

Inland Revenue Notes for Payroll Software Developers

SERIES 10 – NUMBER 17

March 2004

Contents:

1. Income Tax changes affecting PAYE

- 1.1 *Summary of changes – March 2004 Budget*
- 1.2 *Effecting the changes*
- 1.3 *Specification for PAYE Tax Table Routines* **ANNEX A,B,C**
- 1.4 *Test facility*

2. Other Budget Proposals

- 2.1 *Tax relief when National Insurance Contributions (NICs) transferred to employee*
- 2.2 *Employer-Supported Childcare*
- 2.3 *Taxation of company car benefits*
- 2.4 *Employer provided vans*
- 2.5 *Exemption for on-call emergency vehicles*
- 2.6 *Pension scheme earnings cap*
- 2.7 *Pensions Simplification – New Implementation Date – 6th April 2006*

3. Modernising PAYE Processes for Customers (MPPC)

- 3.1 *Changes to the Employer's Annual Return (forms P35) for 2004-05*
- 3.2 *Payroll Agents*
- 3.3 *Amended Returns*
- 3.4 *Multiple PAYE schemes*
- 3.5 *P14 – employee's address change from 2004-05*
- 3.6 *National Insurance Number Formats*
- 3.7 *Electronic Payment*
- 3.8 *Do it online: Online filing and electronic payment handbook*

4. Other Information

- 4.1 *Payroll Standard Accreditation*
- 4.2 *Electronic Data Interchange – CIS*
- 4.3 *Statutory Payments*
- 4.4 *P11D for 2003-04*
- 4.5 *Draft of Form P11D for 2004-05* **ANNEX D**
- 4.6 *Beneficial Loans – Rate of Interest for 2004-05*

5 *Next issue of these notes*

6 *Mailing Lists for these notes*

7 *Contacts for enquires*

1. Income Tax changes affecting PAYE

1.1 Summary of changes – March 2004 Budget

In his Budget statement on 17 March 2004 the Chancellor of the Exchequer proposed changes to the income tax bandwidths.

The rates of tax and bandwidths for 2004-05 are as follows:

Starting Rate	10% - up to £2,020
Basic Rate	22% - £2,021 to £31,400
Higher Rate	40% - over £31,400

1.2 Effecting the changes

Employers will receive a new set of Taxable Pay Tables either within the Budget Pack, or on the Employer's CD-ROM 2004 Budget edition that will be included in the pack. These tables (Calculator Tables May 2004 or Tables SR + B to D May 2004) give effect to the increases to the Starting Rate and Basic Rate bandwidths and are to be brought into use from the first payday after 17 May 2004.

There is no general uplift of codes as a result of Budget changes. Any amended codes will be notified to employers on individual forms P6(T) (or code list, magnetic media, Internet or Electronic Data Interchange). Full instructions will be available for employers on form P7X(2004), a copy of which is given at Annex C of these notes.

The PAYE threshold with effect from 6 April 2004 remains at £91 per week (£395 per month).

The code for emergency use with effect from 6 April 2004 remains 474L.

1.3 Specification for PAYE Tax Table Routines

Annex A to these Notes gives the amendments to the Specification for PAYE Tax Table Routines – February 2000 (Version 10).

Annex B contains some test data which users may find helpful in verifying their new routines operative from 18 May 2004.

Annex C shows a copy of form P7X(2004) which will be either within the Budget Pack, or on the Employer's CD-ROM 2004 Budget edition that will be included in the pack.

Amendments will also be made to the Specification for PAYE Tax Table Routines for Free Of Tax (FOT) arrangements. The amended specification will shortly appear on the Inland Revenue web site under www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm

1.4 Test facility

The payroll test data currently held on the Internet will be updated to reflect the Budget changes. The updated version of the payroll test data will be made available on the IR web site shortly.

2. Other Budget Proposals

2.1 Tax relief when National Insurance Contributions (NICs) transferred to employee

Employers are currently able to ask employees receiving share options to agree to pay the employer's (secondary) Class 1 NICs liability arising on gains made from those options. Employees who agree to pay their employer's NICs liability under these limited circumstances benefit from a reduction in their taxable income equivalent to the amount of the employer's liability they pay, such relief is usually claimed through PAYE.

The National Insurance Contributions and Statutory Payments Bill is extending the opportunity for employers to take advantage of this facility when they award restricted or convertible securities to their employees. Changes to tax legislation are necessary to provide the same income tax relief to employees who bear the employer's NICs liability due on post-acquisition earnings derived from restricted and convertible securities.

There will be no changes to the way the income tax and NIC entries are recorded in forms P11, P14, P60 and P35.

The effective date for these changes to take place will be set by Treasury Order following Royal Assent of both the Finance Bill and National Insurance and Statutory Payments Bill.

Further information on NIC Agreements and Elections is available at:

http://www.inlandrevenue.gov.uk/shareschemes/non_app_nics_elections.htm

Further information on The National Insurance Contributions and Statutory Payments Bill is available at:

http://www.inlandrevenue.gov.uk/nic/nic_bill.htm

2.2 Employer-Supported Childcare

The Chancellor of the Exchequer announced that new tax exemptions up to £50 a week on employer-contracted childcare and employer-provided childcare vouchers would apply from April 2005. The legislation for the changes will be included in this year's Finance Bill.

When the new exemptions start in April 2005 guidance and information will be available to help employers and their employees to understand how the schemes will work.

2.3 Taxation of company car benefits

To maintain a three year lead in time the Government announced in the Budget the level of carbon dioxide (CO₂) emissions to qualify for the minimum company car benefit petrol percentage of 15% (the lower threshold) for 2006-07. The 2005-06 CO₂ lower threshold of 140 grams per kilometre (g/km) will be frozen for 2006-07.

Details of the qualifying levels and percentages to use in working out the car benefit charge for each band of CO₂ are set out in the table overleaf:

CO ₂ EMISSIONS IN GRAMS PER KILOMETRE			PERCENTAGE OF CAR'S PRICE TAXED
2004-05	2005-06	2006-07	
145	140	140	15*
150	145	145	16*
155	150	150	17*
160	155	155	18*
165	160	160	19*
170	165	165	20*
175	170	170	21*
180	175	175	22*
185	180	180	23*
190	185	185	24*
195	190	190	25*
200	195	195	26*
205	200	200	27*
210	205	205	28*
215	210	210	29*
220	215	215	30*
225	220	220	31*
230	225	225	32*
235	230	230	33**
240	235	235	34***
245	240	240	35****

Diesel Supplements

- * add 3 per cent if car runs solely on diesel
- ** add 2 per cent if car runs solely on diesel
- *** add 1 per cent if car runs solely on diesel
- **** maximum charge so no diesel supplement

Car Fuel Benefit

The company car fuel benefit charge was reformed in April 2003 to use the same emissions-based percentage charge as the company car for which the free fuel is provided. For free fuel the company car tax percentage is applied against a set figure (the multiplier). In 2003-04 the multiplier was set at £14,400. The Government is freezing the multiplier for 2004-05 to allow the new system to settle.

2.4 Employer provided vans

Following last year's consultation, Budget 2004 announced the new rules for company vans. This reform is a major deregulation and is expected to take 85% of current van users out of charge.

Changes with effect from 6 April 2005 are

- a change in the basis of charge, moving from availability for private use, to the type of availability for private use
- where a van is available for business use only there remains no charge
- where a van is provided mainly for business purposes and an employee takes the van home and has no other private use a nil charge will apply
- where the van is available for unrestricted private use the existing £500 or £350 scale charge will apply dependent upon the age of the van
- calculations for shared vans have been simplified and changed to a "just and reasonable" basis.

Changes with effect from 6 April 2007 are

- the discount for older vans will be removed and the unrestricted private use charge will increase to £3,000
- where the employer provides fuel for unrestricted private use a new charge of £500 will apply
- the definition of a van remains unchanged. The [interim arrangements](#) for double cab pick-ups have now been established as permanent practice.

The Inland Revenue will provide employer guidance on the operation of the new rules before they become effective.

2.5 Exemption for on-call emergency vehicles

Legislation is being introduced to remove the tax and National Insurance charge that arises when emergency service personnel working for the fire, ambulance and police services have to take their emergency vehicles home when on call. The change is effective from 6 April 2004.

2.6 Pension scheme earnings cap

The limit on the level of earnings that may be pensionable under tax Approved Pension schemes (often known as the Pensions scheme earnings cap) is increased annually in line with retail prices. For 2004-05 the limit has been increased to £102,000.

2.7 Pensions Simplification - New Implementation Date - 6th April 2006

As a result of concerns from pensions providers and the financial services industry that were raised during the second consultation, the operative date for Pensions Simplification has been moved from April 2005 to 6 April 2006. Because of this delay, the lifetime allowance has been raised accordingly to £1.5m. Similarly, the annual allowance will be £215,000 on implementation.

3. Modernising PAYE Processes for Customers (MPPC)

3.1 Changes to the Employer's Annual Return (forms P35) for 2004-05

There are a few small, but significant, changes to the 2004-05 paper Employer's Annual Return (form P35). The changes accommodate the new facility which enables the employer (or their agent) to make the return (P35 and P14 data) in any number of parts. But the forms will still be able to be used by the majority of employers to make a single return of both P35 and P14 data in one submission.

The changes also recognise that a few employers will also submit their return by multiple channels (Internet, EDI, paper and/or magnetic media).

Most importantly there will be two versions of the return for 2004-05, one which will be issued to employers ceasing in-year with a different version issued to 'live' employers at the end-of-year. However the P35(MT), currently used by both EDI and magnetic tape submitters, will be withdrawn.

In-year cessation Form P35 made on paper before April 2005

All employers who stop trading during 2004-05 will have to make their cessation return (forms P35 and P14) on paper in a single whole submission. Employers who are

currently filing online who cease to trade during 2004-05 will also need to make their cessation return on paper. The reporting requirements of the 2004-05 form P35, for making in-year cessation returns, remains unchanged from the current version.

A pdf of this form will be available shortly for information only at www.inlandrevenue.gov.uk/ebu/pnforms.htm

From April 2005, starting with the 2005-06 return, employers will be able to make the in-year cessation return online. A penalty will apply where a medium or large employer, who ceases to trade, does not file their 2005-06 cessation return online. Small employers (with fewer than 50 employees) who stop trading and make their in-year cessation return online will qualify for the tax-free payments.

End-of-Year Form P35 made on paper at April 2005

For 2004-05, and for subsequent years, the P35(MT) is being withdrawn and there will only be one format of the form P35. The P35 must be a complete and accurate return containing details in respect of all employees for whom a P11 (deductions working sheet or equivalent record) was required, irrespective of the channel(s) used to submit P14 data. Employers who wish to make their P35 return on paper, having filed their P14 data wholly or partly by Internet, EDI or magnetic media, must submit only one form P35 per scheme. A second P35 submission will be treated as an additional or amended return indicating that the first return was inaccurate or incomplete. In these cases a penalty may be levied.

In Summer 2004 we will provide a pdf version of the 2004-05 form P35, for use from April 2005. The return will have an additional box, just like the online version, to record the number of P14 parts expected when an employer sends us a multi-part return.

Sending paper returns of P14 data in parts

We are currently looking at the type of covering form that will need to be completed and sent with a batch of paper forms P14-parts. We will let you have more details later in the year.

This covering form will have to accompany a batch of paper forms P14-parts sent to us in the exceptional circumstances where:

- P35 data has been filed by Internet or EDI
- the batch of paper forms P14 are being sent independently of the P35 data or
- other P14 parts have been sent by Internet, EDI or magnetic media.

We much prefer employers to make a single online submission of both P35 and P14 data. For the bulk of employers, a single submission will be quicker and easier for the employer to understand and achieve correctly.

Remember that an employer (or their agent) who files both the P35 and P14 data solely by paper must continue to send the form P35 and all forms P14 together in full to their Inland Revenue Office. It must be received by 19th May if a late filing penalty is to be avoided.

Scheme splitting

In those rare cases where employers cannot make a single P35 return, they will have to consider splitting their PAYE scheme. Whilst it is now too late to split a PAYE scheme for 2004-05 an election can be made for 2005-06. Although there is legislation to prevent an employer splitting the PAYE scheme to delay online filing or to claim the early online filing tax-free payments, there is nothing to stop employers splitting their PAYE scheme when there are perfectly good business reasons. A split scheme would mean having two or more employer's PAYE references, making two or more end of year returns and making sure that forms P45 were submitted when an employee moved from one scheme to another.

3.2 Payroll Agents

Our new service to accept returns in parts from a number of sources has not changed the way in which outputs from us will be handled and the following reminder may be useful.

We ask for evidence that the client has authorised an agent to act on his or her behalf, either on a paper form 64-8 or, for PAYE Online for Employers - Internet, an FBI2 (available at www.inlandrevenue.gov.uk/efiling/payee/fbi2.pdf), or by getting the client (the employer) to use the online 'Add Agent' function. And we send output (for example P6 and P9 forms/data) to a single agent for an employer's PAYE reference, no matter whether we are sending them online or on paper.

Payroll Agents can find out more about the agent registration process at www.ir.gov.uk/efiling/help/agentreg.htm

Multiple agents and outputs from the Inland Revenue

Occasionally employers may authorise more than one agent to act on their behalf in respect of payroll. These different agents could include the payroll agent, company auditor, and accountants or tax adviser. For example, when a payroll bureau handle payroll for the bulk of the workforce but the director's payroll is handled by a different agency altogether, perhaps the company auditor or tax adviser. The same situation arises when there is any split of employees each group having their own agent handling payroll.

Where there is more than one agent acting, employers must decide which is to be the 'nominated' agent for the purposes of output from us. It is the same for online output. The nominated agent will have to make arrangements to send on to the other agent(s) the necessary data (for example P6/P9 data) appropriate to the payroll they handle. In this respect the employer will need to consider confidentiality and be satisfied they want the nominated agent to have access to all information from us about employees for whom they do not act.

The alternative arrangements are as follows:

- **Employer receives notices**

We can send all output to the employer who can sort and send them to the relevant agent. In this case, the agent would submit data to us on the employer's behalf but not receive outputs from us. If the agent is using PAYE Online for Employers - Internet they would need to, until Spring 2004, contact our Online Services Helpdesk on 0845 60 55 999 to opt-out from Internet output.

In Spring 2004 the situation changes with the introduction of an online facility to set online output preferences. This new service will mean that agents will be able to choose (on screen) whether or not to get outputs over the Internet without having to contact the Online Services Helpdesk.

- **Nominated Agent receives notices on paper**

The nominated agent could elect to get all the output on paper and sort and send it between the other agents. If this happens the employer would need to fill in a form 64-8 to authorise the agent to act on his or her behalf and send it to their Inland Revenue Office.

When the agent acts for payroll only, this will need to be made clear on the 64-8. The agent could sort and distribute the paper outputs from us between the other agents. The agent would need to follow the guidance above to stop online outputs from us.

- **Split scheme**

The employer may elect to split the PAYE scheme and each agent run a separate scheme so that each make a separate return and negotiate any dispensations when they are subsequently reviewed. An election to split a PAYE scheme for 2005-06 must be made by 5 April 2005. You will find more details on page 18 of the Employer's Further Guide to PAYE and NICs, CWG2.

In multiple agent cases, whilst still allowing the agent to file online on his or her behalf, the employer will need to consider which option for outputs from us best meets the business needs.

In all circumstances, the employer is responsible for ensuring the integrity and privacy of the data concerning employee records. Employers and their payroll agents will need to decide who will be the nominated agent for output (for example, P6/P9 forms/data) from us and their arrangements for distributing it amongst more than one party whilst remaining satisfied that privacy and confidentiality are maintained.

When an agent gets all the online output and wants to send it on to the other agent(s), he or she may need a facility to download an XML message from the Gateway secure mailbox and send it on a suitable medium.

Where an employer authorises other agents to handle business matters outside of payroll (for example the company accountants) we will correspond with this further agent provided the necessary authorities are held.

Submissions to Inland Revenue

We are making changes that will make it easier for agents to file online for their clients. These changes will be announced later this year.

3.3 Amended Returns

When an employer makes an amended return for an employee who left the employment during the year, both the original and the amended P14 must show the 'date of leaving'.

You will find more guidance about amended returns in Notes Series 10:

- Number 13 section 3.3.17 issued April 2003
- Number 14 section 1.13 issued July 2003, and
- Number 16 section 2.8 issued December 2003.

3.4 Multiple PAYE schemes

Some employers with more than one PAYE scheme run them all from the same payroll office, and keep details of the passwords, User IDs and check incoming mail for each scheme separately. If you handle more than one scheme, you can register and enrol as an agent under one of your employer's PAYE references so that all the mail for your scheme goes to one mailbox. This will result in output from us (for example P6 and P9 data) being sent to a single mailbox.

Any employer who wishes to adopt these arrangements must

- register as an agent;
- send completed forms FBI2 in respect of each employer, who will be covered by this single mail box, to the Electronic Business Unit
- make sure each employer secure mailbox is emptied
- De-register the 'main' employer using PAYE Online for Employers - Internet.

The Online Services Helpdesk will be happy to talk you through the process.

3.5 P14 – employee's address change from 2004-05

A change has been made to online P14, starting with the 2004-05 return. This now allows the employer to enter the employee's private address. Please help us by encouraging employers and payroll providers to let us have this information. The private address helps us to match records and link National Insurance Contributions to contributor's records much quicker. This helps make sure employees get any benefits they are entitled to.

3.6 National Insurance Number Formats

There is some confusion amongst employers about the use of the current temporary National Insurance number. The details provided in *Notes for Payroll Software Developers* No. 9 Annex F remain in place for 2003-04, although we will not reject an EDI submission that uses a 'TN'

Any return for 2004-05 that incorporates a 'TN' number will be rejected. Where an employer does not know the National Insurance number they should leave the field blank, and complete the date of birth and gender fields instead. Rarely is the date of birth not known, but in those circumstances the default date of birth of '01011901' must be used instead.

3.7 Electronic Payment

Electronic payment methods are safe, secure and convenient. The employer's payment record is also updated promptly if they provide accurate details of the reference number. Employers also have more control of their cashflow because they can be certain of the date of payment.

From income tax year 2004-05, large employers must pay their in-year PAYE tax, National Insurance Contributions (NIC), Construction Industry Scheme (CIS) and Student Loan (SL) deductions, electronically in full and on time. The first payment affected by the new legislation is the month 1 payment for the year 2004-05 due in May 2004.

Where the employer fails to comply with this legislation the Revenue can impose a surcharge.

Paying Electronically

The following electronic payment methods are acceptable

- BACS Direct Credit
- your bank or building society Internet or Telephone Banking Service
- BillPay (debit card over the Internet)
- CHAPS
- Paymaster

Employers who receive a payslip booklet can also pay by

- Bank Giro
- Alliance Leicester Commercial Bank (previously know as Girobank)

From May 2004, large employers (250 or more employees) must arrange to make payment in sufficient time to ensure that the Inland Revenue receives cleared funds in our bank account by 22nd. Funds must clear by the previous bank working day where the 22nd falls on a weekend or is a bank holiday. If payment reaches the Revenue on the first bank working day after, it will be classed as a late payment.

This later payment date of 22nd also applies to payments made by medium-sized, small or exempt employers who choose to pay electronically. Medium-sized, small or exempt employers who pay by cheque or cash still have a due date of 19th of each month.

When paying electronically you will need to allow enough time for your payment to reach us. For payments by BACS Direct Credit, Internet or Telephone banking it normally takes three bank working days for payment to reach us. Some banks or building societies take longer. You should check with your bank or building society to see how long they take to transfer payment and what their cut off time is for initiating a payment. CHAPS is the exception as this is a same day transfer facility. BillPay operates a 17.30pm deadline and payment reaches the Inland Revenue on the 3rd banking working day.

3.8 Do it online: Online filing and electronic payment handbook

More details will be available in our new publication *Do it online: Online filing and electronic payment handbook*. Go to www.inlandrevenue.gov.uk/payonline and click on 'online filing'. This publication will also be on the Budget CD-ROM and paper copies will be available from the Employer Orderline from the middle of April.

4. Other Information

4.1 Payroll Standard Accreditation

This note is to remind payroll software developers who either have accredited products or are considering an application for the scheme, that the requirements will change from 6th April 2004. Accredited software must include the relevant end of year record format checks from the Quality Standard Validation Specification, and pass the validation tests described in the General Validation section of the IR Additional Test Data document. These documents are available from:

www.inlandrevenue.gov.uk/ebu/testdata.htm

www.inlandrevenue.gov.uk/ebu/qual_stand.htm

4.2 Electronic Data Interchange – CIS

When completing CIS23 and CIS25 vouchers you should round down the gross amount of payment to the nearest pound. For CIS25 vouchers, the cost of materials, to the subcontractor, is rounded up to the nearest pound and the amount liable to deduction will therefore be in whole pounds.

4.3 Statutory Payments

The changes to the SMP, SPP and SAP payment rates come into effect for all payments due to be made for pay weeks starting on, or after 4 April 2004 and the changes for the recovery schemes come into effect for recoveries of payments made on, or after, 6 April 2004.

Technical Specification on Statutory Maternity Pay (SMP)

The values for the IR data are now confirmed as:

IR data			
	Description of data	Abbreviation used	Values
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SMP to arise	LEL	£77 from 06/04/03 £79 from 06/04/04
A2	The number of weeks an employee needs to be continuously employed	Cont_Emp_weeks	26
A3	The number of weeks in the Maternity Pay Period (MPP)	MPP_weeks	26
A4	Standard Rate of SMP (this was previously known as the lower rate).	Standard_Rate	The lesser of £100 or 90% of average weekly earnings for pay weeks in the MPP starting on or after 6 April 2003. The lesser of £102.80 or 90% of Average weekly earnings for pay weeks in the Maternity Pay Period (MPP) starting on or after Sunday 4 April 2004.
A5	Small Employer Threshold (field size set at 100 thousand just in case)	SER_Threshold	£40,000 for SMP payments made on or after 6 April 2003. £45,000 for SMP payments made on

IR data			
			or after 6 April 2004.
A6	Small Employer Recovery Rate	SER_Recovery	100%
A7	Small Employer Compensation Rate	Comp	4.5% for SMP payments made on or after 6 April 2003. 4.5% for payments made on or after 6 April 2004.
A8	Standard Recovery Rate	Standard_Recovery	92%

Technical Specification on Statutory Paternity Pay (SPP) Birth and Adoption

The values for the IR data are now confirmed as:

IR data			
	Description of data	Abbreviation used	Recommended Field size
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SPP to arise	LEL	£77 from 06/04/03 £79 from 06/04/04
A2	The number of weeks an employee needs to be continuously employed	Cont_Emp_weeks	26
A3	The number of weeks in the Paternity Pay Period (PPP) (field size set in double figures just in case)	PPP_weeks	2
A4	Standard Rate of SPP	Standard_Rate	The lesser of £100 or 90% of average weekly earnings throughout PPPs starting on or after Sunday 6 April 2003. The lesser of £102.80 or 90% of Average Weekly Earnings for pay weeks starting on, or after, Sunday 4 April 2004.
A5	Small Employer Threshold (field size set at 100 thousand just in case)	SER_Threshold	£40,000 for SPP payments made on or after 6 April 2003. £45,000 for payments made

IR data			
			on or after 6 April 2004.
A6	Small Employer Recovery Rate	SER_Recovery	100%
A7	Small Employer Compensation Rate	Comp	4.5% for SPP payments made on or after 6 April 2003. 4.5% for payments made on or after 6 April 2004.
A8	Standard Recovery Rate	Standard_Recovery	92%

Technical Specification on Statutory Adoption Pay (SAP)

The values for the IR data are now confirmed as:

IR data			
	Description of data	Abbreviation used	Recommended Field size
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SAP to arise	LEL	£77 from 06/04/03 £79 from 06/04/04
A2	The number of weeks an employee needs to be continuously employed	Cont_Emp_weeks	26
A3	The number of weeks in the Adoption Pay Period (APP)	APP_weeks	26
A4	Standard Rate of SAP	Standard_Rate	The lesser of £100 or 90% of average weekly earnings for pay weeks in the Adoption Pay Period (APP) starting on or after 6 April 2003. The lesser of £102.80 or 90% of average weekly earnings for pay weeks starting on, or after 4 April 2004.
A5	Small Employer Threshold (field size set at 100 thousand just in case)	SER_Threshold	£40,000 for SAP payments made on or after 6 April 2003. £45,000 for

IR data			
			SAP payments made on or after 6 April 2004.
A6	Small Employer Recovery Rate	SER_Recovery	100%
A7	Small Employer Compensation Rate	Comp	4.5% for SAP payments made on or after 6 April 2003. 4.5% for SAP payments made on or after 6 April 2004.
A8	Standard Recovery Rate	Standard_Recovery	92%

Statutory Sick Pay (SSP) Technical Specification

Please note the changes to the following values:

A2	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SSP to arise	LEL	£77 from 06/04/03 £79 from 06/04/04
A3	The weekly rate of SSP payable	Weekly_Rate	£66.15 from 06/04/04.

4.4 P11D for 2003-04

In the December 2003 edition of the notes (Series 10 number 16 section 3.2) we outlined circumstances where employers using IR Online Services to send P11Ds would be asked to write to us with further information for the car and car fuel sections.

The address to send this information to is:

The P11D Co-ordinator
Business Services Shipley
Employer Unit
Employer Compliance System
Crown House
Victoria Street
Shipley
West Yorkshire
BD17 8TW

4.5 Draft of Form P11D for 2004-05

The P11D will require further changes for 2004-05 to accommodate:

- The addition of two extra boxes within Section F relating to the car fuel charge, 'Date free fuel was withdrawn' plus a tick box to indicate where free fuel is reinstated in the year. These fields apply to each individual car, and are therefore

now duplicated under Car 1 and Car 2. This will resolve the problem in making certain P11D returns for 2003-04 that was explained at section 2.3 of the December 2003 issue of Software Developer Notes

- The removal of the old Section M Shares (this information should be entered on the employer's return of Employment-related Securities and Options – form 42 – for 2004-05). As a result, the remaining sections have moved up.
- Some small changes to wording.

In order to help you re-program software we are publishing the changes in a draft version of the 2004-05 P11D at ANNEX D. The final full version will be published in the September 2004 edition of Notes. The associated document changes for online and magnetic media submissions will be updated by the end of October 2004.

4.5 Beneficial Loans – Rate of Interest for 2004-05

The official rate of interest for calculating the cash equivalent of beneficial loans to employees is set to remain at 5 per cent for 2004-05. This official rate will continue to apply for the whole of the tax year unless there are any significant changes in mortgage rates.

5. Next issue of these notes

The next issue of these notes is scheduled for late Spring 2004.

6. Mailing Lists for these notes

The mailing options for these Notes are:

- Advance notification by email
- Advance notification by post
- Paper issue of these Notes

Requests to be included on the mailing list and notification of address changes should include details of your preferred option, your email address, company name and address and be sent by email to irnotes@reply.co.uk

Or you can write to:

Inland Revenue Notes for Payroll Software Developers
PO Box 7364
Ashby de la Zouch
LE65 1XG

If you wish to be removed from the mailing list please send your request, including details of your company name and address, by email to irnotes@reply.co.uk or write to the address shown above.

7. Contacts for enquiries

Where Helpline numbers are shown for a specific topic within the notes please ring the number quoted for more information.

General payroll enquiries should be directed to your local Inland Revenue Office or to the Employer's Helpline on **0845 7 143 143**.

Any other queries about the contents of the notes should be made to the Online Services Helpdesk:

Email **helpdesk@ir-efile.gov.uk**
Telephone **0845 60 55 999**
Fax **01274 841288**
Minicom **01274 841278**

Please note, the Online Services Helpdesk cannot deal with change of mailing address information, these should be directed to irnotes@reply.co.uk

Amendments to the Specification for PAYE Tax Table Routines

APPENDIX A of the Specification

The following values should be inserted.

Use the first blank column and on each blank page enter the heading “2004/2005” against “Income Tax Years” and “18/05/2004” against “Date from which effective”.

Symbol	Value
B1	2020
B2	29380
C1	2020
C2	31400
K1	202.00
K2	6665.60
G	2
M	50.00%

Please complete the “Incorporation of Amendments” sheet at the front of the booklet showing that the amendments in “Series 10 – Number 17” have been made.

Test Data – 2004-2005 - Which Will Take Effect On 18 May 2004

The Test Data for each code or each week or month is not intended to relate to one particular person.

1.1 CUMULATIVE SUFFIX CODES

(Code 474L)

WEEK NUMBER	GROSS PAY	PAY ADJUSTMENT	TAXABLE PAY	RESULTS PER SPECIFICATION
12	2808.00	1095.96	1712.04	320.70
29	2899.89	2648.57	251.32	25.10

MONTH
NUMBER

(Code 319T)

4	12515.75	1066.36	11449.39	2614.79
10	9141.40	2665.90	6475.50	1222.49

(Code K255)

5	6023.66	1066.25	7089.91	1458.57*
8	32799.98	1706.00	34505.98	9872.39*

*These are the amounts of tax due to date per the Taxable Pay Tables. The tax due for the pay period would be subject to the Regulatory Limit of 50% of gross pay for the period concerned.

In the above examples the gross pay is the gross pay for PAYE purposes. The figure of pay adjustment and tax calculated is by reference to the manual tables and is the same as the result per the specification.

Tax codes to use from 18 May 2004

What you should do before 18 May

First make sure you have a *Deductions Working Sheet* (form P11 or equivalent) for every employee. If you take on a new employee before 18 May 2004, refer to part 4 of the Employer's Help Book, E13, *Day-to-day payroll*.

Then apply any tax codes that we send to you on forms P6(T) dated 1 May or earlier.

Finally put to one side any *Deductions Working Sheets* for employees leaving before 18 May (even if, because of 'lying time', the last wages payment will be made after 17 May). Take no further action with these in connection with this leaflet.

What you must do on the first pay day after 17 May

Budget changes

Apply Budget changes on the first pay day after 17 May 2004

use

- any Budget-increased tax codes dated 2 May 2004
- the reprinted Employer's Help Book, E12, *PAYE and NICs rates and limits for 2004-2005*
- the new Taxable Pay tables, either
 - *Calculator Tables (May 2004)*, or
 - *Tables SR + B to D (May 2004)*.

Revised forms and tables are available on the Employer's CD ROM, on the Inland Revenue website or from the Employer's Orderline.

scrap

- the earlier version of the Employer's Help Book, E12
- Taxable Pay Tables
 - *Calculator Tables (June 2003)* and
 - *Tables SR + B to D (June 2003)*

continue to use

- *Pay Adjustment Tables – Tables A* (1993 issue).
- The PAYE threshold remains £91 per week (£395 per month).
- The Emergency code remains 474L.

Employees with a new tax code on form P6(T) or electronic equivalent dated 2 May 2004

- Use the tax code shown on any P6(T) dated 2 May 2004. (After 2 May 2004 no further tax code notices will be sent until 23 May 2004.)
- Copy the tax code onto the *Deductions Working Sheet*.

Employees without a new tax code on form P6(T) or electronic equivalent dated 2 May 2004

- For codes with suffix L, P, T, V, and Y or prefix D or K, and codes NT and BR – continue with the code on the P11, *Deductions Working Sheet*.

- Suffixes A and H are no longer in use. If, exceptionally, you have carried forward a code with either of these suffixes, contact your Inland Revenue office immediately.

What you may have to do after 17 May

If you get a tax code notice dated on or after 18 May 2004 for any employee

Use the tax code on the notice from the next pay day in the normal way.

If you use payroll software

If you buy in software, make sure that you have an updated 2004-2005 program.

If you do your own reprogramming the technical details for 2004-2005 are in the December issue of our Notes for Payroll Software Developers.

These notes are available on our website at www.inlandrevenue.gov.uk/comp

If you would like to receive advance notification about future releases of the notes to our website, or a paper copy, please send your request, including your name and address by e-mail to

irnotes@reply.co.uk

or you can write to

**Inland Revenue Notes for
Payroll Software Developers
PO Box 7364
Ashby de la Zouch
LE65 1XG.**

Draft

Note to employer

Complete this return for a director, or an employee who earned at a rate of £8,500 a year or more during the year 6 April 2004 to 5 April 2005. Do not include expenses and benefits covered by a dispensation or PAYE settlement agreement. Read the P11D Guide and Booklet 480, Chapter 24, before you complete the form. You must give a copy of this information to the director or employee by 6 July 2005. The term employee is used to cover both directors and employees throughout the rest of this form. **Send the completed P11D and form P11D(b) to the Inland Revenue office by 6 July 2005.**

Note to employee

Your employer has filled in this form. Keep it in a safe place as you may not be able to get a duplicate. You will need it for your tax records and to complete your 2004-05 Tax Return if you get one. Your tax code may need to be adjusted to take account of the information given on this P11D. The box numbers on this P11D have the same numbering as the Employment Pages of the Tax Return, for example, 1.12. Include the total figures in the corresponding box on the Tax Return, unless you think some other figure is more appropriate.

Employer's details

Employer's name

Employer's PAYE reference

Employee's details

Employee's name
 If a director tick here

Works number /department

National Insurance number

Employers pay Class 1A National Insurance contributions on most benefits. These are shown in boxes which are brown and have a 1A indicator

A Assets transferred (cars, property, goods or other assets)

Description of asset	Cost/ Market value	Amount made good or from which tax deducted	Cash equivalent	
<input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.12	£ <input type="text"/> 1A

B Payments made on behalf of employee

Description of payment	<input type="text"/>	1.12	£ <input type="text"/>
Tax on notional payments not borne by employee within 90 days of receipt of each notional payment		1.12	£ <input type="text"/>

C Vouchers or credit cards

Value of vouchers and payments made using credit cards or tokens	Gross amount	Amount made good or from which tax deducted	Cash equivalent
<input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.13 £ <input type="text"/>

D Living accommodation

Cash equivalent of accommodation provided for employee, or his/ her family or household	Cash equivalent
<input type="text"/>	1.14 £ <input type="text"/> 1A

E Mileage allowance and passenger payments

Amount of car and mileage allowances paid to employee for business travel in employee's own vehicle, and passenger payments, in excess of maximum exempt amounts (See P11D Guide for 2004-05 exempt rates)	Taxable amount
<input type="text"/>	1.15 £ <input type="text"/>

F Cars and car fuel *If more than two cars were made available, either at the same time or in succession, please give details on a separate sheet*

	Car 1	Car 2
Make and Model	<input type="text"/>	<input type="text"/>
Date first registered	<input type="text"/>	<input type="text"/>
Approved CO2 emissions figure for cars registered on or after 1 January 1998 <i>Tick box if the car does not have an approved CO2 figure</i>	<input type="text"/> g/km <input type="checkbox"/>	<input type="text"/> g/km <input type="checkbox"/>
Engine size	<input type="text"/> cc	<input type="text"/> cc
Type of fuel or power used <i>Please use the key letter shown in the P11D Guide (2005)</i>	<input type="text"/>	<input type="text"/>
Dates car was available <i>Only enter a 'from' or 'to' date if the car was first made available and/or ceased to be available in 2004-05</i>	From <input type="text"/> / <input type="text"/> / <input type="text"/> to <input type="text"/> / <input type="text"/> / <input type="text"/>	From <input type="text"/> / <input type="text"/> / <input type="text"/> to <input type="text"/> / <input type="text"/> / <input type="text"/>
List price of car <i>Including car and standard accessories only; if there is no list price, or if it is a classic car, employers see booklet 480; employees see leaflet IR172</i>	£ <input type="text"/>	£ <input type="text"/>
Accessories <i>All non-standard accessories, see P11D Guide</i>	£ <input type="text"/>	£ <input type="text"/>
Capital contributions (maximum £5,000) the employee made towards the cost of car or accessories	£ <input type="text"/>	£ <input type="text"/>
Amount paid by employee for private use of the car	£ <input type="text"/>	£ <input type="text"/>
Date free fuel was withdrawn <i>Tick if reinstated in year (see P11D Guide)</i>	<input type="text"/> / <input type="text"/> / <input type="text"/> <input type="checkbox"/>	<input type="text"/> / <input type="text"/> / <input type="text"/> <input type="checkbox"/>
Cash equivalent of each car	£ <input type="text"/>	£ <input type="text"/>
Total cash equivalent of all cars available in 2004-05		1.16 £ <input type="text"/> 1A
Cash equivalent of fuel for each car	£ <input type="text"/>	£ <input type="text"/>
Total cash equivalent of fuel for all cars available in 2004-05		1.17 £ <input type="text"/> 1A

G Vans		Draft		1.18 £ 1A	
Cash equivalent of all vans made available for private use					
H Interest-free and low interest loans <i>If the total amount outstanding on all loans does not exceed £5,000 at any time in the year, there is no need for details in this section.</i>					
		Loan 1		Loan 2	
Number of joint borrowers (if applicable)		<input type="text"/>		<input type="text"/>	
Amount outstanding at 5 April 2004 or at date loan was made if later	£	<input type="text"/>		£	<input type="text"/>
Amount outstanding at 5 April 2005 or at date loan was discharged if earlier	£	<input type="text"/>		£	<input type="text"/>
Maximum amount outstanding at any time in the year	£	<input type="text"/>		£	<input type="text"/>
Total amount of interest paid by the borrower in 2004-05— enter "NIL" if none was paid	£	<input type="text"/>		£	<input type="text"/>
Date loan was made in 2004-05 if applicable		<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date loan was discharged in 2004-05 if applicable		<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Cash equivalent of loans after deducting any interest paid by the borrower		1.19 £	<input type="text"/>	1.19 £	<input type="text"/>

I Private medical treatment or insurance		Cost to you	Amount made good or from which tax deducted	=	Cash equivalent
Private medical treatment or insurance	£	<input type="text"/>	– £ <input type="text"/>	=	1.21 £ <input type="text"/>

J Qualifying relocation expenses payments and benefits		<i>Non-qualifying benefits and expenses go in sections M and N below</i>	
Excess over £8,000 of all qualifying relocation expenses payments and benefits for each move		1.22	£ <input type="text"/>

K Services supplied		Cost to you	Amount made good or from which tax deducted	=	Cash equivalent
Services supplied to the employee	£	<input type="text"/>	– £ <input type="text"/>	=	1.22 £ <input type="text"/>

L Assets placed at the employee's disposal		Annual value plus expenses incurred	Amount made good or from which tax deducted	=	Cash equivalent
Description of asset	<input type="text"/>	£ <input type="text"/>	– £ <input type="text"/>	=	1.22 £ <input type="text"/>

M Other items (including subscriptions and professional fees)		Cost to you	Amount made good or from which tax deducted	=	Cash equivalent
Description of other items	<input type="text"/>	£ <input type="text"/>	– £ <input type="text"/>	=	1.22 £ <input type="text"/>
Description of other items	<input type="text"/>	£ <input type="text"/>	– £ <input type="text"/>	=	1.22 £ <input type="text"/>
Income tax paid but not deducted from director's remuneration					1.22 £ <input type="text"/>

N Expenses payments made to, or on behalf of, the employee		Cost to you	Amount made good or from which tax deducted	=	Taxable payment
Travelling and subsistence payments (except mileage allowance payments for employee's own car - see section E)		£ <input type="text"/>	– £ <input type="text"/>	=	1.23 £ <input type="text"/>
Entertainment (trading organisations read P11D Guide and then enter a tick or a cross as appropriate here)	<input type="checkbox"/>	£ <input type="text"/>	– £ <input type="text"/>	=	1.23 £ <input type="text"/>
General expenses allowance for business travel		£ <input type="text"/>	– £ <input type="text"/>	=	1.23 £ <input type="text"/>
Payments for use of home telephone		£ <input type="text"/>	– £ <input type="text"/>	=	1.23 £ <input type="text"/>
Non-qualifying relocation expenses (those not shown in sections J or M)		£ <input type="text"/>	– £ <input type="text"/>	=	1.23 £ <input type="text"/>
Description of other expenses	<input type="text"/>	£ <input type="text"/>	– £ <input type="text"/>	=	1.23 £ <input type="text"/>