Notes for Payroll Software Developers

SERIES 11 – NUMBER 7 ***December 2008***

Contents:

1. Income Tax Changes from 6 April 2009

1.1 *Income Tax Changes*

In his Pre-Budget Report on 24 November 2008 the Chancellor of the Exchequer announced the following changes to Income Tax allowances

Personal Allowance	£6,475
Personal Allowance for people aged 65-74	£9,490
Personal Allowance or people aged 75 and over	£9,640
Married Couples Allowance (born before 6/4/1935) aged 75 and over	£6,965

(These age related allowances are subject to an income limit which will increase to £22,900.)

Minimum amount of Married Couples Allowance	£2,670
Blind Persons Allowance	£1,890

The Income Tax rates remain unchanged, but new Income Tax bandwidths will take effect from 6 April 2009 and revised payroll software must be used from this date. The revised bandwidths are

Basic Rate 20%	Bandwidth £1 to £37,400
Higher Rate 40%	Bandwidth £37,401 and above.

1.2 *Effecting the Income Tax changes*

Changes in Coding

There will be a general uplift of tax codes with suffix 'L'. Full instructions will be issued to employers on form P9X(2009) which will be contained in the Employer CD-ROM as part of the Employer Pack.

As a general rule, unless an amended code notification has been received on a form P9(T) (or in a notification by Internet, Electronic Data Interchange or magnetic media) employers should amend 2008-09 codes as follows

- 'L' suffix codes – increase by 44; code 603L becomes 647L
- The PAYE threshold with effect from 6 April 2009 is raised to £125 per week (£540 per month)
- The code for emergency use with effect from 6 April 2009 is 647L.

Note: Employers can now no longer be sent bulk P6 and P9 coding information on paper lists.

We have written to those employers affected to notify them of the withdrawal of this facility and to recommend that they move to an online alternative. Those employers who choose not to opt for an online alternative will in future be sent separate P6 or P9 notices for each individual code change.

Changes to Tax Tables from 06 April 09

The new Taxable Pay Tables will be available on the Employer CD-ROM 2009 that will be included in the Employer Pack, or can be requested by contacting the Employer Orderline on **08457 646 646**. These tables (Calculator Tables April 2009 or Tables B to D April 2009) give effect to the revised Income Tax bandwidths, and are brought into use from the first pay day on or after 6 April 2009.

The paper PAYE Tax Tables are being drafted and will be available in December 2008 in the Software Developers Draft Forms PAYE download area of our website at **http://www.hmrc.gov.uk/ebu/pnforms.htm**

1.3 ***Summary of changes from 6 April 2009***

- The Income Tax personal allowance is increased to £6475
- Age related allowances are increased
- Tax rate bandwidths have changed.

1.4 ***Specification for PAYE Tax Table Routines***

Annex A to these Notes gives the amendments to the Specification for PAYE Tax Table Routines – September 2007 (Version 11).

Annex B contains some test data which developers may find helpful in verifying their new routines from 6 April 09.

Annex C shows a copy of form P9X(2009) which will be included on the Employer CD-ROM 2009 or alternatively will be available from the Employer Orderline.

Amendments will also be made to the Specification for PAYE Table Routines for Free of Tax (FOT) arrangements. The amended specification will shortly be published on our website at **www.hmrc.gov.uk/ebu/ebu_paye_ts.htm**

1.5 ***Payroll Test Data***

The Payroll Test Data for 2009-10 will shortly be updated and can be found in the Additional Payroll Test Data document on our website at **http://www.hmrc.gov.uk/ebu/testdata.htm**

1.6 ***Future changes announced in the Pre-Budget Report on 24 November 2008.***

The Chancellor also announced the following changes which will impact future years

From 2010-11

The basic personal allowance will be reduced in two stages for people with gross incomes above £100,000 and £140,000.

From 2011-12

- there will be a new higher Income Tax rate of 45% which will apply to people with taxable non-savings and savings income above £150,000
- there will be a new Income Tax rate of 37.5% for dividend income taxable above £150,000
- the National Insurance Contributions (NICs) primary threshold will be broadly aligned with the Income Tax basic personal allowance
- the main rate of Class 1 NICs will be increased by 0.5% to 11.5%
- the Class 1 employer rate of NICs will be increased by 0.5% to 13.3%. The increased rate will also apply to Class 1A and Class 1B contributions
- the additional rate of Class 1 will be increased by 0.5% to 1.5%.

Information about these changes can be found on the 2008 Pre-Budget Report (PBR) Personal Tax, Child Benefit and Tax Credit changes page of our website at **http://www.hmrc.gov.uk/pbr2008/personal-tax.htm**

More details are provided in Notice PBRN01 - Income Tax Rates, Allowances and Limits and National Insurance Contributions Rates and Thresholds which can be found on our website at **www.hmrc.gov.uk/pbr2008/pbrn1.pdf**

These pages provide an outline of the changes proposed in the PBR and will be subject to legislation in the future, therefore we are unable to provide any more details at this time. We will however provide details of any changes to the PAYE Tax Table routines in future editions of these Software Developers notes.

2. National Insurance changes from April 2009

2.1 *Class 1 National Insurance contributions (NICs)*

In his Pre-Budget Report on 24 November 2008 the Chancellor of the Exchequer announced the following 2009-10 Class 1 National Insurance contributions limits:

Lower Earnings Limit	£95 a week
Earnings Threshold	£110 a week
Upper Accruals Point	£770 a week
Upper Earnings Limit	£844 a week

From April 2009 the contracted-out rebates remain as follows:

- Contracted-out Salary Related Schemes (COSR), 3.7% for employers and 1.6% for employees
- Contracted-out Money Purchase Schemes (COMP), 1.4% for employers and 1.6% for employees.

Annexes D to F provide a summary of the National Insurance earnings limits, thresholds and rates.

2.2 *NI Guidance for Software Developers 2003+ and Supplement to NI Guidance for Software Developers 2003+*

As a result of the major changes to the calculation of Class 1 NICs to be introduced from April 2009, the NI Guidance for Software Developers 2003+ and the Supplement to the NI Guidance for Software Developers 2003+ will be combined to form the "NI Guidance for Software Developers, *Effective for the tax year 2009 –10*". The new NI Guidance for Software Developers will be available before the end of December on our website at **www.hmrc.gov.uk/ebu/ebu_paye_ts.htm**

Thereafter, the NI Guidance for Software Developers will be updated annually to reflect any changes to the Class 1 NIC rates and limits. There will be no separate Supplements in future years.

3. PAYE Online Services

3.1 *PAYE Desktop Viewer (PDV)*

We told you in the September 2008 Notes for Payroll Software Developers (Series 11, Number 6) that we were developing a PAYE Desktop Viewer (PDV), an alternative to the current Data Provisioning Service (DPS) Portal Viewer. PDV is designed to help those employers who get large numbers of codes and notices but do not download them through their existing third party software. We will carry out a live trial with a group of invited employers and agents in February 2009 with a view to releasing the PDV application to the wider user community later in the year.

3.2 ***Suffix V Tax Codes obsolete from 6 April 2009***

From 6 April 2009 suffix V tax code will no longer be used. Prior to this date suffix V was used where the tax code included the maximum age related allowances of both

- personal allowance for those aged 65 to 74,
- married couple's allowance (MCA) for those aged 65 to 74 and the date of marriage was before 5 December 2005.

MCA is only due if at least one spouse was born before 6 April 1935. This means that anyone born before 6 April 1935, and qualifying for MCA, will be aged 75 and over during the tax year ended 5 April 2010. MCA will then be due at the rate applicable to those aged 75 and over.

Employers will receive a P9 coding notification in February/March 2009 with a new code for the tax year starting on 6 April 2009. Employees and pensioners will receive a P2 notice of coding in January/February 2009 with details of their new code for the 2009-10 tax year.

Suffix V code will remain as a valid character within the 'Quality Standards and Business Validation Specification from April 2009'.

3.3 ***Annual Coding***

We plan to send bulk 2009-10 P9s from 13 February 2009, with a supplementary issue starting on 13 March. Employers who have registered for online services will be able to view their code numbers through their software (if it has the facility to receive codes online) or through our Data Provisioning Service (DPS) Portal Viewer. The seven day viewing facility for Agents in DPS will begin when the codes become available. We will confirm these dates closer to the time on our 'What's New' page.

We will send individuals a flyer with tax codes issued in February. The flyer is aimed at encouraging customers to look at our website if they need more information about their tax codes. We will also send the flyer with the agent copies of Annual Coding forms P2 as we were unable to exclude these cases.

3.4 ***Paying by Direct Debit***

We are now able to offer customers the option of paying nine different types of tax or duty by Direct Debit.

Employers who are registered and enrolled for the PAYE for Employers Online Service, and make monthly or quarterly payments, can now pay by Direct Debit.
A Direct Debit payment can be set up by

- going to **www.hmrc.gov.uk**
- selecting **PAYE for Employers** from the **do it online** menu
- logging on the **Welcome to Online Services** page and
- selecting **Direct Debit payment** from the **Main menu**.

New users first have to register and enrol for the **PAYE for Employers** service on the **Welcome to Online Services** page. Once enrolled the employer can start setting up Direct Debit payments, it is not necessary to wait for an Activation PIN. The only condition is that the person setting up the Direct Debit must be able to authorise Direct Debits from the bank/building society account on their own.

The first time the employer uses the Direct Debit payment facility they must complete an online Direct Debit Instruction (DDI) at least five bank working days before the first payment is collected. Once the DDI is in place the employer can reuse it to create further Direct Debit payments. These can be created up to three bank working days before the payment date. Normally employers will want to set up payments early (for example at the same time the payroll run is completed) so they credit the HMRC bank account by the payment date.

Payment by Direct Debit is classed as an electronic payment method so cleared funds must be in the HMRC bank account no later the 22nd of the month or quarter when payment is due. The Direct Debit payment needs to be created no later than three bank working days before the 22nd (five bank working days if the employer also has to complete an online DDI).

Where the 22nd falls on a weekend or bank holiday, cleared funds must reach the HMRC bank account no later than the last bank working day before the 22nd.

An employer can amend or cancel a Direct Debit payment and has until three bank working days before the payment date to make the amendment/cancellation online.

Important: Any new Direct Debit arrangements created in the Online Service may not be visible for up to 36 hours.

More information can be found on our website at **www.hmrc.gov.uk/payinghmrc**

3.5 *Electronic Data Interchange (EDI) – Applicability Statement 2 (AS2)*

We are now able to support Applicability Statement 2 (AS2) communications protocol to allow EDI Trading Partners to transport EDI data securely over the Internet.

AS2 creates an envelope around an EDI message before sending it securely over the Internet, providing the advantage of reduced transmission charges. The use of digital certificates and encryption provides security and non-repudiation.

This is in addition to the established EDI communications software currently supported by HMRC. The options now available are:

- Applicability Statement 2 (AS2)
- ISDN
- VAN
- X400

More information is available on the PAYE Online for Employers - Electronic Data Interchange pages at: **http://www.hmrc.gov.uk/ebu/edi/paye_intro.htm** and within the following documents:

- The EB2 (PAYE) EDI Information Pack at **http://www.hmrc.gov.uk/ebu/eb2paye.pdf**

- The EB3 (PAYE-EDI) Step by Step guide at **http://www.hmrc.gov.uk/ebu/eb3paye.pdf**

4. Online Filing: in-year

4.1 *Technical Specification – P45(Online)*

On 17 October 2008 we published an updated technical specification for Parts 1A, 2 and 3 of the P45(Online) that can be printed on plain A4 paper when Part 1 has been submitted online using HMRC's Online Return and Forms - PAYE Service and some commercial payroll software. The new specification clarifies the earlier version, particularly around the use of intermediate font sizes. The layout of the form remains unchanged.

We will shortly be publishing a further revised specification to make minor amendments to the spacing of the fields on the P45(Online). This new specification is likely to be published in December 2008 and follows requests from software developers to make the alignment of the fields on the P45(Online) consistent with other versions of the form that have been designed for impact and laser printers.

Versions of the P45(Online) designed with either the October 2008 or December 2008 specification will continue to be acceptable. But even though the earlier version remains valid, we would urge you to always check the HMRC website and implement the latest version when updating your software products. This will ensure maximum compatibility across the P45 stationery range.

We are sorry that these changes may have made it difficult for you to finalise the development of your products for 2009-10.

4.2 *Recognising the P45(Online)*

The specifications for the form state that it should only be printed on to plain **white** A4 size paper and be printed in pure **black** ink only. Coloured ink and shading must not be used on the forms.

But we have been told that some employers are not expecting a black and white version of the form, and are still expecting a colour version that looks like HMRC's pre-printed stationery. It would be helpful if you could draw this to the attention of your customers in the guidance notes for your payroll products so that the new versions are not overlooked.

Employers can expect to receive a mix of forms P45 on plain paper and pre-printed stationery.

4.3 *New style A4 P45 stationery for use in printers*

We have made some minor changes to the following forms as the layouts of the original versions were incompatible with some types of printer;

- P45 (Continuous) (E)
- P45 (Continuous)
- P45 (Laser- Continuous)
- P45 (Laser- Sheet)

Employers were asked to destroy any versions with the imprint number 04/08 on the bottom right-hand corner of the individual parts of the P45.

Employers can now order the new versions from the Employer Orderline, but it is unlikely that they will be despatched before the week commencing 15 December.

The new A4 P45 (Manual) was not affected by this issue and can be brought into use once employers have exhausted their existing stock of the old A5 stationery.

We are very sorry both for the original mistake and the delay in making the corrected versions available.

4.4 ***P45 stationery and environmental issues***

Some software developers have expressed their concern around the increase in size of the P45 versions as they are encouraging their customers to consider environmental issues and file online.

While we accept the importance of environmental issues, we have also had to take into account pressure from employers who want to produce computer generated versions of the P45 rather than use HMRC stationery. As A4 is standard computer output size, we took the opportunity to change all P45 versions to this size for conformity. When employers print P45 Parts 1A, 2 and 3 on plain paper they will actually save paper when they send Part 1 of the form online. They will also save on storage costs as they will no longer need to house pre-printed stationery. This will apply to an increasing number of employers as mandatory in-year online filing progresses.

We also took the opportunity to include on the new version of the form the further details (date of birth and gender) that employers must provide from 6 April 2009. We are hoping that as many employers as possible will start to use the new forms as soon as their existing stocks have been exhausted. This will help us run down HMRC stocks and ensure that as little of the old style stationery as possible is in circulation at April 2009 when the new versions become mandatory.

4.5 ***P46(Expat)***

We provided information about the new form P46(Expat) to be introduced from April 2009 in previous editions of these Notes. A PDF version of the form and supporting technical specifications detailing the validation for the new data stream are also available on the software developer pages of our website.

The standard P46 form only relies on the statements A, B or C to determine the tax code. The new form P46(Expat) also relies on an optional entry in the ‘European Economic Area (EEA)/Commonwealth Citizen’ box at Section 1 to determine the tax code. If an employee enters ‘X’ in the ‘EEA/Commonwealth citizen’ box, employers must use the emergency tax code on a cumulative basis (which applies to Statement A) even if the employee has completed Statements B or C.

This means that, for the operation of payroll, an entry in the EEA/Commonwealth box should override any entry made by the employee at statements B or C.

General Guidance about employing an individual who has been seconded to work in the United Kingdom and the procedure of completing a P46(Expat) will be provided in the April 2009 edition of the CWG2 ‘*Employers Further Guide to PAYE and NICs*’. This will be included on the 2009 Employer CD-ROM.

Some developers have asked for more information about the process ahead of publication. An extract of the new guidance that we intend to include in the 2009 version of the CWG2 (chapter 4 - employees coming to or leaving the UK) is reproduced below.

Please note this is only a draft version of the extract and is subject to change before the booklet is published.

‘Employee seconded to work in the UK’

Where you employ a worker who has been seconded to work in the United Kingdom you must provide them with a form P46(Expat). The form should be returned to you so you can complete the employer sections and then send the fully completed form to us (remember, if you have 50 or more employees you must send the form to us online).

Section one of form P46(Expat) must be completed by the employee and section two must be completed by you as the employer.

For the purpose of the form and this procedure, a seconded employee includes:

- *Individuals working wholly or partly in the UK for a UK resident employer on assignment* ***whilst remaining employed by an overseas employer****.*
- *Individuals assigned to work wholly or partly in the UK at a recognised branch of their overseas employers business.*
- *All individuals included by an employer within a dedicated expatriate PAYE scheme.*
- *All individuals included by an employer within an expatriate modified PAYE scheme.*

Form P46(Expat) must not be used for any worker whose circumstances are not within the descriptions above. In all other circumstances the normal P46 procedures must be followed.

Note: If the employee has entered ‘X’ in the EEA/commonwealth citizen’ box on section 1 of form P46(Expat) you must use the emergency tax code on a cumulative basis even if the employee has completed statements B or C.’

4.6 ***P46(Pen) for new pension recipients***

Guidance about the PAYE process for the new form P46(Pen), which will replace the P160 and P46 for new pension recipients from April 2009, will be provided in the 2009 CWG2 Employer Further Guide to PAYE and NICs booklet and on the Employer CD- ROM. These will both be available in February 2009. We are aware that some technical specifications for P46(Pen) may continue to use the term PENNOT. The September 2008 Notes (Series 11, Number 6) asked that wherever possible you refer to the product as P46(Pen) in line with publicity given to employers in our Guidance.

There will only be minor changes to the procedures currently in the 2008 CWG2. The updates are summarised as follows;

Employers will be reminded that if they have 50 or more employees they will need to send the new form P46(Pen) online.

Procedures for employer of either an employee retiring or a deceased employee whose dependant is entitled to a pension (para 21 - CWG2).

References to filling in and completing form P160 will be updated to show P46(Pen) and the current reference to sending us a letter instead will be removed.

Procedures for other pension and annuity payers - Pensioner gives employer form P45 (para 22 - CWG2)

It will help both HMRC and the new pensioner if they use the form P46(Pen) when they start to pay a pension for the first time, even if the pension recipient provides a P45 (Part 3). But pension payers may continue to complete P45 (Part 3) and send it to us if they wish.

Where a pension recipient does not provide a form P45 (Part 3), the guidance will instruct employers to complete the new form P46(Pen). This will replace the current guidance to complete form P46 and write 'pensioner' across the top of the form.

A new section will also be added to the 2009 E13 *Day to day payroll* booklet to provide an outline of the process covered in the CWG2.

4.7 *P49 – Paying someone for the first time*

Some payroll software reproduces the guidance in our Employer Helpbook P49 – *Paying someone for the first time*. We write this guidance to help new employers and, to avoid unnecessary confusion, many tasks are not explained. Instead, the employer is asked to contact our New Employer Helpline. One particular area is where a P45 has a leaving date before 24 May (or, exceptionally this year, 7 September) of the current tax year. This single instruction is to avoid detailing the lengthy instructions in sections 42 to 45 of the PAYE regulations.

It would be helpful if software developers incorporate the instructions from sections 42-45 into the logic of their payroll systems instead, as most users of payroll software are not making their first payment to an employee. As well as providing the guidance automatically, this would remove the need for employers to make telephone calls to us and minimise the time needed for employers to process their payroll.

4.8 *Common errors from in-year online filing*

Below is a list of the most common errors that we have identified from in-year online submissions of starting and leaving employee forms. We have also briefly indicated the correct format for each error as a reminder to employers to avoid these errors recurring.

- **incorrect, or no, date of leaving/starting**

For 2008-09 both these dates are mandatory and should be a valid calendar date in either the current or last 6 tax years.

For 2009-10 the dates should meet the criteria for 2008-09 but can, in addition, be up to 30 days in the future (to cover the end, and start, of the tax year periods).

- **incorrect or incomplete PAYE reference**

PAYE references are made up of two parts. For both 2008-09 and 2009-10 the formats are the same.

Part 1 - the HMRC office number - is mandatory, three characters long in the range 001 to 999 and leading zeros must be shown.

Part 2 - the employer reference - is also mandatory, will be between 1 and 10 characters in length and include only characters A-Z, a-z and 0-9. The first character must not be a space.

- **incomplete employee address**

For both 2008-09 and 2009-10 the formats are the same.

The address is an optional entry field on form P45 (Part 1), but mandatory for forms P45 (Part 3) and P46 (the address will also be mandatory for forms P46(Pen) and P46(Expat) when they are introduced in 2009-10).

The address field is four lines long and, on forms P45 (Part 3) and all forms in the P46 range, the first two lines must have entries. Each line has a maximum length of 35 characters.

The postcode entry field is optional on all forms (although we recommend completion where the information is held to assist in the data matching of records). It is restricted to ten characters in length and must only include characters A-Z, a-z and 0-9.

- **a cumulative tax code but no pay or tax details**

For both 2008-09 and 2009-10 the formats are the same.

Where the employer has indicated a cumulative tax code has been operated there must be entries in the total pay and total tax entry fields. The entries must only be numerical and be in the format 999999999.99

- **incorrect, or no, week or month number shown where week/month type is required**

For both 2008-09 and 2009-10 the formats are the same.

Where the employer indicates that the tax code has been operated either weekly or monthly, using the 'week/month type' field, a suitable entry must also be made in the 'week/month number' field. The entry must be two characters long and include a leading zero if appropriate. For weekly operation the entry must be in the range 01 to 54 or 56. For monthly operation the entry must be in the range 01 to 12.

- **invalid tax code**

For both 2008-09 and 2009-10 the formats are the same.

Where a tax code is entered on any starting or leaving form it must be between two and seven characters long and be in one of the following formats:-

- up to six numbers followed by one letter (either T, L, P, V or Y).
- the letter K followed by up to six numbers.
- one of BR, 0T, D0, NT or FT

- **P46 where there is no statement indicator**

For both 2008-09 and 2009-10 the formats are the same.

The online form P46 must indicate which statement is applicable to the employee (this will also apply to form P46(Expat) to be introduced in 2009-10). The employer must select either option A, B or C.

5. Online Filing – end of year

5.1 *P35 2009-10*

There will be no changes to the 'Summary of payments for the year' section on form P35 for 2009-10. It will remain the same as for 2008-09. A PDF version of the final 2009-10 P35 will be available to view shortly at the software developer pages of our website.

5.2 *2008-09 Employer Annual Returns – P35N reminder*

We plan to send online notification to employers from mid-February 2009 to remind them that their 2008-09 Employer Annual Returns is due by 19 May 2009. We will send an online reminder (P35N) to:

- employers with 50 or more employees and who are registered for online business
- employers with fewer than 50 employees who are registered online and sent their 2007-08 Return over the Internet.

We will confirm the exact date that these reminders will be available to view in a 'What's New' message closer to the date.

5.3 *2008-09 PAYE Online filing from the Employer CD-ROM*

We told you in the January 2008 Notes for Payroll Software Developers (Series 11, Number 3) that employers could use the Employer CD-ROM to send their 2007-08 Employer Annual Return online if they had nine or fewer employees at 5 April 2008.

This pilot has proved successful and, after consultation with various stakeholders, including the software industry, we have decided to continue it for a further year. A decision will be made later in 2009 about whether we offer the facility again for 2009-10 Returns.

We will be sending out the Employer CD-ROM in February 2009 with the Employer Bulletin, which will contain an article about how employers can send returns online from the CD-ROM for 2008-09.

5.4 *Errors where P14s and P35 sent separately*

Incorrect use of the 'parts' function: Some employers sent either an original P14 or P35 part after an original return had been accepted, instead of sending an amendment. The change to the way we send messages back to employers where the P14s and P35 are sent separately (see November 2007 *Notes for Payroll Software Developers Series 11, Number 2*) means that we will not send a response message to a sole P35 part because there is nothing for it to consolidate with.

Incorrect number of parts: Section 5 of the P35 messages should reflect the number of P14s parts to be sent as part of the Return. The number of parts must not include the P35 or P38A.

5.5 *Common errors on 2007-08 PAYE Employer Annual Returns*

We again saw a reduction in the number of errors made in online Employer Annual Returns with the overall error rate below 1%. The most common were:

P14 NINO (National Insurance number)
- National Insurance numbers must be in the format of two letters followed by six numbers followed by one letter in the range A - D or a space.
- Must be one of the issued National Insurance number prefixes.

P14 SCON (Scheme Contracted Out Number)
- This must be in the correct format - Letter S, followed by 0 or 1 or 2 or 4 or 6 or 8 then six numbers followed by a letter.
- It must be a genuine SCON, issued to you by the HMRC Contracted Out Employers Group (COEG).

- The SCON field must be completed for a line with a NIC table letter of F, G, H, K, S or V. It must be omitted in all other cases.

<u>P14 Earnings at the Lower Earnings Limit (LEL) where earnings reach or exceed the LEL</u>

- Entry must be numeric and cannot be a negative amount. Entry must be whole pounds.
- The value must be ‘0’ for NIC table letter X.
- The entry at LEL must be greater than ‘0’ for the following NI table letters A, D, F, H, J, L, N, Q, R, S and V.
- The entry must not be greater than the maximum value.

<u>P14 Earnings above the Earnings Threshold (ET) up to and including the Upper Earnings Limit (UEL)</u>

- Entry must be numeric and cannot be a negative amount. Entry must be whole pounds.
- The value must be zero (‘0’) for NIC table letter X.
- Value must be greater than '0' when the Total of Employees and Employers Contributions Payable field is greater than 32p for the following NI Category letters: A, D, E, F, G, H, J, K, L, N, O, Q, R, S, V
- Value must be greater than ‘0’ if Employees Contributions Payable field is greater than 16p for the following NI Category letters: A, D, E, F, G, H, J, K, L, N, O, Q, R, S, V
- The entry must not be greater than the maximum value.

<u>P14 Earnings above the Lower Earnings Limit (LEL) up to and including the Earnings Threshold (ET)</u>

- Must be a monetary amount.
- Minimum value of “0” for original returns.
- Must be whole pounds
- Must be “0” when “NI Category” is “X”.
- Must be greater than “0” when “Earnings above the ET up to and including the Upper Earnings Limit (UEL)” is greater than “0” for the following NI Category letters: “A”, “D”, “E”, “F”, “G”,”H”, “J”, “K”, “L”, “N”, “O”, “Q”, “R”, “S” or” V“.

<u>P14 Employee's contributions payable</u>

- Entry must be numeric and cannot be a negative amount.
- Must be ‘0’ for NIC Table letters C, W or X.
- The entry in this field must be equal to or less than the total contributions field for NIC table letter A, B, J, R, T or Q.

<u>P14 Total of Employee's and Employer's contributions payable.</u>

- Entry must be numeric.
- If NIC table letter is X then this amount must be ‘0’.
- The amount in this field must be equal to or greater than the amount shown in the Employees Contributions Payable field for the following NIC table letters A, B, J, R, T and Q.
- The amount in this field must be equal to or greater than ‘0’ for the following NIC table letters A, B, C, J, Q, R, T or W.

<u>P14 Pay in this employment</u>

- Must be a monetary amount.
- For original returns, minimum value of “0”.
- Must be equal to or greater than the "Tax Deducted in this Employment" field.

P14 tax deducted in this employment

- Must be a monetary amount.
- Negative amounts must be expressed in the appropriate format.
- For original returns, must be equal to or less than the “Pay in this Employment” field. When “Tax deducted in this Employment” field is negative, the “Tax deducted in previous employments " field must be greater than, or equal to the positive value of "Tax deducted in this employment" field.

P14 Statutory Maternity Pay (SMP)

- Must be a monetary amount.
- For original returns, minimum value of “0”.
- Must be “0” when Gender is Male.

P35 Employer Contracted Out Number (ECON)

- Character one must be alpha - "E".
- Characters two - eight must be numeric in the range 3000000 - 3999999.
- Character nine must be Alpha.
- Must be completed when the “NI Category “ field contains one of the following characters:- “D”, “E”, “F”, “G”,” H”, “K”, “L”, “N”, “O”, “S” or “V”. (This rule can only be validated when all the P14s and the P35 have been received.)
- Character 9 must pass the modulus 19 check in Appendix 1 of the Quality Standard document.

5.6 ***Authentication errors***

A number of Returns were rejected at the Government Gateway because of authentication errors. The most common reasons were:

- Employers trying to send a Return online immediately after registration instead of waiting until they had activated the service.
- Incorrect characters in the fields (for example, ‘O’ instead of ‘0’, ‘S’ instead of ‘5’, ‘Z’ instead of ‘2’).
- Employers confusing the user ID (sent on a card by the Government Gateway) with the password or activation PIN.
- Forgetting the password (chosen by the employer). Lost User ID, PIN and Password can all be obtained from the login page.
- Incorrect recording of the PAYE reference. The PAYE reference must be sent as two separate fields; a three digit HMRC office number and the employer reference with no prefixing (hyphens or spaces). Do not repeat the three digit HMRC office number in the second employer reference field.
- Using an old PAYE reference that has been cancelled.

6. **Expenses & Benefits**

6.1 ***Car Fuel benefit changes***

The fixed figure (often known as the multiplier) for car fuel benefit will remain at £16,900 for 2009-10.

6.2 ***Van Fuel benefit changes***

The van fuel benefit charge will remain at £500 for 2009-10.

6.3 ***Correct Namespace***

We have received a significant number of Expenses and Benefits submissions relating to the reporting year 2007/08 which contained an old Namespace of **http://www.govtalk.gov.uk/taxation/EXB** within the IR Header. As a result, this caused a delay in the update of some records held on our backend systems.

To avoid any potential delays in us updating HMRC records after a submission is received, can developers please ensure that submissions relating to Expenses and Benefits reporting year 2008/09 contain the correct Namespace of **http://www.govtalk.gov.uk/taxation/EXB/08-09/1**

7. Test Services

7.1 ***Test in Live (TIL) for in-year forms submitted over the Internet***

In April 2008 we trialled a 'Test In Live' (TIL) feature for PAYE in-year forms P45(1), P45(3), P46 and Pension Notifications submitted over the Internet. The TIL feature applies the live validations in a live environment using a separate message class and is very useful for proving communication links and the integrity of the submission. The Gateway confirmation email issued for a successful TIL submission of in-year forms will clearly identify that the submission was a test.

From 6 April 2009 the TIL message class 'IR-PAYE-MOV-TIL' will be fully supported in the live environment for all in-year forms including the new P46(Expat). The Third Party Validation Service (TPVS) and Vendor Single Integrated Proving Service (VSIPS) online test services are available, and will allow you to replicate this functionality now. If you will be supporting this feature within your products, you must make it clear to your users that they are making a test submission.

7.2 **Test in Live (TIL) for *end of year forms submitted over the Internet***

We are aware that some employers are still mistaking a submission sent with a test flag with their 'real' submission. 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 you offer 'Test in Live', anything that you can do to enhance guidance on how to send tests, or to make the test and acceptance message more visible to your users, when received, should help reduce any misunderstanding.

8. Statutory Payments

8.1 *Statutory Payments rates for 2009-10*

At the time of going to press Department for Work and Pensions (DWP) had not announced the Statutory Rates for 2009-10. When they are known we will publish an update on our "What's New" page. You can also check DWP's home page.

8.2 *Statutory Sick Pay (SSP) and Agency workers on short-term contracts*

We told you in the June 2008 Notes for Payroll Software Developers (Series 11, Number 5, para 4.8, item 1) that, following the Court of Appeal judgement in the case of Commissioners for HMRC v Thorn Baker Limited and others, the DWP Ministers amended the legislation to restore the Government's policy intention that Agency workers with contracts of less than three months should be eligible for SSP within the first three months of their contract. This is to ensure that all employees and agency workers are eligible for SSP on the same basis, regardless of their contract.

The change, which came into effect on 27 October 2008, means that from that date workers supplied through an Agency are eligible for SSP from the start of their contract, subject to all the other entitlement conditions being met, in the same way as all other workers.

8.3 *SSP1*

Form SSP1 has changed. The new version is for use by all employers from 27 October 2008 when Employment and Support Allowance (ESA) replaced Incapacity Benefit and Income Support for new claims.

The new form is quicker to complete – the employer does not need to supply information on any payments of SSP or provide information on their employee's working pattern and qualifying days. More information on these important changes to SSP1 can be found on the DWP website at **http://www.dwp.gov.uk/lifeevent/benefits/statutory_sick_pay.asp**

8.4 *Northern Ireland SSP1*

A Northern Ireland version of the new style SSP1 was introduced in October 2008 for use by any employer based in Northern Ireland or those based outside Northern Ireland where their employee resides in Northern Ireland. It is important that employers ensure they use the Northern Ireland version of the new style form if either of the above circumstances applies. A PDF version of the form can be found on the Department for Social Development Northern Ireland website at
http://www.dsdni.gov.uk/index/ssa/ssa_forms/ssaforms-ssp.htm

8.5 *Form SSP1L*

Use of this form (leaver's statement of SSP) has been discontinued from 27 October 2008. This is because periods of SSP with a previous employer no longer count towards the maximum payment of SSP.

8.6 *SSP Technical Specification*

We have published a revised version of the SSP Technical Specification which reflects the withdrawal of form SSP1L. This can be found on our website at
http://www.hmrc.gov.uk/ebu/ssp-08-spec.pdf

8.7 ***Employment and Support Allowance (ESA) change to linking letters and linking period***

As a result of the introduction of ESA, an employee who has been in receipt of ESA within 12 weeks of the start of a new period of sickness can reclaim ESA rather than getting SSP from the employer.

Some employees will also be entitled to reclaim ESA if they are sick again within 104 weeks of a previous entitlement to ESA. In these cases the employee will have received a linking letter from Jobcentre Plus (ESA 220 series) which they should show their employer.

Any employees who have shown their employer a linking letter for Incapacity Benefit (BF 220 series), will still receive Incapacity Benefit again rather than ESA.

8.8 ***Salary sacrifice and non-cash benefits***

Following changes in the law in 2008 on what benefits employers must provide to employees on Additional Maternity Leave, we published guidance on our website at **www.hmrc.gov.uk/employers/sml-salary-sacrifice.pdf**

Parallel changes in the law took place in 2008 on what benefits employers must provide to employees on adoption leave. The guidance referred to above applies equally to adoption cases as it does to maternity cases.

We plan to publish further guidance in this area, including the tax and NICs implications of providing non-cash benefits, in-year recording and end of year reporting on our website. Once this is published we will place a message in the "What's New" section of our website at **http://www.hmrc.gov.uk/news/index.htm**

8.9 ***New Employer Helpbook E19 available for April 2009***

This new Helpbook brings together all the information on Paternity Pay. The other Helpbooks now cover Sick Pay (E14), Maternity Pay (E15) and Adoption Pay (E16).

9. Other Information

9.1 ***Are you a payroll agent?***

If you provide payroll services for other businesses, under the Money Laundering Regulations 2007 you must be registered with HMRC as an Accountancy Service Provider by **1 January 2009.** The only exception is where your business is supervised by a designated professional body (e.g. Institute of Chartered Accountants of England and Wales or Institute of Certified Book keepers).

Full details can be found in the MLR9 'Guide to Registration'. MLR 9 and MLR registration forms (including guidance on completion) can be found on the HMRC website at **http://www.hmrc.gov.uk/mlr/index.htm**

9.2 ***New Penalty Regime***

From 1 April 2009, we are introducing a simpler and more consistent penalty system for tax errors.

If taxpayers and businesses take reasonable care to get their tax right, we will not penalise them, even if they make a mistake. However we will use penalties to stop taxpayers and businesses that don't take care from gaining an unfair advantage.

The new penalties apply initially to Income Tax (including Self Assessment), VAT, employers paying PAYE, National Insurance contributions, Corporation Tax, Capital Gains Tax and the Construction Industry Scheme.

By encouraging customers to keep proper records, use accountants, and software packages we can help them pay the right tax at the right time.

More information can be found on the new penalty system at **http://www.hmrc.gov.uk/about/new-penalties/**

9.3 ***Changes to the way National Minimum Wage (NMW) arrears are calculated and enforced***

From 6 April 2009, NMW arrears must be calculated using a formula set out in legislation. This will apply to all arrears, including those arising in periods prior to 6 April 2009. The formula is based on a worker's current NMW rate, where this is higher than the rate in force at the time the underpayment occurred. This takes into account the length of time the arrears have been outstanding.

From 6 April 2009, if at the start of an investigation HMRC discover arrears outstanding a notice of underpayment, including a penalty, will be issued. The penalty will be based on underpayments arising in pay reference periods starting on or after 6 April 2009. Penalties will range from £100 to £5,000. If the employer pays all the arrears to workers and half the penalty shown on the notice to HMRC, within 14 days of the notice being served, then the employer will not be required to pay the remainder of the penalty.

Further details can be found on the National Minimum Wage pages of the Department for Business, Enterprise & Regulatory Reform website at **http://www.berr.gov.uk/whatwedo/employment/pay/national-minimum-wage/index.html**.

Alternatively, you can call the National Minimum Wage Helpline on 0845 6000 678.

9.4 ***Government Connect***

Government Connect is intended as a secure network for local government and central government to be able to communicate securely.

Some employers have asked us whether they can use this network to send PAYE forms online to HMRC. At the moment this is not possible and there are no plans to introduce this facility.

9.5 ***Q&A***

Recent queries from payroll representatives - update

In the September 2008 Notes for Payroll Software Developers (Series 11 Number 6 para 5.2) we included a number of questions and answers that payroll representatives frequently ask us. We have since been asked to extend on the guidance about sending form P46 for new employees and provide the following updates to clarify the position.

Amendment to previously published Q&A

I have already sent in a P46 for a new employee and received a P6 notice of coding. But now the employee has given me a P45(3). Can I destroy it?

The answer given at Q3 in the September 2008 Notes for Payroll Software Developers was incomplete and we apologise for any confusion cause. The amended answer is as follows:

You should check the P45 Part 3 for any relevant student loan information. If the student loan indicator is shown you should commence repayments, if you have not already done so or have not received notification from your HMRC office to stop. You can then destroy the P45 Part 3. Do NOT include the pay and tax figures shown on the P45 Part 3 in your tax calculations. Operate the tax code shown on the P6 notice of coding together with any pay and tax information that has been included on it.

Additional recent Q&A

I've received a P6 notice of coding for a new employee before the P46 has been sent. Do I still need to send it?

Yes. If exceptionally you receive a P6 coding notice before the P46 has been sent, (perhaps because your employee has contacted the tax office before it has filtered through your payroll) you must still send it to us and complete the 'tax code used' field on it with the code from the P6.

Employers can view more frequently asked questions, including those previously published in the September 2008 Notes for Payroll Software Developers, at **http://www.hmrc.gov.uk/employers/faqs.htm**

I'm a pension provider and make payments to a beneficiary on behalf of a deceased pensioner. What personal information do I enter on forms P45/P46/P14?

When you pay either an annuity or pension to a dependant or beneficiary of the deceased you should follow the procedures outlined in Helpbook CWG2(2008) Employer Further Guide to PAYE and NICs (para 21). In all cases form P46 (form P46(Pen) from April 2009) should be sent to your HMRC office in respect of each dependant or beneficiary. The emergency code on a week one or month one basis should be used. A form P11 should be prepared for PAYE purposes only and form P14 should be submitted at the year end.

I'm a pension provider and will be making payments to a personal representative on behalf of a pensioner. Whose address should be shown on forms P45/P46/P14?

You should make every effort to obtain the postal address of the pension recipient as HMRC do not want personal information to be sent to the wrong customer. The address we hold on our records will be the address we use if we need to send a coding notification or Tax Return. A pension recipient must forward written authorisation on form 64-8 to HMRC nominating a personal representative to act on their behalf if they are content that this should happen. Whilst the address on starter notifications in mandatory, the address on form P45 Part 1 and P14 is optional

Why is the employee's address so important and what do I do if I don't hold a full address within my Payroll records?

Income Tax (PAYE) Regulations 2003 (Paras 42 & 46) state employers must provide us with an employee's address when they notify us of an employee starting employment.

It is up to employers to decide how they want to get any missing address information. HMRC cannot advise on how this should be done. However some employers have told us that they find the Royal Mail website useful in helping them trace address details where the information provided by the employee is incomplete.

The employee's address is important to us as it helps us to correctly identify the employee's tax record and check the correct code number is being operated. The address you supply on starter notices (forms P45 and P46) overwrites any address we hold on our system which is why you need to obtain this information before sending these forms. It is very important that we have the correct current address of your employees.

The address supplied on form P45 Part 1 does not overwrite the address held on our records, but it is still useful to us as it helps to identify and match the P45 Part 1 details to the correct employee.

I want to merge all or part of a PAYE scheme together following the merger or partial merger of two companies. How do I send the relevant employee information?

The term 'merger' has different meanings when used in relation to business mergers and PAYE scheme mergers. A business merger does not necessarily result in a PAYE scheme merger. It is important that you firstly distinguish which is the correct procedure for your business. Details can be found on our website at **http://www.hmrc.gov.uk/manuals/pommanual/PAYE30010.htm**

On identifying the correct procedure you may need to discuss with your office contact the most effective way of providing employee details to us if necessary.

I've sent a P45 Part 1 for someone who I thought had left, but they haven't. What should I do now?

If you send a P45 Part 1 to us in error you should immediately send a letter to your PAYE tax office confirming the P45 was sent by mistake. You should also destroy all other parts of the form.

How should I complete a P45 Part 1 when the Date of Leaving and the date of the last payment are different?

The P45 Part 1 should always reflect the week or month number **and** the tax code used in line with the pay and tax calculations. For further guidance about tax codes you should always refer to the annual or Budget code instructions (forms P9X and P7X).

The Date of Leaving shown on the P45 Part 1 should be determined in accordance with Employment Law.

Employers can view more frequently asked questions, including those previously published in the September 2008 Notes for Payroll Software Developers, at **http://www.hmrc.gov.uk/employers/faqs.htm**

10. ***Next issue of these Notes***

The next edition of these Notes is scheduled for March 2009.

11. ***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 and 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 **hmrcnotes@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 **hmrcnotes@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 **hmrcnotes@replyservice.co.uk** stating 'unsubscribe' in the subject field or write to the address shown above.

12. *Contacts for enquiries*

Where helpline numbers are shown for a specific topic within the Notes please phone the number quoted for more information.

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

email	**helpdesk@ir-efile.gov.uk**
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 **hmrcnotes@replyservice.co.uk**

Other useful contacts

Software Developers requiring help and advice about the development of payroll software for online submissions should contact the Software Developer Support Team (SDST) by email at: **sdsteam@hmrc.gsi.gov.uk** or phone **01274 534666**.

Employers requiring help and advice about general payroll matters should contact their local HM Revenue & Customs Office or phone the Employer Helpline on **0845 7 143 143**.

Amendments to the Specification for PAYE Tax Table Routines, Version 11 (issued September 2007)

The following are the changes to the parameter values to be added to Appendix A of the Specification for PAYE Tax Table Routines, Version 11 (issued September 2007). Use the first blank column and on each blank page enter the heading “2009/2010” against “Income Tax Years” and “06/04/2009” against “Date from which effective”.

New parameter values to be effective from 6 April 2009.

B2 – Bandwidth 2	Changed to 37,400
C2 – Bandwidth 2 Cumulative	Changed to 37,400
K2 – Annual Tax 2 Cumulative	Changed to 7,480

The following are unchanged

B1 – Bandwidth 1	0
C1 – Bandwidth 1 Cumulative	0
K1- Annual Tax 1 Cumulative	0
R1 – Rate 1	10%
R2 – Rate 2	20%
R3 – Rate 3	40%
G – Gpointer	2
M – Maxrate	50%

Please complete the “Incorporation of Amendments” sheet at the front of the booklet, showing that the amendments in ‘Series 11 – Number 7’ have been made.

Test Data – 2009-2010, which will take effect on 6 April 2009

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

Cumulative Suffix Codes

(Code 510L)

WEEK NUMBER	GROSS PAY	PAY ADJUSTMENT	TAXABLE PAY	RESULTS PER SPECIFICATION
08	2046.15	786.08	1260.07	252.00
29	3091.22	2849.54	241.68	48.20

MONTH NUMBER

(Code 560T)

03	2750.00	1402.26	1347.74	269.40
10	21287.75	4674.20	16613.35	3322.60

(Code K255)

05	6023.66	1066.25	7089.91	1417.80*
08	32799.98	1706.00	34505.98	8815.33*

*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.

Text of proposed P9X

Tax codes to use from 6 April 2009

Tax Table Changes

Following changes to the Income Tax bandwidths new Tax Tables must be used from 6 April 2009

Income tax rates and bandwidths are

Rate	%	Bandwidth
Basic Rate	20%	£1 to £37,400
Higher Rate	40%	£37,401 and above

- The new threshold (starting point) for PAYE is **£125** per week (**£540** per month).
- The new emergency code is **647L**.

The P11 Calculator on the Employer CD-ROM has been updated to include these changes. If you use

- **Computerised payroll** - make sure that it incorporates the changes from 6 April 2009 and if you are not sure, check with your software supplier.

- **Tax Tables** - use the new Calculator Tables (April 2009) or Taxable Pay Tables (April 2009) and continue to use Tax Tables A (1993), which have not been changed.

Tax Code Changes

Get ready for the new tax year starting on 6 April

For each employee you will need to:

- prepare a form P11 *Deductions Working Sheet* (or equivalent record) for each employee who will be working for you on 6 April
- identify the correct tax code to use in the new tax year
  and
- enter the correct tax code in box K of the P11 (or equivalent record).

Follow the same steps if you use payroll software.

When we send a new tax code for any of your employees, you will receive either:

- an internet notification of coding if you are registered to use our PAYE Online – Internet service. (To view your online notices select the 'tax code notices' link from your PAYE Online service page)

- an Electronic Data Interchange notice of coding
  or
- a paper form P9(T) *Notice to employer of employee's tax code*.

Please keep this notice with any new tax codes until you are ready to set up your 2009–10 payroll. We may not send a new tax code for every employee.

What to do if you do not receive a new tax code you are expecting from us

If we have not sent your tax codes for the new tax year and you were expecting them, please contact your HMRC office for duplicates.

What you need to do before 6 April 2009

Employees without a new tax code

Carry forward the authorised tax code from last year's P11 to the 2009–10 form P11, **but** if you have received a 2008–09 tax code on a form P6 too late to use in 2008–09 carry forward this code instead.

Add **44** to any tax code ending in L (for example, old tax code 603L becomes 647L)

Do not copy or carry over any 'week 1' or 'month 1' markings.

We have issued revised tax codes to all employees with a tax code ending in V. Please contact your HMRC office immediately if you have not received a revised code for a tax code ending in V.

The P11s for these employees are now ready for the new tax year.

Employees with a new tax code

Keep and use the form P9(T) or other tax code notification with the most recent date for each employee. Please:

- **Do not** add 44 to the tax code where you have a P9(T) or other tax code notification for 2009–10.
- Scrap any P9(T) or other tax code notification for the same employee with an earlier date.
- Copy the tax code from the form P9(T) or other tax code notification onto the P11.
- Update any tax codes where you have received a P9(T) or other tax code notification after you have set up your forms P11.

The P11s for these employees are now ready for the new tax year.

Employee leaving

You do not need to change the tax code for an employee who leaves before 6 April, even if you will be paying the employee after 6 April. Just use the old tax code.

New employees

If an employee starts between 6 April and 24 May, and gives you a P45, follow the instructions on page 2 of the Helpbook E12 *PAYE and NICs rates and limits for 2009–10*. This Helpbook is available on the Employer CD-ROM, and can also be obtained from the Employer Orderline website at **www.hmrc.gov.uk/employers/orderline.htm**

If you use payroll software make sure that you have an updated 2009–10 program. If you use the P11 Calculator on the Employer CD-ROM you will need to follow the 'Complete End of Year' actions for the 2008–09 P11 Calculator and make sure that you update your employee's tax codes for 2009–10 when opening the 2009–10 P11 Calculator.

Helplines

If you have any problems setting up your payroll please phone one of the Employer Helplines below:

New and inexperienced employers	**08456 070 143**
More experienced employers	**08457 143 143**
Employers with hearing difficulties please use textphone on	**08456 021 380**

Payroll software users

If you programme your own software you can find the technical details for 2009-10 in the December 2008 issue of our Notes for Payroll Software Developers. These Notes are available on our website at **www.hmrc.gov.uk/comp**

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

• email to **hmrcnotes@replyservice.co.uk**, or
• write to:

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

This word document provides details of the content of the form P9X, which may be subject to minor revisions to the text and layout.

ANNEX D

Class 1 contribution rates for Not Contracted–out and Contracted-out Schemes – 2009-10
Category Letters A (Standard rate), B (Married Woman's Reduced Rate), C (Employer only rate) & J (Not Contracted-out deferment rate)

	Employee's contribution: Category letters				**Employer's contribution: Category letters**
Earnings Bands	**A**	**B**	**C**	**J**	**A, B, C & J**
Below £95.00 weekly, Below £412.00 monthly, Below £4,940.00 yearly	Nil	Nil	Nil	Nil	Nil
£95.00 to £110.00 weekly, or £412.00 to £476.00 monthly, or £4,940.00 to £5,715.00 yearly	**0%**	**0%**	Nil	**0%**	**0%**
£110.01 to £770.00 weekly, or £476.01 to £3,337.00 monthly, or £5,715.01 to £40,040.00 yearly	**11%** on earnings above the ET	**4.85%** on earnings above the ET	Nil	**1%** on earnings above the ET	**12.8%** on earnings above the ET
£770.01 to £844.00 weekly, or £3,337.01 to £3,656.00 monthly, or £40,040.01 to £43,875.00 yearly	**11%** on earnings above the ET	**4.85%** on earnings above the ET	Nil	**1%** on earnings above the ET	**12.8%** on earnings above the ET
Over £844.00 weekly, or over £3,656.00 monthly, or over £43,875.00 yearly	**11%** on earnings above the ET, up to and including the UEL, then **1%** on all earnings above the UEL	**4.85%** on earnings above the ET, up to and including the UEL, then **1%** on all earnings above the UEL	Nil	**1%** on all earnings above the ET	**12.8%** on all earnings above the ET

Weekly LEL = £95, ET = £110, UAP = £770, UEL = £844

Employer's rates for mariners should be reduced by 0.5%

Class 1 contribution rates for Contracted–out Salary Related Schemes (COSR) – 2009-10
Category Letters D (Standard Contracted-out rate), E (Married Woman's Reduced Contracted-out rate) & L (Contracted-out Deferment rate). These rates should only be used where the employer operates a COSR occupational pension scheme.

	Employee's contribution: Category letters			Employer's contribution: Category letters	Employee's NIC Rebate on earnings above the LEL, up to & including the ET	Employer's NIC Rebate on earnings above the LEL, up to and including the ET
Earnings Bands	**D**	**E**	**L**	**D, E & L**	**(Applies to category letters D & L only)**	
Below £95.00 weekly, Below £412.00 monthly, Below £4,940.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£95.00 to £110.00 weekly, or £412.00 to £476.00 monthly, or £4,940.00 to £5,715.00 yearly	**0%**	**0%**	**0%**	**0%**	**1.6%** on earnings from **£95.01**, up to and including **£110.00** (or monthly or annual equivalent)	**3.7%** on earnings from **£95.01**, up to and including **£110.00** (or monthly or annual equivalent)
£110.01 to £770.00 weekly, or £476.01 to £3,337.00 monthly, or £5,715.01 to £40,040.00 yearly	**9.4%** on earnings above the ET	**4.85%** on earnings above the ET	**1%** on earnings above the ET	**9.1%** on earnings above the ET		
£770.01 to £844.00 weekly, or £3,337.01 to £3,656.00 monthly, or £40,040.01 to £43,875.00 yearly	**9.4%** on earnings above the ET, up to and including the UAP, then **11%** on earnings above the UAP	**4.85%** on earnings above the ET	**1%** on earnings above the ET	**9.1%** on earnings above the ET, up to and including the UAP, then **12.8%** on earnings above the UAP		
Over £844.00 weekly, or over £3,656.00 monthly, or over £43,875.00 yearly	**9.4%** on earnings above the ET, up to and including the UAP, then **11%** on earnings above the UAP, up to and including the UEL, then **1%** on all earnings above the UEL	**4.85%** on earnings above the ET, up to and including the UEL, then **1%** on all earnings above the UEL	**1%** on all earnings above the ET	**9.1%** on earnings above the ET, up to and including the UAP, then **12.8%** on all earnings above the UAP		

Weekly LEL = £95, ET = £110, UAP = £770, UEL = £844

Employer's rates for mariners should be reduced by 0.5%

ANNEX F

Class 1 contribution rates for Contracted–out Money Purchase Schemes (COMP) – 2009-10
Category Letters F (Standard Contracted-out rate), G (Married Woman's Reduced Contracted-out rate) & S (Contracted-out Deferment rate). These rates should only be used where the employer operates a COMP occupational pension scheme.

	Employee's contribution: Category letters			**Employer's contribution: Category letters**	**Employee's NIC Rebate on earnings above the LEL, up to & including the ET**	**Employer's NIC Rebate on earnings above the LEL, up to and including the ET**
Earnings Bands	**F**	**G**	**S**	**F, G & S**	**(Applies to category letters F, & S only)**	
Below £95.00 weekly, Below £412.00 monthly, Below £4,940.00 yearly	Nil	Nil	Nil	Nil	Nil	Nil
£95.00 to £110.00 weekly, or £412.00 to £476.00 monthly, or £4,940.00 to £5,715.00 yearly	**0%**	**0%**	**0%**	**0%**	**1.6%** on earnings from **£95.01**, up to and including **£110.00** (or monthly or annual equivalent)	**1.4%** on earnings from **£95.01**, up to and including **£110.00** (or monthly or annual equivalent)
£110.01 to £770.00 weekly, or £476.01 to £3,337.00 monthly, or £5,715.01 to £40,040.00 yearly	**9.4%** on earnings above the ET	**4.85%** on earnings above the ET	**1%** on earnings above the ET	**11.4%** on earnings above the ET		
£770.01 to £844.00 weekly, or £3,337.01 to £3,656.00 monthly, or £40,040.01 to £43,875.00 yearly	**9.4%** on earnings above the ET, up to and including the UAP, then **11%** on earnings above the UAP	**4.85%** on earnings above the ET	**1%** on earnings above the ET	**11.4%** on earnings above the ET, up to and including the UAP, then **12.8%** on earnings above the UAP		
Over £844.00 weekly, or over £3,656.00 monthly, or over £43,875.00 yearly	**9.4%** on earnings above the ET, up to and including the UAP, then **11%** on earnings above the UAP, up to and including the UEL, then **1%** on all earnings above the UEL	**4.85%** on earnings above the ET, up to and including the UEL, then **1%** on all earnings above the UEL	**1%** on all earnings above the ET	**11.4%** on earnings above the ET, up to and including the UAP, then **12.8%** on all earnings above the UAP		

Weekly LEL = £95, ET = £110, UAP = £770, UEL = £844

Employer's rates for mariners should be reduced by 0.5%