

Notes for Payroll Software Developers – Supplementary Edition**SERIES 11 – NUMBER 3****January 2008****Contents:****1. Online filing: end of year 2007-08**

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1. Online filing: end of year 2007-08

There are two changes for 2007-08 that we wish to highlight as follows.

- **Part return messages:** From 6 April, we will only send an acceptance or rejection message for the P35 of a Return sent in parts once all the parts have been received and consolidated - see para 1.6.
- **Online filing from the Employer CD-ROM:** From 2007-08 HMRC are conducting a pilot that will let employers with 9 or less employees at 5 April 2008 send their Return online from the Employer CD-ROM – see para 1.8.

1.1 Avoid Common Errors from 2006-07

We published a list of the most common 2006-07 online filing errors in the September 07 edition of the Notes (Series 11 Number 1 para 2.1). Employers and developers may wish to take these into account before sending 2007-08 Returns.

1.2 P35N notice to send a Return

We plan to send online notifications for 2007-08 Employer Annual Returns from mid-February. A P35N will be sent to:

- employers with 50 or more employees who are registered online
- employers with fewer than 50 employees who are registered for online services and their 2006-07 Return was sent online.

The notifications will be sent to an agent where the employer has authorised HMRC to send information online to that agent.

1.3 Service availability

All validation for 2007-08 is in place and employers can send their Return as soon as it is ready. Returns received before 6 April that meet the Quality Standard will be validated (and an acceptance message sent) then held until we start to process Returns after 6 April.

As in previous years, there will be limited period of unavailability to the Internet service during the annual upgrade in April. We will send developers details of what that means for their customers on an SDST note as soon as we can and will publish details on our website.

EDI submissions are unaffected by this downtime.

Our Service Issues web page lists any important issues that customers have experienced when using the service and explains how they are being dealt with. You can get up to date information on the availability of the online service during the filing period by following the Service Availability link from the HMRC home page at www.hmrc.gov.uk

1.4 Test Returns

Employers who send their Return over the Internet can use 'Test in Live' to test all or part of their Employer Annual Return (P14s and P35) as soon as they wish to. It has not been possible to introduce a separate Government Gateway email message for test Returns. That means that test submissions will get the same message as an actual return.

A successful test Return will get the following email and online messages:

email: *'The submission for reference XXX/XXXXX was successfully received on XX-XX-XXXX. If this was a test transmission, remember you still need to send your actual Employer Annual Return using the live transmission in order for it to be processed.'*

Software:

- *'9004: The EOY Return has been processed and passed full validation'* and,
- *'9001: This submission would have been successfully processed if sent under non test conditions'.*

If a test Return does not meet the Quality Standard, we will send a message explaining why it has failed.

Employers who send test Returns must remember to send their actual Return as well, and make sure that the test flag has been un-set before they do. We had instances in 2006-07 where employers believed that their test Return was their actual Return. Anything that those developers who offer 'Test in Live' can do to enhance guidance on how to send tests, or to make the test and acceptance message more visible to their clients when received, should help reduce any misunderstanding.

1.5 Processing complete Returns

Whole Returns (all P14s and the P35 together) sent over the Internet will be validated on receipt and we will send an acceptance or rejection message to the sender as soon as possible. We aim to issue a message in the majority of cases within a minute. Larger submissions will take longer to respond to. We recommend that developers program their products to poll according to UK Government Gateway protocol for example, three tries ten seconds apart then, if still unsuccessful, try overnight.

A successful submission will get the following email and online messages:

email: *'The submission for reference XXX/XXXXX was successfully received on XX-XX-XXXX. If this was a test transmission, remember you still need to send your actual Employer Annual Return using the live transmission in order for it to be processed.'*

Software: *'9004: The EOY Return has been processed and passed full validation'*

An unsuccessful submission will get an email as follows:

'The submission for reference < Employer's PAYE Reference > was received on <date>. Unfortunately it could not be accepted as it failed data checks. To correct this please use the help provided within the software you used to complete your form and send it again'.

We will also send an online message showing what the error was. Error message classes are the same as those used last year and message responses will be sent in line with existing message structure outlined in the MIG or schema at

<http://www.hmrc.gov.uk/schemas/eric-response-message-eoy-0708.pdf>

Rejection messages will cover all errors up to a maximum of 8,000 errors.

Once a Return is validated the data will pass to our processing system (ERIC). As with previous years, we will control the flow of data through ERIC by storing validated Returns for a short period of time. We will start to post the data on our other back-end systems after 6 April 2008. We anticipate that this control period will take around two weeks.

We will not accept more than one complete Return for the same PAYE Reference and employers or agents cannot replace a Return once it has been accepted. Any changes or additional information must be sent as an amendment.

1.6 Changes to part return messages

From 6 April, we will only send an acceptance or rejection message for the P35 of a Return sent in parts once all the parts have been received and consolidated with the P35. This change only affects any part(s) of a Return over the Internet. It does not change how we send acceptance or rejection messages for EDI submissions.

The November 07 edition of the Notes (Series 11 Number 2 para 3) gives details of the changes and how messages will be sent.

1.7 Tax-free payments

Employers with fewer than 50 employees who send their 2007-08 Return online can get £100 tax-free. We will confirm that the payment has been credited to their PAYE account once the Return has been processed. We recommend that employers 'self-serve' the payment from a 2008-09 remittance of tax, NI and Student Loan Deductions.

We will send employers an online notification if they have registered and activated PAYE Online for Employers – Internet. They will be able to see their online notification by using our Data Provisioning Service (DPS). We will send this 'letter' online even if they do not normally get in-year notices (for example P6s) online. If they use a payroll agent, and have given us authority to send information to them online, their online 'letter' will go to them. Online 'letters' will be available through DPS to view from their (or their agent's) PAYE service page.

Employers with fewer than 50 employees who send their online Return before 6 April 2008

Where an employer sends their Return before 6 April, we will validate the Return and if it meets the Quality Standard send an acceptance message. But we will not credit the payment to their PAYE account or send confirmation until we have started to process Returns after 6 April. Because the payment will be credited against their 2008-09 payment record, they must not 'self-serve' the amount from 2007-08.

Employers who cease in business 2007-08

Employers who cease during the year can send their Return online as soon as it is ready. They do not have to wait until the end of the tax year to do so. Employers with fewer than 50 employees who cease can still get a tax-free payment, and we have introduced a clerical system to award this as soon as their return has passed the quality standard. The tax-free payment will be awarded to the employer's last years PAYE account (in most cases this will be 2007-08).

Employers can 'self-serve' the tax-free payment from their final remittance to us once they have received confirmation that we have accepted their Return. Or they can contact the Accounts Office on 0845 3667816 if they need to claim their tax-free payment as a cheque.

We cannot send a tax-free payment award letter until we have processed their Return and credited the payment formally to their PAYE account. This may be some time after the Return was sent. Employers who get an award letter after the tax-free payment has been awarded and put against PAYE due or repaid, can ignore this letter.

1.8 Employer CD-ROM and online filing

Employers using the P11 calculator on the CD-ROM for 9 or less employees at 5 April 2008 will be able to send their Employer Annual Return, P14s and P35 online to HMRC from the CD-ROM.

During autumn 2007 HMRC asked Employment Consultation Forum members to provide feedback on our plan to provide a link from the 2008 CD-ROM to allow small employer users

of the P11 Calculator to incorporate the resulting data directly into an online end of year return.

The overwhelming response of employers and their representatives was very positive, but we have picked up understandable concerns from representatives of software developers and of some agents or bureaux.

We can now confirm as a result of these responses that we shall be going ahead with the planned online link in the February 2008 CD-ROM, on an experimental basis for one year and limited to employers with 1-9 employees at the year end. We shall at the same time be researching and consulting in more detail with a view to confirming by September 2008 what we shall do in relation to the 2009 and future CD-ROMs. We especially want to understand in more detail issues such as the following.

- Relative volumes and segments of employers using payroll software or agents or online services in combination or separately. We have identified quite a range of employer behaviours here, and are keen to establish a much clearer picture of these.
- The volumes and segments of employers who use, or might in future use, the new CD-ROM functionality.
- What would be the most appropriate employer segment limitation to apply to this functionality if it were to be repeated in the 2009 CD-ROM?
- What would be the most appropriate limitations on the scope or content of any such future functionality? For example, should this be limited by HMRC or wider Government payroll tasks or otherwise?
- The possibility of third party suppliers providing free software to enable small employers to file online in future years.

For further information about the CD-ROM enhancement and about the forthcoming consultation please contact: Alison Wells at alison.wells@hmrc.gsi.gov.uk or Adrian Ditum at adrian.ditum@hmrc.gsi.gov.uk

2. Online filing: In-year

2.1 Changes to the P45 - plain paper P45

We told you about the introduction of the plain paper form P45 in the September 07 edition of these Notes (Series 11 Number 1 para 1.2).

From October 2008, employers who file online, will be able to print the P45 parts 1a-3 onto plain A4 paper instead of using HMRC's pre-printed stationery. Employers, who file online, may choose whether to change to this version, or continue to use HMRC's pre-printed form.

There will be no facility for any employer-specific designs of the form.

Technical specification – now available

The technical specification for the Plain Paper A4 P45, which will come into use in October 2008, is now available and can be viewed on our website at <http://www.hmrc.gov.uk/ebu/spec-p45.pdf>

All output onto plain paper must precisely follow this specification.

2.2 Corrected National Insurance numbers

During summer 2008, before moving taxpayer data to the National Insurance Recording System (NIRS), we will be undertaking a comparison of our current database (COP) with the records held on NIRS. We expect to trace a considerable number of missing or incorrect

National Insurance numbers (NINOs). The correct NINO will be issued to the employer on form P46-5(T). Unfortunately there are no facilities to make this issue to employers electronically; the issue will be made on paper.

It would be extremely helpful if employers could capture and use these NINOs as soon as they can. But we appreciate that spring is a very busy time in payroll offices and there may be some delays in capturing this information.

2.3 Student employments and tax codes

Form P46 advises employers of the tax code to be used depending on the statement box an employee has ticked. While these codes will apply in the majority of cases, software developers and employers need to be aware that there may be times where an alternative code should be operated. Different codes may need to be applied when students are employed but their holiday earnings either exceed the PAYE threshold or the employment continues beyond the holiday period into term time.

We highlighted these scenarios in the November 07 edition of these Notes (Series 11 Number 2 para 2.1). The '*Employer Further Guide to PAYE and NICS CWG2 (2008)*' will also include details of procedures employers must follow if these circumstances apply.

2.4 Q&A – Recent queries from payroll representatives

Q1. When P46 information is provided to the payroll office online, does the employer need to retain the information?

From April 2008, where a new employee does not have a P45 and the employer needs to file a P46 online, it is up to the employer to decide how best to obtain the information required by this form from their employee. The employee will not necessarily have to complete the HMRC pre-printed P46. Instead, the information may be obtained from the employee either online or by using the employer's own stationery.

Although it is up to the employer to obtain the information in a way that best suits their business need, the employer must keep a record of where the information came from.

Q2. When HMRC move to the new PAYE Service on NIRS, will the output from Works Number Update be online or on paper?

The PAYE Service will not see a change to the output received by the employer/pension provider following a Works Number Update. It will remain as paper.

Q3. Will a failed tax table check on a P45(1) create a 'work item' for manual intervention leading to HMRC issuing a correcting P6?

Yes. If a P45 part 1 fails the tax table discrepancy check a 'work item' will be produced and reviewed. If the individual's employment history was complete and all previous pay and tax information was known the code would be revised and issued to the new employer.

Q4. What steps should an employer take if they want to cancel a P45(1) sent in error?

The employer must not, under any circumstances, issue a duplicate or amended P45.

If the employer has not yet issued the P45 to the employee or the PAYE tax office (or has sent it online), the employer should destroy all four parts of the original P45 and complete a new one. The original P45 must not be changed by scoring out figures or using correction fluid as all four parts of the P45 must have identical entries.

Where an employer has already sent the P45 to the employee and / or PAYE tax office, the employer should send a letter to the PAYE tax office confirming what mistakes were made. The employer should also send a copy of this letter to the employee.

3. Payroll Standard

3.1 Changes from 1 January 2008

From 1 January 2008 there are two Payroll Standards as follows:

- The Payroll Standard - for full payroll software.
- The Pensioner Payroll Standard – a new Standard for software paying pensions and annuities.

The Payroll Standard

The Payroll Standard for full payroll software has certain **core** requirements that all accredited products must meet and a further 3 **optional** requirements. The Payroll Standard logo and the list of accredited products on our website shows which of the 3 options are supported by each accredited product (see logo below). The words Yes or No are used in the boxes to denote which options are covered by the software.



To view the new Payroll Standard go to www.hmrc.gov.uk/ebu/payroll.htm

The Pensioner Payroll Standard

The new Pensioner Payroll Standard does not have any optional requirements. All requirements listed in the Pensioner Payroll Standard are mandatory. These requirements are a subset of those used in the main Payroll Standard. They cover PAYE, online end of year returns, statutory deductions and general pension payroll requirements. The Pensioner Payroll Standard logo is below:



To view the new Pensioner Payroll Standard go to www.hmrc.gov.uk/ebu/payroll.htm

Payroll Standard accredited products that also meet the Pensioner Payroll Standard

The Payroll Standard and Pensioner Payroll Standard are two separate accreditation schemes but some payroll products may meet the requirements of both. If you already have a Payroll Standard accredited product that also meets the requirements of the Pensioner Payroll Standard please inform your usual Payroll Support Team contacts to get the product on both accredited lists.

3.2 In-year filing requirements

Although the new Payroll Standard and Pensioner Payroll Standard apply now, the in-year filing requirements will not apply until 1 April 2010. This is a change to the previously notified date of 1 April 2008, which was announced in the September 06 edition of these Notes. This change has been made following the amendments to the Carter Review timetable and further consultation with developers and employer representatives.

From 1 April 2010 all accredited products must have recognition for the online forms P45(1), P45(3) and P46. Products accredited under the Pensioner Payroll Standard will also have to get recognition for the P46 (PEN).

Developers with accredited products who want to get Recognition outside of the Payroll Standard requirements can still do so earlier than 1 April 2010.

If you have any questions about the Recognition testing process please contact the Software Developers Support Team: Email: SDSteam@hmrc.gsi.gov.uk or phone: **01274 534666**

3.3 Payroll test data

Parts 1, 2 and 3 of the payroll test data documents have two purposes:

- For payroll developers to assess whether their software meets the requirements of the HMRC Payroll Standard and/or Pensioner Payroll Standard **before** applying for the accreditation scheme(s).
- For any payroll developer to use in their own internal testing routines.

Running this test data before applying for the accreditation scheme will identify any errors or discrepancies at an early stage and make the accreditation process run smoothly for developers and our Payroll Support Team.

Please note these tests are not the actual tests used in the accreditation process. The accreditation tests are similar but have different inputs and answers.

To view the payroll test data go to www.hmrc.gov.uk/ebu/testdata.htm

Payroll Standard test data

The tests used to assess the core and optional requirements for the new Payroll Standard are the same as those used for the old Payroll Standard, except that some are now optional. Parts 1, 2 and 3 of the payroll test data documents contain these tests.

The current minimum requirement to **record** the amounts of Statutory Adoption Pay and Statutory Paternity Pay (for adoption) will change to **calculation** of the amounts due from 1 April 2009.

The tests we will use to assess calculation of these statutory payments are published in the Additional Test Data document, also available at www.hmrc.gov.uk/ebu/testdata.htm

Pensioner Payroll Standard test data

A subset of the Payroll Standard test data will be used to assess the Pensioner Payroll Standard because pension only payrolls do not require all the functionality required for paying employees.

The payroll test data documents tell you which tests are used for the Pensioner Payroll Standard.

If you have any queries about the new Payroll Standard, Pensioner Payroll Standard or test data contact the Payroll Support Team: Phone 0845 91 59146 or send email via the team's contact webpage at www.hmrc.gov.uk/ebu/psuandcontacts.htm

4. Statutory Payments

4.1 Rates for 2008-09

The Statutory Payment rates for 2008-09 were published on our website on 10 December 2008 and we have reproduced them below together with the dates from which they become effective. Please note that all the changes to the rates are subject to Parliamentary Approval.

SSP

Employees with average weekly earnings of £90.00 or more -The weekly rate for sick absences on or after 6 April 2008 is £75.40.

Daily rates table for days of sickness from 6 April 2008 to 5 April 2009

Unrounded daily rates*	Number of QDs in week	Number of days due						
		1	2	3	4	5	6	7
£		£	£	£	£	£	£	£
10.7714	7	10.78	21.55	32.32	43.09	53.86	64.63	75.40
12.5666	6	12.57	25.14	37.70	50.27	62.84	75.40	
15.0800	5	15.08	30.16	45.24	60.32	75.40		
18.8500	4	18.85	37.70	56.55	75.40			
25.1333	3	25.14	50.27	75.40				
37.7000	2	37.70	75.40					
75.4000	1	75.40						

*Unrounded daily rates are shown for employers with computerised payroll systems.

SSP recovery under the Percentage Threshold Scheme (PTS)

Unless an employer qualifies under the PTS they cannot recover any of the SSP they pay to their employees.

If they do qualify they can recover the whole of the amount by which their total SSP liability exceeds the 13% of their gross Class 1 NICs figure.

SMP

The amount of SMP paid to an employee for payment weeks starting on or after 6 April 2008 is:

First 6 weeks of payment - The earnings related rate of 90% of the employees average weekly earnings.

Remaining weeks - The lesser of the standard rate which is £117.18, or the earnings related rate, which is 90% of the employees average weekly earnings.

SPP

The weekly rate of SPP paid to an employee for payment weeks starting on or after 6 April 2008 is;

The lesser of the standard rate, which is £117.18 or,

90% of the employees average weekly earnings.

SAP

The weekly rate of SAP paid to an employee for payment weeks starting on or after 6 April 2008 is;

The lesser of the standard rate, which is £117.18 or,

90% of the employees average weekly earnings.

Amount employers are entitled to recover or apply for funding for

From 6 April 2008 employers who do not qualify for Small Employers Relief (SER) can recover 92% of the SMP/SAP/SPP paid to their employees. This is the same rate as last year.

From 6 April 2008 employers who do qualify for Small Employers Relief (SER) can recover 100% of the SMP/SAP/SPP paid to their employees plus 4.5%. This is the same rate as last year.

For the 2008-2009 tax year a "small employer" is one who paid (or was liable to pay) total gross class 1 NICs of £45,000 or less in the individuals qualifying tax year. This is the same threshold as last year.

4.2 Statutory Sick Pay review

Subject to Parliamentary approval, recommendations from the Statutory Sick Pay (SSP) review will be introduced in October 2008. The main changes will be as follows.

SSP 1L - not required

The changes propose that periods of SSP with a previous employer will no longer count towards the employee's maximum period of SSP. Employers will not need to consider whether a new employee was paid SSP by a previous employer if the employee falls ill within 8 weeks of starting.

SSP1 – reduction of information required

It is proposed that all details currently required in part C will not be needed when Employment Support allowance is introduced. This means that employers will no longer need to keep records or provide information about the first day of sickness, qualifying days, days the employee normally works or dates and length of time SSP has been paid for when completing a form SSP1. However, the current SSP1 form will still need to be completed where the employee's entitlement to SSP ends before the introduction of Employment Support allowance.

We will supply further details, as a news item on our website at www.hmrc.gov.uk and via the 'Employer Bulletin' as they become available.

4.3 Additional Paternity Leave and pay (APL&P)

The Government's response to the APL&P administration consultation is due to be published shortly and details will be announced on our website shortly.

We also intend to publish, as a news item on our website, the second draft of the Technical Specification in March 08 and will invite comments from Software Developers.

5. Other Information

5.1 P11D – Working Sheet 4 for 2007-08

In the September 07 edition of the Notes (Series 11 Number 1 para 4.5) we told you that the P11D Working Sheet 4 for 2007-08 would be finalised early 2008. Working Sheet 4 is now final and a copy of the form is at **Annex A** of these Notes. A PDF of this form will be published on the Software Developer download area our website shortly at <http://www.hmrc.gov.uk/ebu/pnforms.htm>

5.2 P46(Car) from April 2008

The P46(Car) has been revised for use from April 2008 to includes the new Fuel Type G applicable to cars manufactured to run on E85 bio fuel. The look of the form has also been changed to reflect the new HMRC corporate style.

A PDF of the new P46(Car) will be published on the Software Developer download area our website shortly at <http://www.hmrc.gov.uk/ebu/pnforms.htm>

5.3 Benefits in Kind & Expense Payments in Payroll – a fresh approach

At the Pre Budget Report in October last year the Chancellor announced that HMRC would undertake a consultation on how best to introduce a system to tax benefits in kind and expense payments through the payroll and consider . The consultation document was published on 14 December 2007 at

http://customs.hmrc.gov.uk/channelsPortalWebApp/downloadFile?contentID=HMCE_PROD1_028208

The consultation also considers the scope for removing the £8,500 earnings threshold at which certain benefits in kind become taxable.

We are interested to hear views on the high level proposals outlined in the consultation document in order to better understand the potential impacts on employers involved in payroll and the provision of benefits in kind so that solutions can be developed that will help to reduce administrative burdens. And also bring consistency to the way benefits in kind and expense payments are reported and the tax due accounted for.

We are actively seeking views from all potential stakeholders throughout the consultation period, including from businesses involved in developing payroll and P11D software. The consultation closes on 17 March 2008 and details about how to contact us are included in the consultation document. We look forward to hearing your views.

5.4 PAYE Tax Tables for 2008-09

The 2008-09 PAYE Tax Tables to be used from 6 April 2008 can be viewed on our website using the following links.

<http://www.hmrc.gov.uk/taxtables/2008/srbd.pdf>

http://www.hmrc.gov.uk/taxtables/2008/calc_tables.pdf

Note: Any further revision that may arise through 'Budget measures' will be published in the next edition of these Notes scheduled to follow the Chancellor's Budget announcement in early spring 2008.

Paper version – Tables B to D

There is a small error in the paper version of the 2008-09 Table B to D. Table C on page 10 of the Tables is a table for weekly paid employees. The Heading in the left hand column of Tables C says **Month** when it should of course say **Week**. This will be corrected in the next printing of the paper versions of Tables B to D.

The website and Employer CD-ROM versions of Tables B to D are not affected by this error.

5.5 Pensions Reform

Following the announcement by the Chancellor in the 2007 Pre Budget Report, the introduction of the Upper Accrual Point (UAP) is being brought forward to 6 April 2009 and will be fixed at £770 per week. This is subject to the successful passage through Parliament of the National Insurance Contributions Bill introduced on 12 November 2007.

From 6 April 2009 State Second Pension will be calculated on earnings between the Lower Earnings Limit (LEL) and UAP rather than between the LEL and Upper Earnings Limit (UEL).

Similarly, from 6 April 2009, contracted out rebates for employers and employees will be calculated on earnings between the LEL and the UAP. Employers will have to pay contributions at the main not contracted-out rate of 12.8% on all earnings above the UAP and employees will have to pay contributions at the main not contracted-out rate of 11% (or 4.85% in the case of married women with reduced rate elections) on earnings above the UAP up to and including the UEL and at the additional rate of 1% on all earnings above the UEL.

From 6 April 2009 for state Second Pension and contracted out purposes Employers will have to record earnings in the following 4 bands on the P11, P14 and P60.

- Earnings up to and including the Lower Earning Limit (LEL) (where earnings are equal to or exceed the LEL).
- Earnings above the LEL up to and including the Earnings Threshold (ET).
- Earnings above the ET up to and including the UAP.
- Earnings above the UAP up to and including the UEL.

The draft regulations which set out the information that needs to be recorded and reported by employers from 6 April 2009 also prescribe the manner in which equivalents of the UAP are to be calculated for employees who are not paid weekly. For those paid monthly the UAP will be £3337.

The draft regulations are available to view on our website at <http://www.hmrc.gov.uk/legislation/nics-bill.htm>

5.6 Making Payment - change to the P30B Payslip

Between February and April we issue employers with one of the following for the new tax year.

- A **Payslip Booklet**, a **P30B Insert** and, depending on the employers normal payment method, up to 12 envelopes, or
- A **P30B letter** 'Paying electronically'.

In the main we issue a Payslip Booklet to employers who pay using a payslip, or a P30B letter to those who pay electronically.

We have revised the payslips in the 2008-2009 Payslip Booklet so that employers no longer need to show separate amounts of Tax and NICs.

The P30B payslip now has only one Amount due box, which should be used to show the combined total amount of Tax and NICs.

The total in the Amount due box should match the payment being made.

Note: Although there is no requirement to do so, employers can, if they wish, notify us of the exact amounts of Tax and NICs by making two separate BACS Direct Credits, one for PAYE and one for NICs.

When making separate payments a 'P' (for PAYE) or a 'N' (for NICs) must be added to the front of the Accounts Office reference shown on the front of the Payslip Booklet.

For example, PAYE = P123PA12345678, NIC = N123PA12345678.

6. Next issue of these Notes

The next edition of these Notes is scheduled to follow the Chancellor's Budget announcement in early spring 2008.

7. Mailing lists for these Notes

The mailing options for the Notes are:

- notification by email
- notification by post
- paper issue of these notes.

Notification by email is the quickest and our preferred option. If you hold an email account & currently receive the 'notes' mailing by post we recommend that you change to the email option. You can do this by sending details of your email address and company name to hmrnotes@replyservice.co.uk stating 'change option' in the subject field.

New 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 hmrnotes@replyservice.co.uk

Or you can write to:

Notes for Payroll Software Developers
PO Box 17289
Edinburgh
EH12 1WY.

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 hmrnotes@replyservice.co.uk stating 'unsubscribe' in the subject field or write to the address shown above.

8. **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 HM Revenue & Customs Office or to the Employer Helpline on **0845 7 143 143**.

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

email	<u>helpdesk@ir-efile.gov.uk</u>
phone	0845 60 55 999 (opening times - 8am to 8pm, 7 days a week)
fax	0845 366 7828
minicom	0845 366 7805

If you contact the Online Services Helpdesk by email please state 'Notes for Payroll Software Developers' in the subject field.

Note: The Online Services Helpdesk cannot deal with change of mailing address information; these should be directed to **hmrnotes@replyservice.co.uk**



P11D Working Sheet 4

Interest free and low interest loans 2007–08

Note to employer

You do not have to use this form but you may find it a useful way to calculate the cash equivalent if you provided interest-free or low interest loans for a director, or an employee who earned at a rate of £8,500 or more during the year 2007–08 (that is 6 April 2007 to 5 April 2008).

Read the *P11D(Guide)* before you complete this form. Enter details of non-qualifying loans made to, or arranged for, a director/employee (or for any of his/her relatives) on which no interest was paid, or on which the amount of interest paid was less than interest at the official rate. Include 'notional loan' benefits of shares acquired by the director/employee at undervalue.

As a guide to whether a loan is a qualifying loan, and does not therefore need to be reported on the form P11D, see booklet 480 *Appendix 5*.

If you use this form you must also fill in forms P11D and P11D(b); 'Return of Class 1A National Insurance contributions'. Booklet CWG5(2008) *Class 1A National Insurance contributions on benefits in kind* gives more information. You are advised to keep a copy of each completed working sheet as it could help you to deal with enquiries. You do not have to give a copy of the completed working sheet to the director or employee, or to your HM Revenue & Customs office.

The term employee is used to cover both directors and employees throughout the rest of this form.

Employer details

Employer name

Employer PAYE reference

Employee details

Employee name

Works number or department

National Insurance number

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The Loans

If the total amount outstanding on all the loans is not more than £5,000 at any time in the year, there is no need to complete this working sheet or Section H of form P11D.

You may find it helpful to complete the table below to identify:

- other small exempt loans
- for directors of close companies only, non-qualifying loans which may be treated as a single loan for the purpose of calculating the benefit.

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5
Maximum balance outstanding at any time in the year	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Currency if other than sterling	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

If you know that the total amount outstanding on all non-qualifying loans does not exceed £5,000 at any time in the year, ignore such loans when completing the remainder of this working sheet and Section H of form P11D.

If you are a close company and the borrower is one of the company's directors, you can elect to treat all loans which are:

- in the same currency
- non-qualifying
- owing at the same time

as a single loan.

You can make the election by showing all such loans as a single loan in Section H on the form P11D. Please note that if you make the election and do not include all such loans within the single loan, you will be making an incorrect return.

Please turn over

Official Rates of Interest

To calculate the cash equivalent of a loan you will need to know:

- the average official rate of interest for the year ended 5 April 2008 for loans made in sterling
- the official rate for Japanese Yen or Swiss Francs where the loan was made in one of those currencies and the conditions in paragraph 17.5 of booklet 480 are met.

The average official rate of interest for 2007–08 for loans made in sterling is 6.25%. The official interest rates for loans in currencies other than sterling up to early November 2007 are printed in Appendix 4 of Booklet 480, but later changes are not known until the end of the tax year.

Form P11D(INT) is available from the Employer Orderline (Phone **0845 7 646 646**) and it gives details of the official rates of interest for 2007–08.

Details of the official rates of interest can also be obtained from your HM Revenue & Customs office.

Calculating the cash equivalent

Use the formula below for each loan separately *except where an election has been made to treat a director's loans as a single loan.*

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5
A Maximum, balance on either 5 April 2007 or the date the loan was discharged, whichever is earlier					
B Maximum balance on earlier of day loan was discharged, or 5 April 2008					
C Total (A + B)					
D Divide C by 2					
E Number of complete tax months in tax year (6th of month to 5th of following month) throughout which loan was owing					
F Multiply D by E, divided by 12					
G Official rate of interest	%	%	%	%	%
H Multiply F by appropriate official rate (G)					
J Enter interest paid in 2007–08					
K Cash equivalent of loans H minus J					

The figures at K are the amounts to be entered in Section H boxes 15 on form P11D.

If the employee has more than two loans, you can write 'see attached' in Section H box 15 and attach a copy of this working sheet. But you must remember to add together the cash equivalents of all the loans for the purpose of calculating the total benefits liable to Class 1A NICs when completing form P11D(b) 'Return of Class 1A National Insurance contributions'.

Employees may elect for a more complex but accurate method of calculating the benefit from interest free or low interest loans. Employers are not responsible for providing such a calculation.