

PAYE Regulation 16 - Arrears of pay being paid to an employee who has left an employment

Part 42-04-24B

Document last reviewed December 2023



1. Introduction

With effect from 1 January 2019, the Income Tax (Employments) Regulations 2018 ('the Regulations') govern the operation of the PAYE system as it relates to income tax. This manual sets out how PAYE operates on arrears of pay paid to an employee who has left an employment. See Regulation 16.

2. Operation of PAYE on arrears of pay

2.1 Arrears of pay to current employees

Where arrears are paid to current employees, tax deductions are calculated by reference to the Revenue Payroll Notification ('RPN') that has been sent or made available to the employer in advance of the payment.

An RPN is defined in Regulation 2 of the Regulations as the latest notification issued or made available to an employer in respect of an employee. Employers are required to use the latest RPN available and it must be for the tax year in which the payment is being made.

2.2. Arrears of pay to employees who have left the employment

Where arrears are paid to employees whose employment with the employer has ceased:

- if an RPN has been sent to or made available to the employer, the amount of tax to be deducted is calculated by reference to the RPN. The employer will need to ensure that the latest RPN is being used.
- in any other circumstances, tax must be deducted at the higher rate of tax applicable on the date the payment is made.

[Part 42-04-35A](#) - 'The Employers' Guide to PAYE with effect from January 2019' provides information on post cessation payments incorporating arrears of pay at Chapter 8.9.3.

3. USC on arrears of pay

USC is due on the date of payment of the emoluments (including arrears of pay) irrespective of whether those emoluments may be attributable to an earlier year.

A more recent version of this manual is available.