

Inland Revenue Notes for Payroll Software Developers

SERIES 10 – NUMBER 19.1

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Contents:

1. Modernising PAYE Processes for Customers (MPPC)

1.1 *Quality Standard 2005-06*

1.2 *Snapshot mailing for 2005-06*

1.3 *P35 2004-05*

1.4 *2004-05 P14 – sending paper returns P14 data in parts*

ANNEX A

1.5 *Tax-free incentive payments*

1.6 *2005-06 P35 - summary of payments section*

ANNEX B

2. Other Information

2.1 *Payroll Standard*

2.2 *Secure Mailboxes*

2.3 *Adoption from Abroad*

2.4 *Statutory Maternity Pay (SMP) - payment start date*

2.5 *Magnetic Media changes*

2.6 *P38A – National Insurance Number format*

3. Next issue of these notes

4. Mailing Lists for these notes

5. Contacts for enquires

1. Modernising PAYE Processes for Customers (MPPC)

1.1 Quality Standard 2005-06

The final version of the Quality Standard for 2005-06 is now on the IR website. The changes from the previous 2004-05 Quality Standard are outlined in the web pages. Following a consultation period customer feedback, where appropriate, has been incorporated in the final version for 2005-06.

The final version of the Quality Standard for 2005-06 as well as the Quality Standard for 2004-05 can be found on the IR website at www.inlandrevenue.gov.uk/ebu/qual_stand.htm

1.2 Snapshot mailing for 2005-06

Notes for Payroll Software Developers (Series 10 – Number 15 para 2.1) describe our plans to undertake an annual review of our employee database to determine the size of each employer for online filing. The next review will take place over the weekend 23/24 October 2004. We will write, before the end of this year, to all employers setting out which size category they fall into - large (250 or more employees), medium (50 – 249 employees) or small (fewer than 50 employees). The letter will tell employers whether they have to file online and/or pay electronically for the tax year 2005-06. Small employers will be told, whether they qualify for a tax-free incentive payment. Employers will be able to appeal if they disagree with the size category we give them. Once again we will be recommending to employers that they provide a copy of the letter to their payroll bureau, agent or accountant. We will also be advising agents that receive correspondence on behalf of their clients to give the employer a copy.

The size grouping on these letters will not change what we have already told employers last October about their online filing responsibilities for tax year 2004-05.

You can find out more about the annual count in the '*Do it online: Online filing and electronic payment handbook*' on page 12.

1.3 P35 2004-05

In the March 2004 issue of these notes (Series 10 – Number 17) we provided a PDF of the in-year cessation version of the P35 and explained that a PDF of the end of year version would follow.

The end of year version has now been finalised and an illustration can be found at: www.inlandrevenue.gov.uk/ebu/pnforms.htm

This will be sent to 'live' employers towards the end of the 2004-05 tax year and contains an additional box, like the online version, which requires those employers (or agents) submitting their return in parts to record the number of parts being submitted.

There have also been some changes to the text throughout the form and in particular to the declaration section. These changes recognise that some employers who are not sending their return (P35 and **all** P14s on paper) will be sending P14 parts separately to the P35.

1.4 2004-05 P14 – sending paper returns P14 data in parts

In the same issue of these notes (detailed above) we outlined that from April 2005, for the 2004-05 tax year, employers (or agents) will be able to submit their return (P35 & P14s) in parts using any combination of the four filing channels – Internet, EDI, paper and magnetic media

In order to accommodate employers who choose to submit a ‘P14 part’ by paper, whilst also sending a part of their return (P35 and or P14s) by Internet, EDI or magnetic media, a new P14 Cover sheet has been introduced.

This P14 Cover sheet must be used when the exceptional circumstances detailed above apply and will be available from the Employer’s Orderline in due course. A PDF of this form is attached at **Appendix A** for information.

1.5 Tax-free incentive payments

Sec 143(2) FA 2000 specifically exempts from direct taxes the incentive payments made to small employers who successfully make their returns online. It is now also confirmed that these payments, which are authorised by statute fall outside the scope of VAT and therefore will not have to be included on VAT returns.

1.6 2005-06 P35 - summary of payments section

Employers (with fewer than 50 employees) who have submitted their 2004-05 return (P35 and **all** P14s) online will be entitled to an incentive payment.

In the main this incentive will have been credited to their current year account (in this case 2005-06) to reduce subsequent NICs/Tax payment(s). In order to accommodate the payment of this incentive, a new field has been added to the P35.

The other change to the ‘Summary of payments for the year’ section is the removal of the ‘NIC Holiday claimed’ box which no longer applies for 2005-06.

A PDF is attached at **Appendix B** of the 2005-06 ‘Summary of payments for the year’ section and a PDF of the final version of the 2005-06 P35 will be provided in the next issue of these notes.

2. Other Information

2.1 Payroll Standard

A reminder for software developers

As stated in the Payroll Standard Accreditation Scheme terms and conditions, software must be up to date and accurate, in accordance with relevant legislation and the Payroll Standard, during the accreditation period. The terms and conditions also state that the Inland Revenue reserve the right to carry out spot checks at our discretion throughout the accreditation period.

2.2 Secure Mailboxes

When an employer 'activates' PAYE Online for Employers - Internet, we automatically set up a secure mailbox to send PAYE statutory notices and reminders online. These notices have the same legal status as paper statutory notices.

All output for a single scheme reference will be sent to the employer's secure mailbox, or agent's secure mailbox if the agent has been linked to the employer's client scheme.

We also offer a facility for employers and agents to set up 'users and assistants' within their organisation. This may be of use where different people are responsible for different processes, for example one user may handle end of year returns (P35, P14s, P38A) and another may handle expenses and benefits (P11Ds, P11D(b))

Every user/assistant will get their own copy of everything we send, so it is important that the user/assistant keeps an eye on their mailbox on a regular basis. More information to 'manage users and assistance' is available at www.inlandrevenue.gov.uk/efiling/help/organise_users.htm

The size of the mailbox will meet the requirements of the majority of our users if it is checked regularly. It is important that this is done, as messages will stay there until the user/assistant actions and removes them.

If an employer would prefer to receive PAYE forms and notices by Electronic Data Interchange (EDI), magnetic media or paper, they can 'opt out' of receiving the Internet versions by selecting 'change your statutory notice options' on their PAYE service page.

2.3 Adoption from Abroad

Legislation has been introduced by the Department of Trade and Industry that is effective from April 2004. The Legislation changes the relevant period used for calculating average earnings and the way an employer calculates the 26 weeks continuous employment in some cases for Statutory Adoption Pay (SAP). This does not affect Statutory Paternity Pay (SPP) entitlement conditions.

The change only affects those cases where,

- the employee is adopting a child from abroad, and
- the relevant domestic authority has issued a certificate to the overseas authority confirming that the adopter is eligible, and has been assessed and approved as being a suitable adoptive parent **prior** to the individual starting work with a new employer.

In these cases the Regulations allow for:

- the calculation of average earnings to be made on an 8 week period up to the point where the employee completes 26 weeks of continuous service, and
- the employee to qualify for Statutory Adoption Pay (SAP), providing they complete their 26 weeks continuous employment with their new employer before they want their pay period to begin and they satisfy all the other eligibility criteria.

Finally the Regulations amend the definition of partner for Statutory Paternity Pay (adoption) to align it with that for Statutory Paternity Pay (birth) in specifying which relatives can not be considered to be a partner. Employers may need to take this into account.

2.4 Statutory Maternity Pay (SMP) - payment start date

We have received a small number of queries about the SMP start date.

The following change came into effect in April 2003 and is covered in the 2003 and 2004 edition of the Help book E15 "Pay and time off work for parents".

In relation to SMP the "Social Security, Statutory Maternity Pay and Statutory Sick Pay (Miscellaneous Amendments) Regulations 2002" effective from April 2003 amends the position relating to the start of the Statutory Maternity Pay Period depending on the employees circumstances.

Whilst in the majority of cases the SMP pay week will run from Sunday to Saturday for women expecting a baby on or after 6 April 2003 this may not always be the case as set out below.

If the woman –

- gave her employer notice of when she wanted to start her maternity leave and does stop work on that day, her Maternity Pay Period will start on the following Sunday. (No change).
- gives birth before the 11th week before the Expected Week of Childbirth (also known as an Expected Week of Confinement), or before the day she told her employer she wanted to start her maternity leave, her Maternity Pay Period will start on the day after she gave birth.
- is absent from work because of a pregnancy-related illness on or after the Sunday of the 4th week before the Expected Week of Childbirth, her Maternity Pay Period will start on the day after the first complete day she is absent from work for that reason.
- stops working for her employer after the start of the Qualifying Week but before the start of the 11th Week before the Expected Week of childbirth, her Maternity Pay Period starts on the Sunday of the 11th week before the Expected Week of Childbirth.
- stops working for her employer after the start of the 11th week before the Expected Week of Childbirth, her Maternity Pay Period starts on the Sunday after the last day she worked.

Payment in all cases is still on a weekly basis. Where the week starts on any day, other than on a Sunday, the above Regulations state that a week means a period of 7 consecutive days. This essentially brings SMP into line with the other Statutory Payments, where payment can commence on any day of the week.

If you have any questions on either of the above, contact the Employers Helpline on 08457 143 143 or for further information on Statutory Payments go to www.inlandrevenue.gov.uk/employers

2.5 Magnetic Media changes

The magnetic media specification for 2004-05 was published on the IR website in April 2004 and can be found at www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm The paper specifications were issued to all known registered software developers in May 2004.

There are a number of changes to this year's specification, for example the field length of the Employers PAYE reference has changed from 7 to 10 digits. Full details of all changes can be found on pages 4 to 6 of the CA51/52 2004-05.

2.6 P38A – National Insurance Number (NINO) format

Amendment to Notes for Payroll Software Developers - series 10 - Number 16 para 5

As a result of queries from software developers, we have reviewed the rules surrounding the online submission of forms P38A for 2004-05 and can confirm that they should not be submitted with a "TN" Number. If an employer does not know the employee's NINO the field should be left blank.

3. Next issue of these notes

The next issue of these notes is scheduled for September 2004.

4. 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 inotes@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 inotes@reply.co.uk or write to the address shown above.

5. 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 <mailto:irnotes@reply.co.uk>

To

Enter your Inland Revenue office name and address

Only use this P14 *Cover sheet* if you are sending part of your Employer's Annual Return (Form P35 and Forms P14) by Internet, Electronic Data Interchange (EDI) or magnetic media and you are also sending some paper forms P14. This P14 *Cover sheet* must be used to send the paper forms P14.

Do not use the P14 *Cover sheet* if both your form P35 and all your forms P14 are being sent on paper.

Where appropriate complete this P14 *Cover sheet* and send it with your paper forms P14 to reach your Inland Revenue office by 19 May following the end of the tax year.

Employer's details

Employer's name

Employer's PAYE reference

Telephone number

Employer's address

Address

Postcode

Unique Identifier

(Please choose an identifier of up to twelve characters using letters and/or numbers that means something to you and which has not been used to send any other P14 Parts for this tax year. This will help us to identify this Part from any other P14 Parts you are sending).

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I confirm that the forms P14 *End of Year Summaries* enclosed have been included in the 'Summary of payments for the year' section of my form P35.

Sent by

(Please print your name)

Date

Continuation Sheets 4

Continuation Sheets 5

Part 2 Summary of payments for the year

Total NICs 1 + 2 **3** £

see Note 2

Total Tax 4 + 5 **6** £

see Note 2

Advance received from Inland Revenue to refund tax **7** £

Deductions made from subcontractors **8** £

see Note 3

Total Tax 6 + 7 + 8 **9** £

Combined amounts

Total NICs and Tax 3 + 9 **10** £

Total Student Loan deductions **11** £

see Note 4

10 + 11 **12** £

Statutory payments recovered

see Note 5

Statutory Sick Pay (SSP) recovered **13** £

Statutory Maternity Pay (SMP) recovered **14** £

NIC compensation on SMP **15** £

Statutory Paternity Pay (SPP) recovered **16** £

NIC compensation on SPP **17** £

Statutory Adoption Pay (SAP) recovered **18** £

NIC compensation on SAP **19** £

Total of boxes 13 to 19 **20** £

Funding received from Inland Revenue to pay SSP/SMP/SPP/SAP **21** £

20 minus 21

22 £

Tax Credits

Total Tax Credits paid to employees **23** £

Funding received from Inland Revenue to pay Tax Credits **24** £

23 minus 24

25 £

22 + 25 **26** £

Amount payable for the year **27** £

NICs and Tax paid already **28** £

Incentive payment received during the year **29** £

NOW PAYABLE 27 minus 28 and 29 **30** £

Fill in boxes 31 and 32 only if you are a **limited company** that has had CIS deductions made from payments received for work in the construction industry.

CIS deductions suffered Total of col E on form CIS132 **31** £

Revised amount now payable 30 minus 31 **32** £

Do not include a payment with this form. If a payment is due, please make it immediately. See page 1 for notes on how to pay.