



IAB Level 1 Award in Payroll for Business 603/3022/3

Qualification Specification

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1 Introduction

The Level 1 Award in Payroll for Business qualification comprises three mandatory units:

- Principles of payroll preparation – Y/616/9096
- Fundamentals of payroll processing – D/616/9097
- Computerised payroll processing – H/616/9098

(See Section 11 'Unit specifications' for further details.)

The Total Qualification Time (TQT) and Guided Learning Hours (GLH) for this qualification are as follows:

TQT	GLH
115	50

TQT is an estimate of the amount of time that a learner might reasonably require to achieve the level of attainment necessary for the award of a qualification. TQT includes GLH, which describes the time spent by a learner being taught or instructed by a tutor or other appropriate provider of education or training. The remaining hours are time spent by the learner in preparation, study or any other form of participation in education or training that takes place as directed by, but not under the immediate guidance or supervision of, a tutor or other appropriate provider of education or training.

2 Statement of level

This is a Level 1 qualification, defined with reference to the Regulated Qualifications Framework (RQF), as follows:

Knowledge descriptor The learner:	Skills descriptor The learner can:
<ul style="list-style-type: none"> • has basic factual knowledge of a subject and/or knowledge of facts, procedures and ideas to complete well-defined routine tasks and address simple problems • is aware of aspects of information relevant to the area of study or work. 	<ul style="list-style-type: none"> • use basic cognitive and practical skills to complete well-defined routine tasks and procedures • select and use relevant information • identify whether actions have been effective.

3 Purpose

The Level 1 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:

- act as an introduction to payroll record keeping and processing, giving the candidate the necessary knowledge and skills to record financial payroll transactions in a manual and computerised environment and in line with Real Time Information requirements
- give candidates the necessary knowledge and skills to assess their own competence in carrying out a range of basic day-to-day payroll routines and activities using a manual and computerised payroll system. The activities will include the calculation of pay data and processing of that data including contributions to work based pension schemes using basis day-to-day payroll processing skills
- give candidates the necessary knowledge and skills to assess the implications of maintaining accuracy when performing any practical payroll tasks
- understand the importance of security and confidentiality in performing any 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. They will also have the skills required to prepare, check and use source documents from which the payroll is processed using a computerised payroll system 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 simple range of information sources and for either weekly or monthly 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 reports detailing payroll information.

4 Target groups

The Level 1 Award in Payroll for Business qualification has been designed to appeal to learners:

- starting their studies in the subject payroll from a point of no previous knowledge or experience
- employed at a junior level with some limited basic payroll knowledge and skills, who want to formalise their competence by gaining a recognised accredited qualification in payroll
- returning to study and/or work after a study or career break
- considering a change in career

- considering a career as a self-employed practitioner
- and owners of a small business wanting an introduction to the function of payroll with a view of keeping financial records for their business, 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 1 Award in Payroll for Business qualification. However, it is recommended that prospective learners have acquired basic skills in both numeracy and literacy prior to starting their studies in this subject area.

6 Progression

Holders of the Level 1 Award in Payroll for Business qualification may progress to another qualification at:

- Level 1 carrying with them credits for units achieved to expand their knowledge and skills in the subject area
- a higher level, thereby developing their knowledge and skills in the subject area.

7 Assessment, achievement and grading

7.1 Methods of assessment

The method of assessment for each unit is outlined in the table below.

Assessment title	Method of assessment
Principles of Payroll Preparation	Knowledge Test
Fundamentals of Payroll Processing	Assignment
Computerised Payroll Processing	Assignment

The knowledge tests and assignments are delivered online. Pilot assessments are provided for the purposes of practice and revision. Pilot assessments are not timed and can be undertaken as many times as the learner chooses. Once the pilot assessment is passed, the learner can attempt the live assessment. Live assessments are timed.

7.2 Achievement and grading

To achieve the qualification learners must take and pass the assessments for the three mandatory units of which the qualification is comprised. To pass an assessment, the learner must achieve:

70% or above for a Knowledge Test

70% or above for an Assignment

There are no grade scales – learners will receive either a pass or a fail result

8 Certification

On achievement of all the mandatory units the learner will receive an IAB Level 1 Award in Payroll for Business certificate. The certificate will carry the full name of the learner as registered.

Learners who do not achieve the full qualification may request a Certificate of Unit Completion for any of the individual units they have passed. This certificate will refer only to the title of the unit completed.

9 Reasonable adjustments and special considerations

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of this procedure.

10 Enquiries and appeals

Please refer to the Centre Area of the IAB website www.iab.org.uk for a copy of this procedure.

11 Unit Specifications

The unit specifications indicate the content, in terms of learning outcomes and assessment criteria, for each of the three mandatory units within the Level 1 Award in Payroll for Business qualification.

All the learning outcomes and assessment criteria must be covered by providers when delivering the qualification. Each live assessment covers a selection of the unit learning outcomes and assessment criteria and full coverage is achieved across the live assessment variations for each unit.

The content of the assessments is subject to ongoing review by the IAB and changes periodically.

Each of the unit specifications is provided below.

Level 1 Award in Payroll for Business – 603/3022/3

Unit title	Principles of payroll preparation – Y/616/9096		
Level	1		
GLH	10	Total Qualification Time	20
Learning Outcomes	Assessment Criteria		
The learner must	The learner will be required to:		Learners should know:
1 Understand fundamental employment and data protection legislation relevant to payroll	1.1	Define the purpose and use of payroll	The structure and use of payroll on behalf of both the employer and employee
	1.2	Know how to determine employment status	The basic elements commonly used to define employed and self-employed individuals and be able to apply them to a range of working practices
	1.3	Understand the employee's rights in terms of: <ul style="list-style-type: none"> • Contracts of Employment and the information they contain • National Minimum Wage • National Living Wage • average working hours • paid holiday entitlement 	The basic information contained within a Contract of Employment and the structure and use of the National Minimum Wage (NMW) and the National Living Wage (NLW), including the annual date of review
	1.4	Identify where relevant guidance on employment rights within employment legislation including the Working Time Directive, can be found	That information can be found online or by contacting HMRC and other agencies
	1.5	Outline employer responsibilities in relation to payroll, under data protection legislation	Awareness of the employer's responsibilities in keeping data secure and only for the purpose it was originally intended as identified in the General Data Protection Regulations
	1.6	Understand the need for security and confidentiality of personal data, payroll and business information both in manual and computerised environments	The implications of not keeping payroll and personal data secure within the organisation. Awareness of the basic types of security that can be put in place to guard both manual

		and computerised information
	1.7 Understand the need to back-up payroll data retained on a computerised payroll system	Why it is necessary to maintain a back-up of the payroll and how a back-up is required if there is a hardware failure, theft or fire
	1.8 Know how long payroll records should be retained	Why employers need to retain payroll data for at least 6 years under Auto Enrolment legislation and 3 years for HMRC
2 Understand what constitutes gross pay for different payroll periods including leavers	2.1 Identify elements of pay that contribute to overall gross pay and the relevant documentation	<p>The various elements that make up gross pay i.e.</p> <ul style="list-style-type: none"> • basic hours worked and basic hourly rates • how overtime hours are calculated • how overtime rates of pay are calculated • annual salary that can be paid weekly, four weekly or monthly • basic holiday pay (NOT advanced pay) <p>The documents that give working time and pay information:</p> <ul style="list-style-type: none"> • timesheets • clock cards • swipe cards • contracts of employment
	2.2 Outline the procedures relating to the preparation of a leavers final gross and net pay	The information required to prepare the final gross pay for a leaver and where that information can be found
	2.3 Understand that an employer may operate a variety of pay periods: <ul style="list-style-type: none"> • weekly • fortnightly • monthly • four-weekly 	Appreciate that payments may not be made to employees just on a weekly or monthly basis. They should also understand the principles of making payments on a fortnightly and four-weekly basis

3 Understand the difference between statutory and voluntary deductions	3.1 Know the difference between statutory and voluntary deductions	What is meant by statutory and voluntary deductions
	3.2 Identify two statutory deductions	Give two examples.
	3.3 Identify two voluntary deductions	Give two examples Voluntary deductions include making contributions to a pension scheme. Learners should know the situation in relation to income tax when processing pension contributions
	3.4 Know the authority needed before making voluntary deductions	That the employer needs authority from the employee to make the deductions from the employees pay and that this should be reviewed on at least an annual basis
4 Understand the principles of the PAYE and NIC systems in the UK	4.1 Know what is meant by and the agencies responsible for the: <ul style="list-style-type: none"> • PAYE system • NIC system 	How the PAYE system is operated. What each of the systems aim to achieve.
	4.2 Know which agency operates the UK tax calculation and collection system	The role of HMRC and the National Insurance Contributions Office
	4.3 Know that Scotland determines its own rate of income tax and that it is administered by HMRC	Awareness that Scotland has its own rate of income tax known as the Scottish Rate of Income Tax (SRIT)
	4.4 Understand the PAYE system that is operated by HMRC, on a cumulative and non-cumulative basis	That income tax can be calculated on a cumulative or non-cumulative basis
	4.5 Know the form(s) required from HMRC giving authority to change an employee's tax code	indicated by the tax code allocated to the employee, and why it might be necessary for HMRC to allocate a non-cumulative tax code to an employee.
	4.6 Understand what is meant by: <ul style="list-style-type: none"> • cumulative calculation of income tax • non-cumulative calculation of income tax 	This requires the learner to understand what is meant by a suffix and whether calculations are to be on a cumulative or non-cumulative basis

		The importance and procedure for amending an employee's tax code promptly and that the information can only come from HMRC
	4.7 Understand that the NIC system is operated on behalf of the NICO on a non-cumulative basis and the purpose of NIC	How the NIC system is operated and appreciate which agency is responsible for the collection of NICs from the employer and which agency has overall responsibility for NIC
	4.8 Outline the use of the NI thresholds and categories: <ul style="list-style-type: none"> • category A • category C • category M • category H 	The basis of calculation of NICs by the use of thresholds and categories and that each category is allocated certain percentage rates for calculating contributions within specified bandwidths or limits
	4.9 Give an example of the authority needed to implement changes to NI categories	At Level 1 Categories A, C, H and M will be used. Why the category used for an employee might change i.e. from Cat A to Cat C and from Cat H or M to Cat A. Authentication of the evidence to change the category of NIC is required i.e. evidence of date of birth
5 Understand the information required to prepare and submit an employee payroll record under HMRC Real Time Information regulations	5.1 Know the information required for electronic submission to HMRC in respect of: <ul style="list-style-type: none"> • the employer • the employee with a P45 or leavers statement • the employee without a P45 or leavers statement 	The Real Time Information requirements relating to the submission of information for new employees and from where the information can be gathered. How the underpinning knowledge should be applied to a range of situations presented by new employees
	5.2 Know how the information is submitted to HMRC and the relevant forms used	That the information may be submitted by Employer

		Alignment Submission when setting up a new company or a Full Payment Submission when employees start working for an existing company
6 Understand the internal and external procedures required for finalising the payroll	6.1 Know the necessary internal procedures for completing the processing of the payroll including the completion of: <ul style="list-style-type: none"> • pay statements • payroll summaries • summaries of payments to employees 	The minimum information required on a payslip: <ul style="list-style-type: none"> • employee’s full name • earnings and deductions • net pay • date of the pay period • method of payment • tax code • NI number • year to date values
	6.2 Appreciate that internal payroll records for both employee and employer should be updated following the processing of the payroll	<p>That a payroll summary sheet is prepared using gross pay information, all statutory and voluntary deductions and NIC and pension contributions paid by the employer. Payroll summaries are used to give basic management information and determine the amount of net pay due to employees</p> <p>The need to prepare listings of all required information relating to cheques issued or BACs payments made for individual Net Pay. For cheques the information given should include Payee, amount due, date of payment and cheque number. For BACs payments the information should include date of payment, Payee Account Name, Account Number and sort code</p> <p>The necessity of updating internal records for both the employee and employer following the processing of the payroll and the</p>

		implications if this is not carried out
7 Understand HMRC reporting requirements	7.1 Know the importance of the processing date with reference to Real Time Information	That processing the payroll under RTI requirements means that the Full Payment Submission must be submitted on or before the date that payment is made to the employee
	7.2 Identify the forms for submitting information under Real Time Information requirements including those for leavers	The purpose and use of: <ul style="list-style-type: none"> • employer alignment submission • full payment submission
	7.3 Know the timescales for successfully completing submission of information under Real Time Information	That the employee should be: <ul style="list-style-type: none"> • identified as a 'leaver' on the final Full Payment Submission and internal payroll record • that a P45 or Leavers Statement should be prepared and given to the employee

Unit title	Fundamentals of payroll processing – D/616/9097	
Level	1	
GLH	10	Total Qualification Time 25
Learning Outcomes	Assessment Criteria	
1 Be able to calculate gross pay for different payroll periods and situations	1.2 Determine basic gross pay for weekly paid employees from given information e.g. timesheets and basic hourly rates	Calculate gross pay accurately (within 2 decimal places), from given hourly rates of pay and using given information such as timesheets, clock cards, swipe cards, attendance books etc.
	1.3 Determine the basic gross pay for a range of pay periods: <ul style="list-style-type: none"> • weekly • fortnightly • four-weekly • monthly 	Calculate basic pay for a variety of pay periods from given rates of pay including annual salaries

	<p>1.4 Determine overtime hours payable from given information e.g. timesheets</p>	<p>Calculate the number of hours of overtime worked from a given timesheet or worksheet</p>
	<p>1.5 Determine overtime rates of pay from given information</p>	<p>Calculate the amount of overtime pay due when given rates of overtime, i.e. time and a quarter, time and a half etc., to 2 decimal places and be able to calculate overtime pay from given overtime hourly rates</p>
	<p>1.6 Determine an accurate value of overtime payments due to employees</p>	
	<p>1.7 Determine additional payments from given information:</p> <ul style="list-style-type: none"> • basic holiday pay • bonuses • commission 	<p>Calculate holiday pay due to employees when given the number of days or hours of entitlement and the hourly, daily or weekly rates of pay. Make straightforward calculations of commission and bonuses due from given information</p>
	<p>1.8 Apply permanent changes in rates of pay from given statutory and organisational information e.g. pay scales, cost of living rises, promotion, National Minimum Wage and National Living Wage</p>	<p>Change rates of pay from pay-scales or from a given percentage rise for cost of living, promotion or annual performance review. Apply changes to an employee's rate of pay if the National Minimum Wage or National Living Wage changes, of if the employee's age makes it a requirement to change his rate of pay</p>
	<p>1.9 Determine the final gross pay for a leaver from given information including:</p> <ul style="list-style-type: none"> • basic pay • overtime • holiday pay • week in arrears • bonuses payments • commission 	<p>Bring together all elements of the final pay due to a leaver including basic pay, overtime pay and holiday pay to calculate the total gross pay due to the leaver. Take Week in arrears payments into consideration along with any outstanding bonuses or commission payments</p>

2	Be able to determine the amount of income tax to be deducted from Gross Pay	2.1 Determine income tax due using HMRC approved tools and calculators: <ul style="list-style-type: none"> • standard suffix codes operated on cumulative or non-cumulative basis • BR code operated on a cumulative basis 	Demonstrate that they can calculate income tax due on a range of gross pay figures using a variety of tax codes cumulatively and non-cumulatively. Be aware of how to calculate income tax on a manual basis and that income tax can also be calculated using the HMRC online PAYE Calculator
		2.2 Process changes to an employee's tax Codes as directed by HMRC	Apply an authorised change to an employee's tax code
3	Be able to determine the amount of National Insurance Contributions to be deducted from Gross Pay	3.1 Determine NI Contributions for both the employee and employer, using HMRC approved tools using Categories A, C, H and M contributions	Calculate NI Contributions due on a range of gross pay figures using a variety of NIC categories (A, C, H and M) using either the manual method, HMRC NIC Calculator
		3.2 Process changes to an employee's situation with relation to National Insurance contributions	Apply an authorised change to the category of NI used for an employee
4	Be able to apply voluntary deductions	4.1 Apply employee pension contributions as pre-tax deductions	Recognise a voluntary deduction as an authorised pre- or post-tax deduction from the employee's pay following the calculation of income tax and NIC. The only pre-tax deduction dealt with at L1 will be basic pension contributions
		4.2 Identify and apply a range of post-tax voluntary deductions to the employee's pay calculations	
5	Be able to complete internal and statutory procedures for a leaver	5.1 Process the leavers final gross pay at the appropriate pay-run date	Complete the processing of an employee's pay at the point the employee is leaving their employment
		5.2 Prepare form P45 or equivalent for the employee	Complete any relevant leavers form and identify the procedures related to submission of leavers' information to HMRC
		5.3 Finalise payroll information in line with the tax authority and organisational requirements	Update employee records with leaving information

6 Be able to produce the necessary payroll forms and summaries	6.1 Produce payslips to detail statutory and organisational information relating to employees' pay	Prepare payslips from the information given on an employee payroll record and from the processing of gross pay
	6.2 Produce payslips to detail statutory and organisational information relating to employees' pay	Prepare a Payroll Summary with relevant employee pay information so that all elements of the employees pay and deductions are shown, totalled and that each employee's Net Pay is accurately calculated
	6.3 Produce a payroll summary to itemise payments and deductions, including Income Tax, employee's NIC and employer's NIC, in accordance with organisational requirements 6.4 Prepare a payment summary for the following: <ul style="list-style-type: none"> • cheques • BACs 	Prepare a summary to show the employees who are paid by cheque or BACs, detailing relevant information about bank account names and numbers, and sort codes

Unit title	Computerised payroll processing – H/616/9098	
Level	1	
GLH	30	Total Qualification Time 70
Learning Outcomes	Assessment Criteria	
1 Be able to set up a computerised payroll system using commercially available payroll software	1.1 Enter company data and legislative parameters into commercial payroll software in accordance with company policy	Set up the software by entering the company name, address and relevant information onto payroll software ensuring that all information is entered accurately

	<p>1.2 Maintain the company data and legislative parameters in accordance with company policy</p>	<p>Check that the legislative information, namely income tax bands and rates and NIC thresholds and rates are correct. Appreciate the need to update the software in line with legislative changes and the implications of not doing so</p>
	<p>1.3 Enter information in relation to banking and pension provision</p>	<p>Know how to enter information relating to the company bank account and pension provider</p>
<p>2 Be able to set up employee records and payroll data on a computerised payroll system</p>	<p>2.1 Create employee records within the payroll software from given information e.g. HR information, contract of employment, P45</p>	<p>Enter information relating to employees into employee records on the payroll software. This may be from given manual payroll records or information relating to new employees both with and without a P45</p>
	<p>2.2 Maintain up-to-date employees' payroll records ensuring that all changes have been correctly authorised by the employee, employer or statutory body, including income tax codes changes, rates of pay etc.</p>	<p>Ensure that employee payroll records should be amended accurately if there is a change in employee personal circumstances or workplace information such as marital status, address, tax code, NI Category, job title, rate of pay</p>
	<p>2.3 Produce a range of reports relating to the employee's personal details, pay and deductions</p>	<p>Save and/or print reports detailing specified information relating to an employee's personal details and employment details including pay, deductions, P45</p>
<p>3 Be able to prepare and enter details of gross pay into the computerised payroll system</p>	<p>3.1 Calculate the elements of basic gross pay for weekly and monthly paid employees from given information e.g. timesheets, summaries, salary information, hourly rates</p>	<p>Calculate the entitlement to various payroll elements relating to gross pay including: hourly rates, hours worked, salaries, overtime information and holiday pay</p>

	3.2 Enter elements of basic gross pay for weekly and monthly paid employees	Set up the various payroll elements relating to gross pay within the software including: hourly rates, hours worked, salaries, overtime information, holiday pay, bonuses and commission
	3.3 Enter overtime details from given information	
	3.4 Calculate basic holiday pay from given information	Process Holiday Pay. Note: The payment should not be advanced in date for a leaver when processed
	3.5 Enter basic holiday pay as a separate gross pay element	
	3.6 Calculate additional performance and contractual payments i.e. bonuses and commission	Determine the amount of basic bonus and commission payments due to an employee from given information
	3.7 Enter bonus and commission payments as separate gross pay elements	Ensure that each element of gross pay is set up as a separate item
4 Be able to process the payroll	4.1 Check the processing date is correct and amend if necessary: <ul style="list-style-type: none"> • for RTI purposes • for processing the payroll accurately 	Appreciate that the processing date is important under Real Time Information. Learners should also be aware that the processing date of the payroll has to be changed/entered for each pay period as it affects the application of legislation within payroll software. In some circumstances the software may need to be restored from a previous pay period. Following the processing of the payroll the learner should take a Back-up and then update the payroll
	4.2 Process gross pay in accordance with company policy and legislative requirements ensuring all pay and deductions are taken into consideration	
	4.3 Process the final pay for a leaver	Process the final pay for a leaver, ensuring that the correct processing date is used
	4.4 Produce internal period end reports including payslips and payroll summaries	Produce a range of reports including summaries of payments, in the format designated, including cheques and

		BACs analysis, payslips and leavers forms
	4.5 Complete the processing of the payroll for the period	Be aware that they cannot submit dummy information to HMRC during assessment processes, but should be aware of the procedures to adopt in a real situation
	4.6 Prepare payroll data in a format suitable for submission to the relevant tax authority	Print the relevant leavers forms such as a P45 or leavers statement, at the correct date ensuring that the software has been updated to include the latest processing of the payroll
	4.7 Produce Form P45 or equivalent leaving statement, for a leaver	
5 Be able to back up and/or restore payroll data	5.1 Back-up and restore payroll data	Produce the back up and restore log to demonstrate this
	5.2 Produce evidence of backing-up and restoring by saving/printing the back-up and restore log	Back-up and restore files and appreciate why it is necessary to take back-ups and when they may be required e.g. to restore previously processed payrolls, to correct errors, to restore information if the computer is replaced due to fire or theft

12 Links to National Occupational Standards (NOS)

The mandatory units within the Level 1 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.