How Employment Allowance EA works

HMRC · https://paiyroll.com/kb/how-employment-allowance-ea-works/

Follow this guide to understand how Employment Allowance EA works in paiyroll® with HMRC.

Overview

The first key point is that paiyroll® software does not send employment allowance values to HMRC. paiyroll® only sends the Employment Allowance indicator. This is effectively "**Yes**, I'm claiming employment allowance" or "**No**, I am not claiming employment allowance".

Once sent, the Employment Allowance applies for the entire tax year. That means that if you make a mistake, you can switch from yes to no, or vice versa.

The net amount due to HMRC is calculated by HMRC. This is done by subtracting the employment allowance from the National Insurance to effectively reduce the amount payable.

Different Values on paiyroll® vs HMRC

Various payroll ® reports keep track of the EA value and the amount due for your convenience

If everything is set up correctly, the Employment Allowance value in paiyroll® and the amount due will be the same as the value held by HMRC.

However, there may be a discrepancy between the two values for several reasons. For example, when the company was imported, the incorrect Employment Allowance value was entered.

If the two values differ, the **HMRC value is always correct**. That means you should always check the HMRC online account or dashboard to confirm the amount due. If the amount due in payroll differs, you will need to disregard it or, optionally, correct it. However, paiyroll® does not send any values, and whether they are correct or incorrect, they will not affect the HMRC calculation.

The amount due to HMRC will always be the sum of all full payment submissions (FPS) minus any applicable employment allowance.