HMRC - PAYE130025 - Allowances

The table shows the allowances and identifies whether

The amount is carried forward to be coded in CY+1 And if

You need to make a manual calculation before recording the information

Note: Where you make a manual calculation make sure you use the correct rates, Scottish income tax rates or the rates that apply to the rest of the UK.

PAYE11110 also gives more information about certain allowances.

\*Note: You should save and submit entries on the IABD screen for CY+1 completing the Contact History screen. If you do not update CY+1, annual coding will carry forward the CY amount recorded.

\*\*Note: Relief for Friendly Societies Subscriptions and Widows and Orphans Subscriptions is not available from 5 April 2013. These allowances will not be carried forward after this date. This change does not affect relief for Trade Union Subscriptions.

Blind Person’s Allowance

Displays any current amount already allowed

You should make any changes on the Details screen which displays

Blind Person’s Allowance - This field can be edited so that you can enter the allowance for any new claims received. This field should not be used in surplus allowance transfer cases on the receiving partner’s record

Transfer Surplus Allowance to Spouse / Civil Partner tick box. This should be completed on receipt of form 575

Date from which first registered

Once the Landing screen has been submitted the coding calculation will

Calculate the amount due from coding

Record the Surplus Amount Transferred to Spouse / Civil Partner if the Transfer Surplus Allowance to Spouse / Civil Partner tick box is checked

You must then, manually

Enter the Amount Received from Spouse / Civil Partner on the record of the receiving spouse / civil partner

Note: Blind Person’s Allowance will still appear in both partners’ tax codes, as the allowance transfer is only provisional until the end of the tax year when the full liability is known for both partners.

If both the Blind Person’s Allowance and the Amount Received from Spouse / Civil Partner is allowable, you will only see the amount of Blind Person’s Allowance on the Allowance screen. You must [select] the details page to view the Amount Received from Spouse / Civil Partner which will be used in the end of year reconciliation.

The amount received by the Spouse / Civil partner will be included as Blind Person’s Allowance for coding purposes.

Further information can be found at PAYE13105 and PAYE13110.

At migration of the COP record to the PAYE Service if the full amount of transferred Blind Person’s Allowance has been given in the Spouse / Civil partner’s code this will be recorded as Blind Person’s Allowance. In your day to day work

Check E notes and 575 to confirm this And

Amend the entries to show Amount Received from Spouse / Civil Partner

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Community Investment Tax Credit

Enter the amount - this will be used for the End of Year Reconciliation

Calculate the amount of relief due in terms of tax and convert this to a coding allowance - see Community Investment Tax Relief Manual (CITM) at CITM6005 and PAYE10030

Enter the calculated coding allowance under Concessional Relief on the Allowances screen

Concessional Relief

You will need to manually calculate and record only the coding allowance due from

Community Investment Tax Credit, for further details see CITM6005 onwards and PAYE10030

Gift of Shares to Charity, for further details see the guidance in the Relief Instructions (RE) manual at RE1850 - RE1859 and PAYE10050 Or

Venture Capital Trust, for further information see Venture Capital Schemes Manual (VCM) at VCM64030 and PAYE10075

The actual amount invested or gifted should be recorded on IABD under the relevant allowance to be taken into consideration for the appropriate end of year reconciliation.

Note: If you amend Concessional Relief you must always check all sources to ensure the correct amount is coded.

You will also need to record any other relief as Concessional relief where no other coding item exists, see PAYE11110.

You should always

Make a Contact History note detailing the source amount

Set the Inhibit Automatic Reconciliation indicator, see PAYE93015

Create a BF (PAYE105520) with a review date after the end of the tax year

Example: Relief due on gross superannuation payments

For 2008-2009 individual has made a £1,000 gross lump sum payment to a superannuation scheme and relief has not been given through the net pay arrangement and you have established that tax relief is due using the Pension Tax Manual (see Pension Tax Manual (PTM) at PTM044240). Generally in these cases tax relief is given through the Self Assessment system.

If an employee requests that tax relief be given in their tax code for the current year, you should

\* Enter the gross amount paid £1,000 as Concessional relief \* Make a Contact History note of the lump sum payment \* Set the Inhibit Automatic Reconciliation indicator for CY \* Create a BF with review date in CY+1

When the BF is reviewed, you will need to

\* Confirm the amount of the lump sum payment from the Contact History note \* Amend the Concessional relief to nil \* Enter the gross payment as RAR for the year of reconciliation only

Note: This will ensure the correct amount of tax relief is given in the final tax liability for the year in which the payment was made. See PAYE93090 for more information.

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Death, Sickness and Funeral Benefits

Relief for Friendly Societies Subscriptions, and Widows and Orphans payments is not available from 5 April 2013.

For tax year 2012-13 the amount displayed will be the total amount paid for Friendly Societies Subscriptions, Trade Union Subscriptions, and Widows and Orphans payments. For tax years 2013-14 this amount will reflect Trade Union Subscriptions only.

You will be unable to amend or enter amounts in IABD for Friendly Societies Subscriptions, and Widows and Orphans payments for tax years from 2013-14 onwards.

For earlier tax years, or to amend Trade Union Subscriptions you should

Use the Details screen to

Enter the gross amount for each individual claim

The system will then calculate the total amount due

This is displayed on the Allowances screen

Note: Relief on Widows and Orphans payments will be restricted to a maximum of £100 at Basic Rate. You should only include a maximum value of £100 within IABD.

If the gross amount is not recorded this will result in an incorrect Coding Allowance and incorrect Reconciliation.

Double Taxation Relief

Enter the amount due

See PAYE11110 for further information

Enterprise Investment Scheme

Note: From 6 April 2011, the rate at which EIS relief is due is 30%. Calculate the relief due to be included in the code by following the guidance at PAYE10045.

To calculate the amount of relief due see PAYE10045

Enter the calculated amount

Foreign Pension Allowance

Foreign pension allowance will be calculated on the relevant foreign pension when the individuals SA tax return is captured. The individual will no longer receive this allowance through their tax code.

In complaint cases or where the individual insists, foreign pension allowance can continue to be included in the tax code. The allowance due is 10% of the qualifying pension. Further information is given in the Employment Income Manual at EIM74006. In these cases you should

Calculate the allowance due

Enter the calculated amount

Enter the amount of the pension received on the Foreign Income screen under Foreign Pension and Other Income at PAYE130055

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Charitable Donation Payments

Displays any current amount already allowed

This is the total amount of Charitable Donation Payments from the information recorded on the details screen. This is calculated by the system as follows

Charitable Donation Payments plus

One-off Charitable Donation payments minus

Charitable Donation treated as paid in previous tax year plus

Charitable Donation treated as paid in current tax year

Note: You should not enter a figure in the New Amount field on the Allowances screen as this could be a different amount to the total amount on the Details screen and would result in the c/f figure being incorrect.

Use the Details screen to enter the net amounts

Charitable Donation payments - include payments from regular monthly / annual payments. This is carried forward to the following year

One-off Charitable Donation payments - include a one off payment paid in the IABD year. This will not be carried forward

Charitable Donation treated as paid in previous tax year - include any payments made in this IABD year (that are included in (a) or (b) above) that are to be treated as paid in a previous year. This will not be carried forward

Charitable Donation treated as paid in current tax year - include any payments made in a later IABD year that are to be treated as paid in this IABD year. This will not be carried forward

For more information see PAYE10025.

If the net amount is not recorded this will result in the incorrect Coding Allowance and End of Year Reconciliation.

For PAYE / SA cases only, Charitable Donation payments should only be entered in IABD on the details screen from the SA return for CY and CY+1 to ensure the correct coding allowance is given. For CY-1 the cases will be cleared by SA.

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Gift of Shares to Charity

Enter the amount which will be used for the End of Year Reconciliation

Calculate the relief due in terms of tax and convert this to an amount to be include in the code, for further details see guidance in the Relief Instructions (RE) manual at RE1850 - RE1859 and PAYE10050

Enter the calculated coding allowance under Concessional Relief on the Allowances screen

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Loan Interest Amount

Enter the full amount due

For more information how to calculate the amount see PAYE11110

Loss Relief

Enter the full amount due

For more information how to calculate the amount see PAYE11110

Maintenance Payments

Enter the amount due

For further information how to calculate this see SPD WI176 and RE1095

The details screen will display

The eldest child’s date of birth

Enter the appropriate date of birth

Married Allowance

For any new claims for married allowance or details of separation, you should first complete the Marriage and Civil Partnership details screen in ‘Individual’. For more information, follow the guidance in Action guide tax40006.

IABD will automatically carry forward the allowance from CY where no End Date has been recorded against the marriage in ‘Individual’.

Where you need to enter an End Date against the marriage in ‘Individual’, you must first check if annual coding has taken place for the year after the one in which the marriage ended. If it has, you will need to enter an End Date, remove MCA from IABD for the year(s) after the year the marriage ended, and re-trigger any codes that need to be changed. For example, if today’s date is 21 February 2013, and annual coding for 2013-14 took place on 14 February, and the marriage ended at any time during 2012-13, you would need to

Enter an End Date against the marriage in ‘Individual’

Remove MCA from IABD for 2013-14

Re-trigger the 2013-14 code

If you are making the change to the marriage before annual coding has taken place, you only need to enter the End Date in ‘Individual’. Annual coding will remove the entry from IABD automatically.

The Allowance screen displays

Married Allowances (MAE) where an individual, or individual’s spouse or civil partner, was born before 6 April 1935 and the date of marriage is before 5 December 2005

Amount carried forward from coding Or

The amount from the COP record at migration

You should always make any changes on the Details screen.

The details screen will display

For marriages before 5 December 2005

The Married Couple’s allowance Entitlement due to the husband

The amount displayed is from the latest coding calculation Or

The amount from the COP record at migration to the PAYE Service

When a claim to Married Allowance is received you must

Ensure that you enter the full amount of Married Couple’s allowance entitlement for that year (before any income based reductions, as these will be made by the system when the information has been submitted from the Landing Page)

Note: This should only be completed on the husband’s record.

Once the Landing screen has been submitted the coding calculation will

Make any adjustments for age allowance

Record the new amount of Married Couple’s allowance Entitlement allowed in the code

Surplus Allowance Transfer - Form 575

You should update the husband’s record only and

Complete the tick box Transfer Surplus Allowance to wife

Once the Landing screen has been submitted the coding calculation will

Calculate the amount due from coding

Record the Surplus Allowance Transferred to Wife on the husband’s record

You must manually record

The Surplus Allowance Received from Husband on the wife’s record

Note: In the scenario that the husband has a primary and secondary record, the system will first set all the surplus allowances against the husband’s secondary record.

If the secondary record will not use all the surplus allowances then in the Edit Employment Allocation screen enter the amount of allowances required against the secondary record to cover the secondary estimated pay and recalculate the tax code. NPS will recalculate the surplus married allowance transferred, and will record this on the Married allowance screen in IABD.

Elected Allowance Transfer - Form 18

You should select the appropriate drop down menu Married Couple’s allowance to Wife

None

Full

Half

Other

Note: ‘Other’ represents the amount of Married Couple’s allowance transferred for marriages prior to 5 December 2005 in the year of marriage.

Once the Landing screen has been submitted the coding calculation will

Calculate the amount due from coding on the husband’s record

You must manually

Enter the amount of Married Couple’s allowance from Husband on the wife’s record

Note: ‘Other Amount to Wife’ will no longer be used for marriages prior to 5 December 2005.

For marriages / civil partnerships on or after 5 December 2005

For all claims on a form 575 or Form 18 you will need to manually calculate the amount due see PAYE13110.

Enter the amount of the Married Couple’s allowance

Ensure that you enter the calculated amount of Married allowance required for the highest earner and the surplus is recorded on the spouse / civil partners record for the relevant year

More information on marriage and civil partnerships can be found at PAYE103060 and in Action guide tax40006.

Estimated Income

It is not necessary to enter the estimated income in IABD where

The individual is entitled to the maximum amount of the allowance Or

The estimated ANI is such that the individual is obviously due the minimum amount of the allowance and is unlikely to be due full or reduced age-related allowances in the foreseeable future

Full instructions regarding age-related allowances can be found at PAYE10010.

Note: If Married Couple’s allowance has been allowed in CY and this is also the year of separation or the spouse or civil partner is deceased, you cannot amend CY+1 to withdraw the allowance. The process at Annual Coding will check the marriage status and will remove the Married Couple’s allowance where no marriage exists for CY+1.

Records set up from forms P14

For some occupational pensions, the first year in which a P14 has been received is 2008-09 but the start date may be earlier than CY-1. These cases would not have had a COP record set up previously and therefore the forms P14 have correctly set up the records on the PAYE Service.

If the individual or agent makes a valid claim for married allowance, you should update the ‘Individual’ screen following the guidance in Action guide tax40006.

IABD should then be updated with the married allowance figure starting from the earliest tax year a P14 has been received. This will ensure that the EOY reconciliations will correctly include the married allowance in the calculation.

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Personal Allowances

The Allowance screen displays

Personal Allowance (PA) for an individual born on or after 6 April 1948

Personal Allowances (PAA) for an individual born between 6 April 1938 and 5 April 1948

Personal Allowances (PAE) for an individual born before 6 April 1938

This is read only. Any adjustments required to these allowances will be displayed on the Tax Code details screen or within the relevant end of year reconciliation

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Personal Pension Payments

Personal Pension Relief (PPR) can only be claimed by individuals who are under the age of 75. In your day to day work if you find individuals aged 75 and over with PPR in their tax code you should remove the allowance and write to the individual to explain that they are no longer eligible to claim the relief.

For more information regarding PPR, refer to the Relief Instructions Manual at RE275 onwards and PAYE80035.

Where an individual is eligible to claim PPR relief you should

Enter the gross amount of the payments

To calculate the amount see PAYE10065

If the gross amount is not recorded this will result in the incorrect coding allowance and end of year reconciliation.

The Type of Pension Plan will be displayed on the Details screen with the selection made from the Allowance screen

You should select ‘YES’ from the Eligible for Pension Plan Relief field

You do not need to make any entry in Allowance Cessation Date for Personal Pension Payments

Tax relief in coding will be calculated using the highest rate of tax applicable at the coded employment

Note: If an employee requests that tax relief be given in their tax code for the current year for a one off lump sum gross payment you should follow the instructions on Concessional Relief, see subheading above.

{#PersonalSavingsAllowance}Personal Savings Allowance

The Personal Savings Allowance (PSA) introduced tax-free income from Savings Interest from 6 April 2016. This applies up to a maximum £1000 for Basic Rate customers and £500 for Higher Rate customers. The PSA does not apply to savings income received by Additional Rate customers.

For 2016-17 tax year only, PSA is shown as an allowance but for 2017-18 onwards, PSA is used to reduce the amount of untaxed interest, applying tax to interest remaining after any allowances: the total Liability Calculation within the Tax Code Calculation screen will display the value of PSA awarded at 0%.

Note: PSA is in addition to the Starter Savings Rate (SSR) which allows low income earners to receive up to £5,000 tax-free Savings Interest. PSA is unaffected by the Scottish Rate of Income Tax and is applied at the same rate for all taxpayers across the UK.

With the introduction of PSA from 6 April 2016 the system for deducting tax at source from savings income has been stopped, though banks and building societies continue to provide HMRC with details of gross untaxed savings income. HMRC then makes provision for those taxpayers who are still liable for tax on savings income, adjusting tax codes for PAYE customers including PAYE-SA customers choosing to pay this way.

Where customers are still liable for tax after PSA and unused personal allowances are applied, savings income is pre-populated into IABD as a gross amount in Untaxed Interest.

A new NPS IABD entry for the value of the Personal Savings Allowance is used for calculation of the allowance, and any tax liability is displayed in the Total Liability Calculation screen as ‘Personal Savings Allowance’. Where untaxed interest is below the limit, the Personal Savings Allowance amount included for annual coding is displayed as the actual amount of savings income, up to a maximum of £1000 (BR) or £500 (HR).

Customers may contact HMRC to change the amount of untaxed interest because they believe it is incorrect. Contact History notes are pre-populated with a secure breakdown of encrypted account information so users can confirm and correct IABD where necessary.

When talking to customers, users should advise them to check their records and if necessary their Bank or Building Society account information and that if we later find they have incorrectly declared the interest, we may take action to collect any additional tax due.

PAYE130010 and action guide ‘IABD - change in financial circumstances’ on the Personal Tax Operations Guidance hub explain how to update Untaxed Interest in NPD IABD.

Every time information is recorded and submitted, the system automatically looks at the changes made to a record and determine if

A coding calculation is required

An in year calculation is required Or

An end of year calculation is required

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Retirement Annuity Payments

Enter the gross amount of the payment

To calculate the amount due see ‘Allowances and Reliefs’ at PAYE11110

You should select ‘YES’ from the Eligible for Pension Plan Relief field

You should enter the Allowance cessation date - this must be in the format DD/MM/CCYY

Seed Enterprise Investment Scheme

The Seed Enterprise Investment Scheme (SEIS) was introduced in April 2012 to run alongside the existing Enterprise Investment Scheme (EIS) (PAYE10045). The rate at which SEIS is due is 50% and is given using the EIS coding descriptor after the relief due has been calculated in terms of tax and converted to an amount to be included in the code, see PAYE10047

To calculate the amount of relief due see PAYE10047

Enter the calculated amount

Social Investment Tax Relief

Social Investment Tax Relief (SITR) was introduced in April 2014 to run alongside both the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS). The rate at which SITR is due is 30% and is given using the EIS coding descriptor after the relief has been calculated in terms of tax and converted to an amount to be included in the code, see PAYE10048.

To calculate the amount of relief due see PAYE10048

Enter the calculated amount

Venture Capital Trust

Enter the amount claimed which will be used for the End of Year Reconciliation, for further information on what to allow see the Venture Capital Schemes Manual (VCM64020)

Calculate the relief due in terms of tax and convert this to an amount to be included in the code see VCM64030 and PAYE10075

Enter the calculated coding allowance under Concessional Relief on the Allowances screen

Set the IAR indicator for CY

Make a contact history note detailing the source amount

Create a BF with review date in CY+1

When the BF is reviewed, you will need to

Amend the concessional relief to nil on IABD

Reconcile the account

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