
<td>Mon 3 Dec to Sun 9 Dec</td>
<td>Tues 3 Dec to Mon 9 Dec</td>
<td>Wed 2 Dec to Tues 8 Dec</td>
</tr>
<tr>
<td>Week 50</td>
<td>Mon 10 Dec to Sun 16 Dec</td>
<td>Tues 10 Dec to Mon 16 Dec</td>
<td>Wed 9 Dec to Tues 15 Dec</td>
</tr>
<tr>
<td>Week 51</td>
<td>Mon 17 Dec to Sun 23 Dec</td>
<td>Tues 17 Dec to Mon 23 Dec</td>
<td>Wed 16 Dec to Tues 22 Dec</td>
</tr>
<tr>
<td>Week 52</td>
<td>Mon 24 Dec to Sun 30 Dec</td>
<td>Tues 24 Dec to Mon 30 Dec</td>
<td>Wed 23 Dec to Tues 29 Dec</td>
</tr>
<tr>
<td>*Week 53</td>
<td>Mon 31 Dec</td>
<td>Tues 31 Dec</td>
<td>Wed/Thurs 30/31 Dec</td>
</tr>
<tr>
<td>Fortnight 24</td>
<td>Mon 19 Nov to Sun 3 Dec</td>
<td>Tues 19 Nov to Mon 2 Dec</td>
<td>Wed 18 Nov to Tues 1 Dec</td>
</tr>
<tr>
<td>Fortnight 25</td>
<td>Mon 3 Dec to Sun 16 Dec</td>
<td>Tues 3 Dec to Mon 16 Dec</td>
<td>Wed 2 Dec to Tues 15 Dec</td>
</tr>
<tr>
<td>Fortnight 26</td>
<td>Mon 17 Dec to Sun 30 Dec</td>
<td>Tues 17 Dec to Mon 30 Dec</td>
<td>Wed 16 Dec to Tues 29 Dec</td>
</tr>
<tr>
<td>*Fortnight 27</td>
<td>Mon 31 Dec</td>
<td>Tues 31 Dec</td>
<td>Wed/Thurs 30/31 Dec</td>
</tr>
<tr>
<td>Month 12</td>
<td>Sat 1 Dec to Mon 31 Dec</td>
<td>Sun 1 Dec to Tues 31 Dec</td>
<td>Tues 1 Dec to Thurs 31 Dec</td>
</tr>
</tbody>
</table>

*Week 53/Fortnight 27/4 Weekly 14 only occur where the final pay date in the year falls on the 31st December (e.g. the normal pay day in 2019 is Tuesday). Tax weeks are dependent on pay day.*