

The Essentials of UK Payroll Processing

Exercises



...market leaders for payroll training

Exercises

This document describes a number of exercises that you will be asked to consider during the presentation of the course

The Essentials of UK Payroll Processing

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Myths and legends

1. Individuals can declare themselves self-employed which means that when they go for a job the employer must treat them as self-employed regardless of the job in question.
 2. Employers can never amend tax codes even if they think HMRC has made a mistake and the employee will pay too much tax.
 3. A worker is entitled to a week's pay for a week's holiday.
 4. You can refuse to employ someone without an NI number.
 5. No one can pay more than 50% of their gross pay this period in tax.
 6. There are 4 statutory parental payments.
 7. An emergency tax code means you pay 20% tax on everything you earn.
 8. You have to show hours on payslips for variable pay.
-

Match the letter

Based on the information provided what NICs table letter would you assign to these people?

1. Female employee aged 69 as of January 2021 _____
 2. Employee based overseas paid from UK not subject to UK NI _____
 3. Employee earning £80 p.w. receives pay rise to £90 p.w. _____
 4. Male employee aged 35 earning £300 p.w. _____
 5. Director with a deferral certificate aged 42 _____
 6. Member of pension payroll who is receiving a child's pension _____
 7. Employee aged 19 who is an apprentice _____
 8. Employee aged 20 who is not an apprentice _____
-

Sample NIC calculation: Employee NICs

1. Bill earns £249.32 per week 2. Jamie earns £1,020 per week 3. Roberta earns £1,335.32 per month 4. Marilyn earns £4,871.89 per month

NB in the table below are the fixed calculations if the employee earns over the Upper Earnings Limit (UEL) that go in column E below

Who?	Pay Frequency?	What?	Calculation	Fixed value
Employee	Weekly	Primary Threshold (PT) to Upper Earnings Limit (UEL)	$£967 - £184 = £783 \times 12\%$	£93.96
Employee	Monthly	Primary Threshold (PT) to Upper Earnings Limit (UEL)	$£4,189 - 797 = £3,392 \times 12\%$	£407.04

	A		B	C	D	E	F
Who?	Earnings	Pay Frequency	Calculation: Earnings minus Primary Threshold (PT), or earnings minus Upper Earnings Limit (UEL)	Multiply column B by relevant % (12% or 2%)	Column C rounded to two decimal places	Add NICs on Primary Threshold to Upper Earnings Limit if appropriate as earning above UEL (this is fixed value in table above)	Total 'ees NICs (columns D + E)
Bill							
Jamie							
Roberta							
Marilyn							

Sample NIC calculation: Employer NICs

1. Bill earns £249.32 per week 2. Jamie earns £1,020 per week 3. Roberta earns £1,335.32 per month 4. Marilyn earns £4,871.89 per month

NB in the table below are the fixed calculations if the employee earns over the Upper Earnings Limit (UEL) that go in column E below

Who?	Pay Frequency?	What?	Calculation	Fixed value
Employer	Weekly	Secondary Threshold (ST) to Upper Earnings Limit (UEL)	$£967 - £170 = £797 \times 13.8\%$	£109.99
Employer	Monthly	Secondary Threshold (ST) to Upper Earnings Limit (UEL)	$£4,189 - 737 = £3,452 \times 13.8\%$	£476.38

	A		B	C	D	E	F
Who?	Earnings	Pay Frequency	Calculation (Earnings minus Secondary Threshold (ST) or earnings minus Upper Earnings Limit (UEL))	Multiply column B by 13.8%	Column C rounded	Add NICs on Secondary Threshold to Upper Earnings Limit if appropriate as earning above UEL (this is fixed value in table above)	Total 'ers NICs (columns D + E)
Bill							
Jamie							
Roberta							
Marilyn							

Check date

Work out the tax week or month that should be applied to each of these payments and complete the box:

	Pay frequency	Tax code	Work performed	Paid on	Tax week/month
Jane	W	647L	w/e 17 th April 2021	Friday 23rd April 2021	
Adrian	W	237T/1	w/e 24 th April 2021	Tuesday 4 th May 2021	
Lesley	M	OT	July 2021	31 st August 2021	
Marion	M	K237	September 2021	5 th October 2021	

Calculating the pay adjustment

For the following codes and tax periods calculate the pay adjustment that is due

Tax code	Tax period	Tax-free pay or adjusted pay
747L	Month 2	
570L/1	Week 37	
K457	Week 26	
D1/1	Month 3	

Number crunching

Calculate the tax due to date for the following individuals who are rUK taxpayers using the appropriate tax tables

Taxable pay to date	Tax period	Tax due to date
£20,265.98	Month 6	
£6,543.21	Week 11	

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