

Personal Tax Account, hypothetical code numbers and dynamic coding

Personal tax

01 November 2018

LITRG would like feedback from you on issues that have been raised with us around the personal tax account, hypothetical code numbers and dynamic coding.

Personal Tax Account (PTA)

A previous article in June 2018's [Technical Newsdesk](#) mentioned the issues arising with hypothetical codes – those code numbers that are shown in a PTA, but might never be issued. These are as a result of an automatic check made of that individual's pay and tax to date each time that individual accesses their PTA.

It is impossible to see a history of actual tax codes issued and this can cause issues when an individual accesses the account, sees such a 'hypothetical' code and then realises that it is not being applied by their employer or pension provider. They could waste their own, their employer's and HMRC's time investigating the issue.

Similarly, an individual may see codes in their PTA and assume that correct codes are being applied by their employer, when, in fact, those codes have not been issued. This might lead the taxpayer to believe their tax affairs were in order when in fact they were not. Given that many employees now receive payslips electronically, it is easy to see how an employee might not notice that the code number being applied to their earnings did not match the one they saw in their PTA.

In addition, we are aware that some individuals who signed up to receive electronic notifications when something changed in their PTA are unable to see what the actual change is when they log on to their PTA as the change is not flagged.

We would be grateful for any feedback on these issues – and any others relating to the PTA.

Dynamic coding

In essence dynamic coding is supposed to react promptly to changes in an individual's circumstances, resulting in a change to their code number for the current year, and assisting in collecting the correct amount of tax through PAYE. In principle this sounds sensible, but as the tax year progresses, any change might have a significant effect on an individual's take home pay in the first pay period in which the code is applied as the PAYE system seeks to correct an 'error' that might have been in a previous coding notice for six months, say.

Taxpayers may, of course, challenge such a code number, but often the first time they may realise there is an issue is when their pay is significantly less (or more) than before.

Again, we would be grateful for any feedback on this issue and especially where the taxpayer has requested that underpayments from earlier years be spread over a number of subsequent years.

Language used in HMRC communications

Finally, we are aware that HMRC are using the terms dynamic coding and hypothetical codes in correspondence with taxpayers despite the fact those terms are not mentioned on GOV.UK. Any examples you may have would be appreciated to illustrate the need for change.

Please send all examples relating to the above to litrg@ciot.org.uk.