



## Week 56 payments

### Background

- Most employees are entitled to a certain amount of pay before paying tax. This is called the 'Personal Allowance'. In 2021-22 the personal allowance was £12,570. When calculating PAYE tax, the Personal Allowance is divided by the usual number of pay periods in the year in order to calculate the tax-free pay for that period e.g. a 4 weekly paid employee is allocated 1/13 of their annual allowance in each 4 weekly pay period (i.e.  $12,570/13 = £967$ )
- Tax is calculated after deducting the personal allowance, so by the end of week 52 the entire allowance has been 'used up'.

### What is 'Week 56'?

- Because a year is not made up of an exact number of weeks, in certain years 4 weekly paid employees may be paid 14 times rather than 13.
- In the tax year 2021-22 (which runs from 6 April 2021 to 5th April 2022) there were 53 Tuesday's, so employees paid 4 weekly will actually receive 14 payments in that year, rather than the usual 13. This final payment is referred to as 'week 56'.

### Why might this cause a problem?

- A problem occurs because the annual personal allowance has already been 'used up' by week 52, so employees are not actually entitled to any more tax-free pay in that year. If no tax-free pay is allocated in week 56 then tax would be calculated on all of an employee's earnings resulting in less take home pay than usual.

### How does HMRC deal with week 56 payments?

- In order to protect the take home pay of an employee, HMRC rules stipulate that an extra amount of tax-free pay is allocated to week 56 when calculating the tax due for that pay period. This means that the employee's overall tax-free pay for that year will be greater than the annual personal allowance.

### How might this affect an employee in the following tax year?

- Because the employee has been given an extra amount of tax-free pay in one year then HMRC will offset this by reducing the amount of tax free pay they receive in the following year. Typically, HMRC achieve this by adjusting the tax

code of the employee. In such cases HMRC will contact both the employee and the employer to advise them of the tax code change.

- HMRC may issue a P800 form to any employee that owes tax following a 'week 56' payment, which explains how their tax has been calculated. A TAX BILL MAY ALSO BE ISSUED TO RECOVER ANY UNDER PAID TAX.
- If you do not have a Government Gateway account, you may be required to set one up. This will allow you to have your tax code adjusted or pay any underpaid tax due. This can be accessed via:

<https://www.gov.uk/log-in-register-hmrc-online-services>