Department for Work & Pensions Procedures ▸ Calculation - Non HMRC

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Calculation - Non HMRC

The purpose of this procedure is to advise users how to obtain any available income for the paying parent and perform a calculation based on this income. This may happen when the HMRC response remains at N/A. This is different from when HMRC return an income of £0.00. In this instance the nil rate will apply and should always be used for calculations.

When gross historic income is obtained via HMRC the amount used in the maintenance calculation is for the most recent tax year that HMRC have full information for, this may be any of the last six tax years. The maintenance calculation process will normally use HMRC income details to perform the calculation, however, when current income details are provided by the paying parent that differ by 25% or more from the HMRC figure, these supersede any income retrieved from HMRC. When the paying parent is in receipt of a benefit this also supersedes any HMRC income information.

If a client queries the income figure, explain that their gross weekly income has been calculated using information that the client, their employer or a third party (such as their accountant) gave to HMRC. HMRC only hold the income they receive from these sources. If a client has concerns about the accuracy of the information, they should speak to their employer or third party contact (accountant) about the accuracy of the data as HMRC only react to changes from these sources.

If an income figure cannot be obtained via HMRC, the paying parent or the paying parent's employer or accountant, consider whether an estimation of earnings calculation can be completed based on the paying parent's occupation. The estimation of earnings tool can be used to estimate earnings where previous employment type information held is less than 12 months old, or less, from the effective date of the calculation.

If previous employment type information held is older than 12 months from the effective date of the calculation, the estimation of earnings tool can still be used where the information is supported by additional evidence that confirms the paying parent is currently working in the same occupation.

Where it is found that the paying parent is still in the same employment type and there is a previously held current income figure dated 12 months or less from the effective date of the calculation, this figure can be used to make an estimated earnings decision. If a previously held current income figure is dated older than 12 months from the effective date of the calculation, it cannot be used to estimate the paying parent's earnings.

For further information on estimating current income, refer to Policy, Law and Decision Making Guidance ⚖
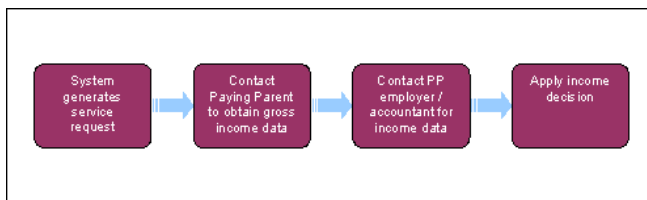
If there is no information on the paying parent's employment type, regardless of whether a current income figure if held on the system, the paying parent's income cannot be estimated and a default maintenance decision (DMD) must be calculated.

For more information on default maintenance decisions, refer to the Policy, Law and Decision Making Guidance ⚖

A guide has been developed to further help with this. For information refer to HMRC/CIS/Current Income in the Fundamentals site in the Enhanced Support Model.

For further information on employed current income refer to the Policy, Law and Decision Making Guidance ⚖

For further information on self employed current income refer to the Policy, Law and Decision Making Guidance ⚖

ⓘ When speaking to clients always use the new terminology. For more information refer to Terminology Changes.

ⓘ This procedure uses the terms receiving parent and paying parent.

The receiving parent is the parent who receives or who is expected to receive child maintenance, known as the parent with care (PWC) or person with care (PeWC) on the system and in legislation. The paying parent is the parent who pays or who is expected to pay child maintenance, known as the non resident parent (NRP) on the system and in legislation.

System returns no income figure

1. This process begins with the system generating a **Perform Calculation** service request (SR) and may also start following a change of circumstances where the paying parent has no historic income e.g. paying parent in receipt of benefit since leaving education.

   When the 2012 system is unable to retrieve any **Earned Income** details from Her Majesty's Revenue and Customs (HMRC) for the paying parent the SR Reason field should populate with **No Income Available**. If this does not happen automatically, update the **Reason** field as **No Income Available**.

2. Update the SR **Status** to **In Progress** and save the record. Update the SR **Sub Status** to **Gather income from NRP**. An activity plan generates to follow. If the paying parent is on benefits, go to **step 23**.

Contact paying parent to obtain gross income data

3. Call the paying parent to discuss income and to verify employment/self employment details. Advise the paying parent written evidence of income is required and we will perform a best evidence calculation based on an estimate of their current income which may involve using the estimation of earnings tool (EET), or impose a default maintenance decision (DMD) if this information is not provided. For more information refer to Estimation of Earnings Tool.

    If the paying parent's circumstances make them eligible for a nil rate go to **step 23.**

4. Raise a **Change Income SR** to send CMSL4212 to the paying parent to request income details.

    For paying parent applications issue CMSL3406 to request proof of income, which will also set the effective date. Change the **Sub Status** of the SR to **Wait** and wait 14 days for a response.

5. If the paying parent provides income details, go to **step 11**.

    ⚠ The **Change Income SR** should not be completed until the end of this process has been reached, it should only be raised at this point to allow the necessary letters to be send. If the paying parent supplies income details, complete this process first before following Change - Income to complete the change to income calculation.

6. When the paying parent does not provide details or cannot be contacted, call the receiving parent and ask if they have any details. Check the system for any employer or accountant contact details. For more information refer to Confirm Current Location. If employer details are available go to **step 7**.

    If no details are held on the system, check Common Enquiry Service (CES) to see if the paying parent is in receipt of a benefit. For more information refer to CES - View Benefit Info. If benefits are in payment add the benefit details manually and refer to the On Benefit procedure.

    If no employer or benefit details and the paying parent does not respond after 14 days consider making a best evidence income decision, go to **step 13**.

Contact paying parent's employer/accountant for income data

   ⓘ Check if a Contact Record exists on the 2012 system for the paying parent's employer, if no record exists create a new one. For further information refer to Third Party - Set Up.

7. Change the SR **Sub Status** to **Gather Income Details From Third Party**. A new activity plan with a new list of tasks is generated.

8. Call the paying parent's employer or accountant (if the paying parent is self employed) to obtain gross income information. Do not provide the Employer with the Employer Payments Team details as they will not handle the Employers return response. Any contact details left with the employer must be for your team.

    ⓘ Some employers may be unwilling to provide personal information over the telephone. To prevent any delay in progressing the case, an email can be sent to the employer from a shared inbox while speaking to the employer on the phone to confirm our identity. Please refer to Employer – Manage Contact for further information on what action to take when using email to validate our identity.

9. If the paying parent's employer cannot be contacted by telephone send **CMSL4001** to request income details and wait 14 days for a response. Change the **Sub Status** of the SR to **Wait**. For more information refer to Change - Income.

    ⚠ The Change Income SR should not be completed until the end of this process has been reached, it should only be used at this point to allow the necessary letters to be send. If the employer supplies income details, complete this process first before following Change - Income to complete the change to income calculation.

10. If the paying parent is self employed and the accountant cannot be contacted by telephone or is unwilling to provide any details over the telephone, send **CMEL9250** via the contingency process to request income details and wait seven days for a response. Change the **Sub Status** of the SR to **Wait**.

11. If income details are provided by the employer or accountant, change the **Status** to **In Progress** and complete the **Current Income** and **Income Source** fields within the **Perform Calculation SR.** Continue from **step 27.**

12. If income details are not provided, change the **Sub Status** to **In Progress**, go to **step 13**.

Apply Best Evidence decision

13. Check case history to establish what information if any, is already held. Use this information to estimate the paying parent's income using the Estimation of Earnings Tool.

    For further information on estimating current income, and to ensure the correct decision is made, refer to Policy, Law and Decision Making Guidance ⚖

14. Income information will be provided in the form of an A4 printout from the tool. Once obtained, scan this into the 2012 system. For more information refer to Scanning - Local.

    ⓘ When the application is first made the applications caseworker will have asked the receiving parent for details of the paying parent's employment. Check the case notes for this information as it may help with using the EET.

15. Where an estimated annual current income figure has been calculated, reject the **Change Income SR** that was generated earlier in the process due to insufficient evidence. Go to **Tolerance Not Breached or insufficient evidence** in Change - Income for more information.

16. Select the **Calculation** SR and update the **Current Income** field with any income details held, then change the **Income Source** to **Best Evidence**. Update the **Notes** field to record the reason/s for this decision. Using the EET is a discretionary decision, this includes making a Welfare of the Child Decision. For more information on discretionary decisions including a verbatim statement to record in **Notes** refer to Policy, Law and Decision Making Guidance

    The paying parent can appeal against a maintenance calculation based on an estimated child maintenance amount (All maintenance calculation decisions may be appealed by the paying parent or receiving parent), but will need to provide evidence of their actual income to allow a revision to be calculated.

17. Where the paying parent receives a bonus payment refer to Policy, Law and Decision Making Guidance:

18. The maintenance liability can now be calculated, go to **step 27**.

Apply a Default Maintenance Decision (DMD)

19. Where it is not possible for current income to be estimated, apply a Default Maintenance Decision (DMD). The Perform Calculation SR generates with the reason **No Income Available**. Open the SR, **Gross HMRC Income** and **HMRC Income Year** are greyed out. Update the SR **Status** to **In Progress** and **Sub Status** to **Apply Best Evidence or DMD.**

20. Complete the activity plan and go to the **More Info** tab. Within the **Liability Calculation** view, select the **DMD** check box.

    ⚠ In scenarios where nil income **£0.00** has been retrieved into the SR with a **Reason** of **No Income Available**, do not check the DMD tick box. Select **Calculate Liability Amount** directly to perform any calculations.

21. Select **Calculate Liability Amount**, which calculates the liability and produces the Promise to Pay Schedule. Update the **Notes** field to record the reason/s for this decision. Applying a DMD is a discretionary decision, this includes making a Welfare of the Child Decision, for more information on discretionary decisions including a verbatim statement to record in **Notes** refer to Policy, Law and Decision Making Guidance

22. The 2012 System automatically issues letters **CMSL3400** to the paying parent and **CMSL3401** to the receiving parent. The DMD remains in place until sufficient information is received to allow a maintenance calculation to be completed. Go to **Step 27**.

    ⓘ There is no requirement to refer every DMD to criminal suspicion. Referrals should only be made if there are significant reasons to do so.

    For more information on DMD rates refer to the Policy, Law and Decision Making Guidance:

Apply a Nil Rate Calculation

23. In a Maintenance Calculation, the nil rate applies if the paying parent's gross weekly income is less than £7 or if the paying parent is a special category of person.

    If the paying parent meets the criteria, perform a nil rate calculation. Enter an amount of **0.00** in the **Current Income** field, select the **Date Income Gathered** as today's date, and the **Income Source** as **NRP Provided**.

    For more information on nil rate calculations refer to the Policy, Law and Decision Making Guidance:

24. Check that the **Effective Date** is correct. For more information on effective dates refer to the Policy, Law and Decision Making Guidance

    Select the **Calculate Liability Amount** button to perform the nil rate calculation.

25. Issue **CMSL4101** to the paying parent and **CMSL4102** to the receiving parent then complete a change of circumstances so that the additional contact status is recorded against the paying parent contact. See Change - Address Details for further information.

26. This creates another **Perform Calculation** SR. Record the actions you have taken in the **Notes** field, then update the new SR **Status** to **Closed** and **Sub Status** to **Complete** without issuing letters.

Complete Calculation

27. Select **Ctrl + S** to save the details, then **Calculate Liability Amount** to perform the calculation.

    ⚠ If there is a Regular Deduction Order (RDO) in place i.e. there is an open **RDO Set Up** SR on the case, contact the Deduction Order Team to advise them to vary the order in line with the new assessment.

28. The system will populate the effective date, complete the calculation and generate promise to pay (P2P) and payment schedules. Outbound communication letters confirming the calculation amount and the schedule payment amounts and dates will be sent to both parents. For more information, refer to Calculation - Post Initial and Calculation - Backdated Adjustments.

    ⚠ If the liability schedule is created on or effective from the last day of a 31 day month, a month may be missing on the liability schedule due to a display issue. If the correspondence is also incorrect, raise an incident.

29. Call all clients to discuss the assessment prior to letters being received.

30. If sufficient evidence has been received, apply current income using the **Change Income SR** created earlier in the process. If one wasn't created, create one now and record the income details onto the income applet. Make sure the effective date of the **Change Income SR** is the same as that within the **Calculation SR**. Complete the change but cancel any subsequent Perform Calculation SRs that generate. Completing this change will allow the income to be picked up for future changes. For more information on completing the **Change Income SR** go to Change - Income.

If a DMD has been applied and the **Change Income SR** is not required update the **Notes** of the **Change Income SR** to state why it is not required and update the SR **Status** to **Closed** and **Sub Status** to **Cancelled**.

Perform Calculations Checks

Perform Calculations Checks

1. Once the **Perform Calculation** child SR is generated, open the SR and check the **Reason** field to see if it has generated with an exception reason. The exceptions reasons include:

   - No Income Available – Refer to Calculation - Non HMRC
   - Establish MOPF – Refer to Promise To Pay Exceptions
   - Process Multiple MOPF – Refer to Promise To Pay Exceptions
   - Determine NDR – Refer to Promise To Pay Exceptions

2. Check the calculation has completed as expected in the **More Info – Liability Calculation** view, taking into account the change being implemented.

3. If the Effective Date is before the **Calculation Date**, navigate to the **Related SRs** view and check the system has completed the correct automated backdated adjustments. Refer to Calculation – Backdated Adjustments.

4. Once confirmed adjustments have been completed, navigate to the **Payment Schedule** view.

5. In the top applet, check the **Liability Schedule Details Version** field has a new version number populated.

6. Check the **Promise To Pay Schedule Details Version** field has a new version number populated. If no new version, refer to Annual Review summary and check for a missing variable before clicking the **Generate Promise To Pay** button at the top of the applets.

7. Check the Promise to Pay schedule details in the **Payment Arrears** and **MOP Payment Details** applets to ensure the proposed schedule is acceptable given the Paying Parents circumstances.

8. Navigate to the **Notes** field and enter any decision that has been made regarding the promise to pay schedule that has been run.

9. Navigate to the **More Info – Liability Calculation** view and check the letter activities. Refer to Letters (outbound) - Send to Client.

CMSL3400 We've worked out your child maintenance payments

Letter to paying parent to advise that we have calculated a default maintenance decision

All fields in this letter are system generated, no manual intervention is required

CMSL3401 We've worked out your child maintenance payments

Letter to receiving parent to advise that we have calculated a default maintenance decision

All fields in this letter are system generated, no manual intervention is required

CMSL3406 Please contact us about your child maintenance case

Letter to paying parent where paying parent is the applicant, to advise the effective date has been set but we need to establish their gross weekly income.

All fields in this letter are system generated, no manual intervention required.

CMSL4001 Please provide proof of an employee's income

Letter to the employer to determine gross income data for the paying parent. The employer has legal requirement to provide information.

All fields in this letter are system generated, no manual intervention is required.

CMSL4090 We've worked out your child maintenance payments

Letter to receiving parent to advise of new maintenance calculation (Non DMD)

CMSL4096 We've worked out your child maintenance payments

Letter to paying parent to advise of new maintenance calculation.

CMSL4101 Your child maintenance payments – our decision

> To paying parent – nil rate assessment.
>
> All fields in this letter are system generated, no manual intervention is required.

CMSL4102 Your child maintenance payments – our decision

> To receiving parent – nil rate assessment for paying parent.
>
> All fields in this letter are system generated, no manual intervention is required.

CMEL9250 Urgent – we need some information

> Ask accountant for further information about a paying parent .
>
> Complete the free text areas for point 5 and input any further questions if necessary.

Calculation - Backdated Adjustments

Calculation - Post Initial

Confirm Current Location

Estimation of Earnings Tool

Fundamentals

Income - Current - Periodic Check

Letters (Outbound) - Off System

On Benefit

Scanning - Local

Terminology Changes

Variation - Review Existing

What if HMRC holds no details for the paying parent income?

> The caseworker will need to establish current income details by contacting either the paying parent, their employer or their accountant.

What will the caseworker do if the paying parent queries the income figure used in the calculation?

> If the paying parent has a concern about the accuracy of the information, they should speak to their employer or third party contact (accountant).

Are employees' "allowable expenses" deducted by HMRC from the paying parent's gross income amount that is received in the earned income interfa

> No, they are not deducted from the HMRC earned income figure received, nor should they be. "Allowable expenses" for employees are costs associa
> doing a job that are not reimbursed by an employer e.g. professional subscriptions, allowable travel, certain clothing costs etc. If a paying pare
> these expenses they may claim some tax relief from HMRC. However 2012 Scheme legislation does not make any allowances. Allowable expenses
> not be confused with benefits in kind. Benefits in kind are benefits that an employer pays to an employee that HMRC consider taxable - these are in
> in the HMRC earned income interface and form part of the paying parent's assessable income for 2012 Scheme calculation purposes.

What if the paying parent is on benefit?

> This would supersede any income information retrieved from HRMC.

What will the caseworker do if no income figure can be obtained by HMRC, the paying parent or the paying parent employer or accountant?

> The caseworker will need to consider an estimation of earnings calculation based on the paying parent's occupation.

Why does the receiving parent's schedule not show the amount of arrears they will receive with each payment?

> Prior to Phase 2 the receiving parent's schedule was a copy of the paying parent's (with different wording). Due to the introduction of charging it
> longer possible to create the schedules in this way, since the amounts won't be the same for each person.
>
> The schedule now shows the total arrears balance due to the receiving parent but the payment breakdown will only show on-going mainte
> payments, excluding any arrears. Clients should be assured that we will make effort to collect their arrears and that the arrears payments will s
> scheduled in with the on-going maintenance payments on the paying parent's schedule.

If HMRC confirm they held the wrong figure for historical income, what can I do?

If HMRC have corrected the figure, you can re-trigger the interface to obtain the amended figure. You can then complete a revision on the case. would be no automatic alert if a figure has been amended and these cases would be client driven.

What is the HMRC threshold for returning income?

HMRC does not generally hold income under £200 per annum as there is no requirement to tell HMRC of this level of income or pay tax or N Insurance on this amount.

At what point in the daily rate calculation do you need to round up/down?

The calculation is rounded up/down at the end. The amount should be rounded to two decimal places. 0.5 and above is rounded up and 0.4 and b rounded down.

Does an extra day need to be included in daily rate calculations for a leap year?

No, this is not necessary.

Annual liability is always calculated using the number of days to the next annual review multiplied by the daily rate of liability.

For leap years this is the same principle as the system recognises the number of days will be 366 instead of the standard 365.

What evidence would be requested from a paying parent who is newly self employed?

Projected earnings would be used, there is no change from the Legacy process.

Does the evidence (wage slips) need to cover the effective date?

No. We only ask for the most recent wage slips. It is likely that they will cover the effective date, but it is not essential. If it is apparent that th recent wage slips are not reflective eg paying parent is a seasonal worker, you can request wage slips from the period before the effective date.

What if the paying parent provides current details that differ 25% or more from the information HMRC holds?

This would supersede any income information retrieved from HMRC.

What if the paying parent's income cannot be estimated and there are no previous income records held?

A default maintenance decision will need to be calculated.