



IAB LEVEL 2 CERTIFICATE IN PAYROLL (Qualification Accreditation Number 500/3282/3)

INTRODUCTION

The overall aim of the qualification is to accredit candidates' knowledge and understanding of the fundamental principles relating to the basic calculations and preparation of both a weekly and monthly payroll, using manual routines. In addition, it accredits some book-keeping skills of candidates in performing the routine tasks of calculating the cost of wages to the employer.

Within the qualification, candidates have the opportunity to expand their knowledge of income tax and National Insurance calculations for the PAYE employee. Candidates are also introduced to additional payments and allowances, the payment of statutory payments for sickness, maternity leave, adoption pay and paternity pay. The syllabus also deals with the treatment of student loan repayments, and the practice relating to both further routine and some non-routine tasks.

This qualification requires candidates to understand those payments which constitute Gross Pay and therefore liable for income tax and National Insurance contributions.

The manual processing of payroll data, such as hours worked, hourly rates, bonuses and commissions are important elements of the IAB Level 2 Certificate in Payroll qualification.

Candidates may progress to the IAB Level 2 Certificate in Computerised Payroll and/or the IAB Level 3 Diploma in Payroll on successful completion of this qualification.

To be awarded the qualification, candidates are required to successfully demonstrate their competence in by means of an external examination. It will also provide progression to the NVQs in Payroll Administration at Levels 2 and 3. Candidates will receive acknowledgement of successful completion of this qualification by means of formal letter and Certification.

UNIT ASSESSMENT

The examination of this single unit qualification will be of 2 hours duration. Any examinations sat from 1st September to 31st August of the following year will be set using information relating to the Tax Year legislation in operation as at 1st September. For example the examinations set for January 2009 and June 2009 will be set using legislative limits relating to Tax Year 2008/09.

Candidates may sit the Examination of this Unit on either the specific dates set and published by the IAB or on dates set by Centres on an 'On-demand' basis.

CERTIFICATION

All candidates who achieve a Pass grade in the examination, will be informed of their achievement in an official IAB Results Letter sent within ten weeks following the examination. Additionally candidates who pass will receive the IAB Level 2 Certificate in Payroll.

IAB Level 2 – Certificate in Payroll

SINGLE UNIT (IAB CODE P2.1) –

Processing the Payroll

Aim of the Unit

Upon the completion of study for this qualification it is intended that the candidate will be able to:

- Provide an overview of the Payroll Function
- Calculate Gross Pay
- Adjust pay for Statutory Contributions and Deductions
- Adjust pay for Pension Contributions and other Voluntary Deductions
- Adjust pay for Statutory Payments
- Process starters and leavers
- Understand different methods of payment
- Provide and maintain key documents and records
- Understand Confidentiality, Security and other Statutory Responsibilities

Prior Knowledge and Skills Requirements:

Before starting a course of study or training leading to the assessment for this unit, it is assumed and is advisable that the candidate has already acquired the knowledge and skills as specified in the IAB Level 1 Certificate in Payroll.

Learning Outcome	Assessment Criteria
2.1.1 Provide an overview of the Payroll Function	Understand and be able to discuss: <ul style="list-style-type: none">• The role of the Payroll Office• The interface with accounts and personnel offices• The basic requirements of Contracts of Employment• The necessity for confidentiality, security and accuracy• The need and application of Internal checks and controls• Verification of information

2.1.2 Calculate Gross Pay

Understand who is an employee for Gross Pay purposes:

- Full time
- Part time
- Casual
- Students
- Employed or Self Employed
- Multiple employments

Understand what constitutes Gross Pay for Income Tax and National Insurance Contributions (NIC).

Be able to calculate, both manually and using spreadsheet software, Gross Pay for the week, month or year based on

- Annual Salary
- Basic weekly or monthly pay

Understand and be able to implement Pay Scales

Be able to calculate:

- Overtime from information on timesheets or clock/swipe cards/ dockets
- Shift pay, stand-by payments and unsocial hours payments.
- Temporary pay, lump sums and retrospective pay
- Unsocial hours supplement
- Commission and bonuses
- Performance related pay
- Piece Rates
- Holiday Pay

<p>2.1.3 Adjust pay for Statutory Contributions and Deductions</p>	<p>Understand the role of the HM Revenue & Customs (HMRC) for both Income Tax and National Insurance Contributions (NIC).</p> <p>Appreciate the relevance of Income Tax rates and bands.</p> <p>Understand tax codes, including</p> <ul style="list-style-type: none"> • Those with standard prefixes and suffixes • Month/Week1 basis, K codes, BR and NT codes. <p>Understand the different categories of National Insurance.</p> <p>Know the National Insurance Earnings Limits and Thresholds and understand the different categories of National Insurance</p> <p>Know the standard (emergency) tax code and NI category to be used in the absence of any other information</p> <p>Know the authority required for using non-standard tax codes and NI categories (P45, P6, P9T, P38S, Certificates CA4140, CA384 etc.)</p> <p>Set up and be able to use a P11 Deductions Working Sheet.</p> <p>Be able to use the HMRC 'Calculators' given on the HMRC CD Rom.</p> <p>Be aware of the Scottish Variable Rate.</p> <p>Be able to determine the following using HMRC CD-Rom:</p> <ul style="list-style-type: none"> • Income Tax to be deducted using a variety of Tax codes as detailed above • National Insurance to be deducted • Employers National Insurance Contribution • Repayment of Student Loan <p>Be able to make advance payments of Holiday Pay and understand the implications for income tax and NIC calculations.</p> <p>Understand the written authority required for the following:</p> <ul style="list-style-type: none"> • Attachment of Earnings, Council Tax/Community Charge • Child support Orders external agencies • Student Loan Repayments <p>Be able to make deductions for any Attachment of Earnings Orders and Student Loan Repayments.</p>
<p>2.1.4 Adjust pay for Pension Contributions and other Voluntary deductions</p>	<p>Understand what can be deducted from pay and the authority needed.</p> <p>Understand the meaning and application of Pre- and Post- Tax and NI deductions.</p> <ul style="list-style-type: none"> • Subscriptions • Charitable Giving and Covenants • Save as You Earn (SAYE) • Repayment of Loans <p>Be able to process pension contributions from information provided by the Pensions Administrator</p>

<p>2.1.5 Adjust pay for Statutory Payments</p>	<p>Be able to process Statutory Payments to employees</p> <p>Be able to calculate:</p> <ul style="list-style-type: none"> • Statutory Sick Pay (SSP) to be paid • Statutory Maternity Pay (SMP) to be paid • Statutory Adoption Pay (SAP) to be paid • Statutory Paternity Pay (SPP) to be paid
<p>2.1.6 Process Starters and Leavers</p>	<p>Understand the form P45 and the use of each of the four parts.</p> <p>Be able to carry out the procedure for new employees:</p> <ul style="list-style-type: none"> • With P45 • Without P45 (P46) • Set up P11 including pay and tax in previous employment • Process a tax refund at the first pay-day <p>Know what constitutes final payments to leavers, including Holiday Pay, Back Pay, repayment of company loans etc., and be able to process.</p> <p>Be able to produce P45 for Leavers and distribute the various parts correctly.</p>
<p>2.1.7 Understand different methods of payment</p>	<p>Understand the different methods of paying net wages and salaries and be able to discuss their strengths and weaknesses</p> <ul style="list-style-type: none"> • Cash and cheques • Automated Bank Transfers including BACStel • Using a Bureau • Signatories and Authorisations
<p>2.1.8 Provide and maintain key documents and records</p>	<p>Be able to use the 'Database' provided on the HMRC CD Rom for the recording of:</p> <ul style="list-style-type: none"> • Company details • Employee information • Payroll processing information i.e. Statutory additions and deductions on the P11's within the database. <p>Be able to complete the Wages Book, both manually and using spreadsheet software – showing the breakdown of basic pay, overtime pay, Income Tax, NIC, Net Pay and Employer's NIC.</p> <p>Be able to complete and reconcile the Wages Book – to include Statutory Additions and Deductions including Student Loan Repayments, Attachment to Earnings orders and voluntary deductions.</p> <p>Understand the total cost to the business of the payroll including employer's costs</p> <p>Understand the information required by the book-keeper/Accountant relating to posting the wages information to the accounts of the business.</p>

<p>2.1.9 Understand Confidentiality, Security and Responsibilities</p>	<p>Understand the need for accurate recording and filing of information and documents.</p> <p>Understand and have an appreciation of the need for complete confidentiality of employee and employer information at all times</p> <p>Understand the Employer’s legal responsibility to forward all appropriate monies to external agencies at the appropriate time.</p> <p>Understand the need to refer to the HMRC for adjudication where information is incomplete or ambiguous</p> <p>Be able to give assistance to the employee wherever possible and when they should be referred to the HMRC</p> <p>Be aware of the Legislation that exists relevant to payroll, e.g. Data Protection Act 1998, Employment Rights Act 1996, Asylum and Immigration Act 1996 and Health and Safety Regulations.</p>
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