

Payroll

Coding Notifications and Queries

Coding notices should be sent to all those who are employed, and contain details that are important for the employer and for completing a self assessment return where applicable.

There are 2 forms of coding notice

- P2K (T) sent to the employee and employer detailing how the coding has been calculated. Often a number of these can be sent out, they have an issue date, and it is the latest date that applies in all cases. In addition, there is a box bottom right hand corner which may detail WHEN to start using the code.
- P9 (T) sent to the employer only, and details the code to be used and a starting date. As above, the latest date applies when there is more than one notice sent.

When handling payrolls, it is important to make sure that the last coding received is the one that is used, and that any changes to coding are applied when instructed, otherwise the wrong amount of tax maybe deducted. Form PX9 gives more details.

When using the Payroll code for self assessment purposes it is important to check that there is no unpaid tax in the coding notice relating to the previous year. This WILL form part of the tax calculation. There are 3 options available.

1. If the client has opted to absorb unpaid tax within the coding then they must be made aware that the tax calculated on the current year will NOT take this into account. Unpaid tax for 2008/09 could be included in the tax code for 2010/11 or 2011/12 depending on when the assessment was agreed, which is up to 2 years delay. (This is the best solution when no coding notice is given to the accountant).
2. If a coding notice has been supplied and there is unpaid tax, then it is included in the tax calculation and the client is made aware of this.
3. The client opts to pay any tax underpaid as a balance in the January of each following year and does not include it within their coding.

Where ever possible a client should not switch and change what they wish to do. This will result in confusion for the person filing a self assessment and often the wrong amount of tax payable being calculated leading to confusion when an assessment is issued.