Tax refund (rebate)

HMRC · https://paiyroll.com/kb/tax-refund-rebate/

This article explains how tax refunds are processed.

Employee

paiyroll® calculates the full tax due each pay period on a year-to-date basis for cumulative tax codes. That means if any tax is to be paid back to an employee, paiyroll® will do it automatically.

With a Week 1 or Month 1 tax code, payroll makes no refund. In this case, the employee will need to claim it from HMRC. Otherwise, it may be added to next year's tax code, resulting in an automatic refund across the year.

The refund shows on the payslip as a positive value for PAYE tax, which differs from the normally negative tax value.

Employer

If an employee has a refund, HMRC will automatically offset it against the company's total liability. This is because the tax refund is sent in the FPS (Full Payment Submission) and will automatically adjust the employee's year-to-date figures.

In the unusual case where refunds in a month exceed the total due, the P32 shows the amount as a credit - this is generally carried forward against future liabilities, but it can also be reclaimed from HMRC.