IAB Level 2 Award in Payroll for Business

Qualification Specification

Contents

1   Introduction to the qualification

The Level 2 Award in Payroll for Business qualification is part of the Regulated Qualification Framework (RQF). The total Guided Learning Hours for this qualification are as follows:

Guided Learning Hours (GLH)
50

2   Statement of level

This is a Level 2 qualification as defined within the regulations of the RQF.

3   Aims

The Level 2 Award in Payroll for Business qualification aims to provide learners with a comprehensive range of knowledge and the practical skills that they will be able to use as a payroll processor for a variety of businesses.

On successful completion of the qualification the learner will have the knowledge and skills to:

- Accurately process the payroll under Real Time Information (RTI) regulations

- Keep accurate payroll records keeping; giving the learner the necessary skills to record financial payroll transactions in a both a manual and computerised environment

- Assess their own competence in carrying out a range of day-to-day payroll routines and activities in both manual and computerised payroll system. The activities will include the calculation of pay data and processing of that data using day-to-day payroll processing skills.

- Assess the implications when accuracy is not maintained

- Understand the importance of security and confidentiality in performing all payroll task

Learners successfully completing the qualification will have a knowledge and understanding of the services, advice and guidance that can be offered to businesses by HMRC, NICO and other payroll agencies i.e. pension providers. They will also have the skills required to prepare, check and use source documents from which the payroll is processed using computerised payroll systems as required under Real Time Information requirements.

As learners progress through the course of study they will develop skills that will enable them to gather the required information in order to prepare an employee payroll record using commercially available payroll software. They will further acquire the skills necessary to calculate the gross pay due to employees from a range of information sources and for a variety of pay periods. The learner will be able to process the payroll accurately producing the net pay due to the employee and updating all internal payroll records. Furthermore they will be able to produce a range of internal and external reports detailing payroll information.

Holders of the qualification will be able to progress in their studies with the IAB by:

- Widening their knowledge and skills by studying other linked qualifications at Level 2

- Advancing to Level 3 where they will be able to build on their Level 2 knowledge and skills

4 Target groups

The Level 2 Award in Payroll for Business qualification is specifically aimed at learners who wish to further their studies of payroll and gain a qualification at Level 2 of the regulated qualification framework, either from a point of no previous knowledge, or having already achieved the IAB Level 1 Award in Payroll for Business

The qualification will appeal to those learners who already have some practical knowledge and skills and wish to gain an accredited qualification in the subject of payroll.

Learners who are considering a career as a self-employed practitioner will find the course invaluable, as will businesses owners who would like to be actively involved in the gathering and processing of payroll data and keeping of payroll records for their business.

5 Entry requirements

There are no formal entry requirements for the Level 2 Award in Payroll for Business qualification. However, it is recommended that prospective entrants have basic skills in numeracy and literacy.

6 Progression

Holders of the Level 2 Award in Payroll for Business qualification are able to progress with their studies by:

- Progressing to another qualification at Level 2

- Progressing to a qualification in the same subject area but at a higher level, thereby expanding their knowledge and skills base in the subject area

7   Level 2 Award in Payroll for Business - Units and Learning Outcomes

Unit title: Principles of employment legislation and payroll processing
Learning outcomes:
1   Understand the principles of legislation relating to the processing of the Payroll
2   Understand the information required to prepare an employee payroll record
3   Understand the additional elements that constitute gross pay
4   Understand the principles of statutory additions to, and deductions from pay
5   Understand the principles of PAYE and NIC legislation and other statutory obligations when processing the payroll
6   Understand the principles of repaying Student Loans through the payroll
7   Understand the procedures to adopt when dealing with a leaver
8   Understand the requirements for processing and submitting payroll information
9   Understand the need to complete period end procedures within given timescales

Unit title: Computerised Payroll Processing
Learning outcomes:
1   Be able to set up and maintain company, pension and employee records using commercially available computerised payroll software
2   Be able to process payroll accurately for a variety of pay periods using organisational procedures and timescales
3   Be able to produce statutory and non-statutory reports
4   Be able to back-up and restore data when required

8   Level 2 Award in Payroll for Business – Assessment, Achievement and Grading

8.1 Methods of assessment

To gain the IAB Level 2 Award in Payroll for Business learners will be required to complete the following assessments:

Unit Title	Method of Assessment
Principles of employment legislation and payroll processing	Knowledge Test
Computerised Payroll Processing	Synoptic End Exam

8.2 Achievement and grading

To successfully achieve the qualification learners must demonstrate competence in each of the mandatory units of which the qualification is comprised. Learners are assessed as Pass or Fail.

Minimum levels of achievement are set as follows:

Knowledge Tests – 70%

Examination – 60%

The qualification is not graded. On successful completion of each of the mandatory units the learner will be awarded a Pass in the unit completed.

Learners studying without being attached to an IAB accredited training centre may need to contact the IAB directly for further information on assessment, achievement and grading.

9 Certification

On successful completion of all mandatory units the learner will receive the Level 2 Award in Payroll for Business. A certificate will be issued confirming that they have demonstrated competence in the learning outcomes and assessment criteria in each of the units that make-up the qualification. The certificate will identify the learner by name and will include the full title and accreditation number of the qualification.

Learners who do not achieve the full qualification may request a Unit Certificate of Completion (RQF) for any of the individual units they successfully complete. This certificate will refer only to the title of the unit completed. Prior to issue of the Unit Certificate of Completion (RQF) a fee per unit must be paid to the IAB. Details of these fees are available on our current fees list which can be accessed online, alternatively please contact the Education Team.

10 Reasonable Adjustments and Special Considerations Policy and Procedure

Please refer to the IAB website www.iab.org.uk for a copy of this policy and procedure or contact the Education Department of the IAB.

11 Enquiries and Appeals Procedure

Please refer to the IAB website www.iab.org.uk for a copy of this procedure or contact the Education Department of the IAB.

12 Level 2 Award in Payroll for Business – Unit Specifications

The unit specifications indicate the content, in terms of learning outcomes and assessment criteria, for each of the mandatory units within the Level 2 Award in Payroll for Business qualification.

All the learning outcomes and assessment criteria must be covered by providers when delivering the qualification. However, all learning outcomes and assessment criteria may not be fully covered by the knowledge test, assignments and examination used for the purpose of assessing learner competence in this qualification.
The content of the knowledge test, assignments and examinations used to assess competence in this qualification are subject to ongoing review by the IAB and may change periodically.

Each of the unit specifications is provided on the following pages:

Title	Principles of Employment legislation and payroll processing	
Level	2	
GLH	20	**Total Qualification Time** **40 hours**
The learner must:	**The learner will be required to:**	**Learners should know:**
1 Understand the principles of legislation relating to the processing of the payroll	1.1 Know employment legislation relevant to employees and processing of the payroll: • Preparing and issuing a Pay Advice • Holiday Entitlement • School leaving age • Sickness pay • Maternity pay and leave • Paternity pay and leave • Adoption pay and leave • School leaving dates • Working time and time off from work • Entitlement to a company pension • Protection from discrimination • Flexible working hours • Rest periods • Auto enrolment 1.2 Understand the general principles of the Asylum and Immigration Act in relation to the preparation and processing of the payroll 1.3 Identify a legal document which must be kept by the employer as proof of identity and entitlement to work 1.4 Outline the main responsibilities of the employer in relation to: • Protection from discrimination • Flexible working hours • Rest periods • Auto enrolment 1.5 Identify the legislative requirements in relation to income tax and NIC for employees	How employment rights legislation impacts on the preparation and recording of personal and payroll data for the topics given. The learner should be aware of the main principles only of the following legislation – as detailed under 1.1: Employment Act Employment Rights Act Working Time Regulations 1998 Pension Act 2008 in relation to auto-enrolment Work and Families Act 2006 The basic terms in relation to the Asylum and Immigration Act where it impacts on the payroll. Understand the requirements of an employer to check an individual's validity to work. This can be ascertained by checking certain employee documents such as a birth certificate, visa etc. That the employer has certain responsibilities to the employee and should adopt the employment legislation as part of their working practice. Know that the rules relating to the calculation of NIC for employees.
2 Understand the information required to prepare an employee payroll record	2.1 Know what information is required to prepare an employee payroll record 2.2 Know the purpose of a National Insurance Number and the employee's responsibility to retain their NI number	The main information required to process the payroll for an employee under RTI requirements and where it can be found e.g. the employee's Contract of Employment, a P45 from a previous employer etc. When an NI Number is issued, why it is important to have an NI number and its purpose, and the importance of keeping it

			secure e.g. to avoid it being used fraudulently
	2.3	Know the procedure for checking or obtaining a National Insurance Number	The relevant forms and procedures for checking and obtaining an NI Number.
	2.4	Define the procedure you should follow for a new employee: • with a P45 or leavers statement • without a P45 or leavers statement	How to proceed with the preparation of employee records under RTI requirements for employees with P45 or leavers statements from a previous employer, and those who do not have this information or have not worked so far in this tax year. Learners should know which HMRC 'Statement' to use in each case when setting up the employee record.
3 Understand additional elements that constitute gross pay	3.1	Define what is meant by positive and negative payrolls	How to determine whether a payroll is a positive or negative one by knowing the difference between the two.
	3.2	Understand what additional payments may constitute gross pay from the following payments: • Unsocial hours and shift payments • Productivity payments • Piece rates • Lump sum payments • Statutory additions to pay e.g. sick pay, maternity pay, adoption pay and paternity pay	Know what payments may be paid to an employee that should be included in their Gross Pay over a range of pay-periods, and which payments are not items of gross pay, such as reimbursement of expenses. Learners will need to know how to calculate and process standard statutory payments.
	3.3	Know what constitutes temporary and permanent changes to rates of pay e.g. pay scales, cost of living rises, performance enhanced pay, promotion, changes in working situations	That there are a range of temporary and permanent changes that can be made to an employee's gross pay throughout the year such as annual pay rises, promotion, performance pay, incremental rises on a pay-scale, production pay and temporary changes to the employee's working pattern. Learners should understand how and why these may be used
	3.4	Know how to calculate and apply retrospective changes to rates of pay ensuring accuracy in calculating back-pay	
4 Understand the principles of Statutory Additions to, and deductions from pay	4.1	Define the employment and earnings conditions and criteria that an employee must satisfy to be eligible to receive the following Statutory Additions to Pay: • Statutory Sick Pay (SSP) • Statutory Maternity Pay (SMP) and Maternity Leave (ML) • Statutory Adoption Pay (SAP) and Adoption Leave ((AL) • Statutory Paternity Pay (SPP), Paternity Leave (PL) and Shared Paternity Leave (ShPL)	Understand the basic conditions an employee must fulfil in order to receive Statutory Sick pay, Statutory Maternity Pay and Maternity Leave, Statutory Adoption Pay and Adoption Leave and Statutory Paternity Pay and Paternity Leave Understand that employees are entitled to Maternity leave and that this leave may be shared with the employees spouse or partner if certain conditions can be fulfilled

	4.2	Understand the terminology related to each of the Statutory Additions to Pay	Understand that employees are entitled to Adoption leave and that this leave may be shared with the employees spouse or partner if certain conditions can be fulfilled
	4.3	Understand the need to record and reconcile statutory additions to pay	
	4.4	Know where to find guidance on the appropriate rates and criteria relating to the Statutory Additions to Pay	Understand that employees are entitled to Paternity leave and that they may also share their partner or spouse's maternity leave as Shared Parental Leave if certain conditions can be fulfilled
			Understand the terminology used such as *Period of Incapacity for Work (PIW)*, *Waiting Days* and *Qualifying Days, Qualifying Week, Expected Week of Confinement etc.*
	4.5	Know how to calculate standard Statutory Additions to Pay, that they are an element of gross pay and therefore the tax and NIC implications for employee and employer	Know how to calculate statutory additions to pay if the criteria has been met
			Know that the payments are liable to income tax and NIC and whether the payments are reclaimable. Be aware of the need to retain accurate records
	4.6	Describe the purpose of Attachment of Earnings Legislation and why the orders may be issued	Learners should know the key points and terminology used when making deductions from the payroll according to the relevant legislation in relation to Attachment to Earnings and Deduction from Earnings Orders and to whom and when the deductions should be sent to. Learners should know the conditions that must be fulfilled in order to calculate the amount payable and the implications of not applying an Order to an employee's pay. The employer has certain responsibilities in the application of these Orders and where to find additional help and guidance. That there are various websites and agencies who can help with the required information e.g. ACAS
	4.7	Distinguish between Priority and Non-Priority DEO.	
	4.8	Define the concept of Protected Earnings.	
	4.9	Know the implication of not processing a AEO/DEO	
			Know the difference between an AEO and DEO and the terminology and rules surrounding the application of an Attachment of Earnings Order or Deductions from Earnings Order

5	Understand the principles of PAYE and NIC legislation and other statutory obligations when processing the payroll	5.1	Understand the use and application of standard and non-standard tax codes including: • Codes with an L suffix • NT • 0T • D0 • D1 • K • Prefix S	Learners should appreciate which agency is responsible for the collection of income tax from the employer for Scotland and the remainder of the UK. Identify both pre-tax and post-tax deductions and the difference this would make to the calculation of income tax. Understand the implications of applying any of the given tax codes as specified. Know that an employee's tax code cannot be changed without the correct authority from HMRC (Employer copy P6, employee copy P2)
		5.2	Understand that the liability to pay NIC fall into four Classes • Class1 • Class 2 • Class 3 • Class 4	Have an understanding of why NICs are paid and by whom. . Know how to calculate NIC and that it is determined by the Class and Category of NIC to be paid by the individual, particularly at this level, Class 1 contributions for the categories specified. The learner should also know the employer does not pay NIC on employees pay when the employee is 21 years of age and under.
		5.3	Define when you would use the following NI Categories within Class A contributions: • Category A • Category C • Category H • Category I • Category M	
		5.4	Know how to calculate and apply pension contributions for both the employee and employer according to given information	How to apply pension contributions accurately, in line with organisations requirements to agreed pay elements. Learners should be aware of the type of pension scheme operated and therefore whether the calculation of income tax and NIC are affected.
		5.6	Know the principles of processing payments and contributions when notified as eligible for salary sacrifice	Learners should also be able to process pension contributions and other payments and contributions, which are eligible for salary sacrifice.
6	Understand the principles of repaying Student Loans through the payroll.	6.1	Understand the basis of calculation of student loan repayments	Learners should know the criteria relating to the repayment of student loan for Plan 1 and Plan 2.
		6.2	Know the authority required to start and stop student loan deductions	The application of a threshold of earnings before the employee becomes liable to making repayments. The learner should also know the percentage used to calculate
		6.3	Know who student loan deductions are paid to	

				repayments and that Student Loan repayments are paid to HMRC in the first instance.
7	Understand the procedures to adopt when dealing with a leaver	7.1	Know what payments might constitute a leavers final Gross Pay	The procedures to adopt for a leaver including the elements of pay that makes up the leaver's final gross pay and any amendments to be made in addition to the employee's usual statutory and voluntary deductions.
		7.2	Know what deductions might be made from a leaver's Net Pay	
		7.3	Know what procedures are required to finalise a leaver's employment and the entries to be made on a leaver's payroll record	How to amend employee records appropriately. Remember that an employee who dies is a leaver and that there are certain procedures to following in this situation. The need to retain records for a variety of agencies and reasons.
8	Understand the requirements for processing and submitting payroll information	8.1	Be aware of the procedures for submitting payroll data at each pay period	Be aware that there are legislative changes at the beginning of each tax year and occasionally through the tax year. The learner should understand the implications for the processing of the payroll and the employee when the legislative parameters are not correct
		8.2	Know the importance of ensuring that commercially available payroll software is updated in line with any changes required by the tax authority or software company	
		8.3	Know the purpose of, and when to submit: • Employer Alignment Submission • Full Payment Submission • Employer Payment Summary	The purpose and content of various legislative submissions under Real Time Information regulations. Also at what point the submission is required by HMRC and that if the information is not recorded correctly the submission may fail
		8.4	Understand why a submission may fail and how a successful submission can be achieved	
9	Understand the need to complete period end payroll procedures within given timescales	9.1	Understand the need to reconcile payments and deductions made from employees pay, with internal records	Understand the use of a Payroll Summary sheet and know the information it should detail.
		9.2	Appreciate the advantages and disadvantages of various methods of making payments of net pay to employees	Know how the total cost of the wages to the employer and amount due to HMRC for a designated period are calculated. Know the RTI procedures following the processing of the payroll and that the FPS should be submitted before or on the point of payment of wages

Title	Computerised Payroll Processing		
Level	2		
GLH	30	Total Qualification Time	60 hours
The learner must:		The learner will be required to:	Learners should demonstrate:
1 Be able to set up and maintain company, pension and employee records using commercially available payroll software		1.1 Set up and maintain company and employee information in line with statutory, non-statutory and organisational requirements 1.2 Complete the records for a leaver, producing reports and forms as required 1.3 Update records for: • PAYE Bandwidths and rates • Tax codes • National insurance rates and parameters • Non-statutory deductions • Pay rates including hourly rates and annual salaries • Overtime rates • Net payments • Changes to employment status i.e. promotions, leavers • Salary Sacrifice with respect to pension contributions	They can set up and maintain a payroll for a business from blank payroll software, being able to input and amend all relevant information including company, pension and employee details. They can use the necessary settings relating to statutory additions to and deductions from pay They can set up and maintain payroll records for all employees including starters and leavers, and produce any relevant and required reports or forms including P45 for a leaver. They can update the software when changes are required to legislative parameters, tax codes for individuals, changes to employment status, rates of pay arising from permanent and temporary changes. The learner should also demonstrate that they are able to print reports of the updated information if required.
2 Be able to determine gross pay for different payroll periods		2.1 Determine gross pay for weekly and monthly paid employees from given information 2.2 Determine gross pay for non-standard periods i.e. daily, fortnightly, four weekly 2.3 Determine unsocial hours, shift payments and advanced holiday pay from given Information 2.4 Apply temporary changes to rates of pay and salaries including lump sum payments	How to accurately calculate gross pay for a number of employees, using a wide range of given information such as timesheets, hours worked, hourly rates of pay, annual salaries, sales data and performance figures, for standard and non-standard pay periods i.e. weekly, four weekly and monthly. When shift payments and additional payments for working un-social hours should be applied using relevant given information. How to calculate holiday pay due to hourly paid and salaried employees using given information and formulae. Holiday Pay may be advanced for the calculation of income tax and NIC. They can accurately ascertain and apply additional temporary changes to an employee's stated pay from given information such as changes in their employment situation in relating to pay-scales, annual pay rise

		information, changes in job role and working patterns.
	2.5 Apply any permanent changes in rates of pay from given organisational information e.g. pay scales, cost of living rises, performance enhanced pay, promotion, changes in working situations, age in relation to the National Living Wage	They can apply permanent changes to an employee's gross pay at various times and for various reasons throughout the year. The learner should also demonstrate how payments may be treated differently for pension contributions, calculation of annual cost of living rises etc.
	2.6 Apply retrospective changes to rates of pay ensuring accuracy in calculating back-pay	How to calculate and then include any back-pay due
	2.7 Apply given statutory pay information to an employee's pay when entitlement has been established including: • statutory sick pay • statutory maternity pay • statutory adoption pay • statutory paternity pay	They can ascertain accurate gross pay calculations which include statutory payments. As most software packages calculate the Statutory Payment due the learner may not need to calculate the payment
	2.8 Determine the final gross pay for a leaver ensuring that all relevant payments are taken into consideration, including: • weekly pay from given information • salary • Bonus payments • Commission payments • Shift allowances • Unsocial hours payments • Piece rates • Lump sum payments • Statutory payments • Back-pay • Holiday pay	They can accurately calculate the final gross pay for a leaver having taken into consideration all aspects of gross pay including converting holiday entitlement into holiday pay which should not be treated as an advanced payment.
3 Be able to process payroll accurately for a variety of pay periods using organisational procedures and timescales	3.1 Update all employee records prior to the payroll being run	They can update the employee records following the previous pay run
	3.2 Process the payroll, in accordance with statutory and organisational requirements ensuring the processing date is correct, amending it if necessary: • for a range of pay periods • for employees • for a starter • for a leaver	They ensure that the processing date is changed before processing the next payroll and can process the payroll for a range of situations and pay-periods to include a variety of pay elements, statutory deductions and pre- and post-tax voluntary deductions, starters, leavers, pension contributions etc
	3.3 Input and process all necessary authorised data and information including: • Basic Pay inc overtime,	

	• bonuses and commission • Holiday pay and advanced holiday pay • Back-pay and retrospective back-pay • Lump sum allowances • Shift payments • Statutory Additions to Pay • Expenses • Pre-tax and post-tax voluntary deductions • Student loans • Pensions contributions for employees and employers • Attachment to Earnings Orders and Deductions from Earnings Order • Salary sacrifice for pension contributions	
4 Be able to produce statutory and non-statutory reports	4.1 Produce relevant and required reports ensuring they are completed in a timely manner 4.2 Produce a range of internal period end returns, in accordance with all relevant timescales 4.3 Produce the relevant statutory and non-statutory reports relating to a leaver	Select, prepare and print a range of reports which cover all aspects of the payroll and conform to RTI requirement, Including reports for the employee, employer and external agencies and includes employee payroll records, payroll and payment summaries, payslips, some year-to-date information and information relating to HMRC payments Reports should also be prepared which relate to a leaver including a leavers statement or P45
	4.4 Determine total cost of wages	They can calculate the total cost of the wages to the employer and amount due to HMRC for a designated period, including statutory additions to pay and any reclaim of statutory additions
5 Be able to back up and restore data when required	5.1 Make a permanent back-up and store this safely according to organisational guidelines	They can take back-ups of the payroll data ensuring that they have unique file names which could be identified by any authorised individual.
	5.2 Restore previous pay period data from a back-up 5.3 Print a back-up and restore report	They can identify and restore a previous back-up They can print out a report showing previous back-ups and restoring of data.

13   Links to National Occupational Standards (NOS)

The mandatory units within the Level 2 Award in Payroll for Business qualification link with the following National Occupational Standards (NOS) for Accountancy and Finance:

- FSP P1 – Create and maintain employee records
- FSP P2 – Calculate Gross Pay
- FSP P3 – Determine entitlements and deductions
- FSP P4 – Control payroll