

**HUMAN RESOURCES DIRECTORATE
PAY AND EMPLOYMENT UNIT**

Chief Executives of HSC Bodies¹;

For information:

**Director of Finance and
Director of Human Resources of
each body**

Room D1.4
Castle Buildings
Upper Newtownards Road
BELFAST
BT4 3SQ

Tel: 02890-520781
Fax: 02890-522912
Email: diane.taylor@dhsspsni.gov.uk

Your Reference: **HSC (JNF) (7) 2011**

18 August 2011

Dear Colleagues

**AGENDA FOR CHANGE: PAYMENT OF ARREARS OF PAY FOR CLOSED
TAX YEARS**

1. This Circular sets out the options available to HSC employers who are paying arrears under the Agenda for Change Agreement where the arrears are in respect of closed tax years. The content of this Circular has been agreed with locally recognised trade unions.
2. It has been brought to the Department's attention that some HSC employers have paid Agenda for Change arrears as one lump sum in the current tax year and deducted PAYE accordingly. This may give rise to higher rate tax liability on employees who are basic rate taxpayers.
3. HMRC have agreed that HSC employers can in these circumstances either:
 - Contact their Employer Compliance office and agree a special arrangement to settle the PAYE arrears, or
 - Follow the PAYE settlement procedure below which is taken from the HMRC web site.

¹ The Health and Social Care Board, HSC Trusts, the Public Health Agency, the Business Services Organisation, the Northern Ireland Blood Transfusion Service Agency, the Northern Ireland Guardian ad Litem Agency, the Northern Ireland Practice & Education Council for Nursing, Midwifery & Health Visiting (NIPEC), the Northern Ireland Social Care Council (NISCC), the Patient & Client Council, the Northern Ireland Regulation and Quality Improvement Authority and the Northern Ireland Medical and Dental Training Agency (NIMDTA)

“PAYE

The employer should calculate the tax due for all closed tax years and deduct tax under PAYE.

The employer does not have to complete the amended forms P11, P14 and P35 but is required to

- *Allocate the arrears of pay to the tax year in which payment should have been made*
- *Calculate and deduct tax for each closed tax year as if the additional pay had been paid at week 53*
- *Use the tax code that applied in the tax year that the arrears should have been paid*

If you need advice about how week 53 operates, the guidance at [PAYE70015](#) tells you how to do this. You should also confirm any tax codes that applied in closed years if the employer no longer has a record of them.

The employer should then send HMRC a list of each employee’s

- *Name*
- *National Insurance number*
- *Pay and tax for each year*

Each employee must be given a letter showing the gross arrears of pay for each year and the tax deducted. The letter should also contain the following message:

(‘Your tax has been calculated using the tax code that applied for that year. If you think that you have overpaid tax for any of the years concerned you should contact your HM Revenue and Customs office.’)

Action

4. HSC employers should be aware of HMRC guidance on taxation of lump sum payments relating to closed tax years.

Enquiries

5. Enquires about the contents of this Circular should be directed to the Pay and Employment Unit of the Human Resources Directorate, Room D1, Castle Buildings, Upper Newtownards Road, Belfast, BT4 3SJ, telephone 028 90522832, email; p&e@dhsspsni.gov.uk.
6. Employees should direct personal enquiries to their employer or their trade union.

Further Copies

7. Copies of this Circular can be obtained from the Department’s website at www.dhsspsni.gov.uk/index/publications. A copy of the NHS Terms and Conditions of Service Handbook can be downloaded from the NHS Employers website at: http://www.nhsemployers.org/sitecollectionDocuments/afc_service_handbook_aw_010708.pdf.

Diane Taylor.

DIANE TAYLOR
Director of Human Resources