

**NOTES ON PAYE FOR COMPUTER USERS
SERIES 9 - NUMBER 12**

(March 1999)

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1. Income Tax changes affecting PAYE from 6 April 1999

1.1 Summary of changes: March 1999 Budget

In his Budget statement on 9 March 1999 the Chancellor of the Exchequer made the following proposals:

- to introduce a 10p Starting Rate of income tax which will replace the 20p Lower rate. The new Starting Rate will be payable on the first £1500 of taxable income.
- to increase the basic rate limit to £28000. The basic rate will remain at 23% and will be payable on taxable income between £1501 and £28000. Taxable income over £28000 will remain chargeable at 40%.
- to increase the Married Couple's allowance. Relief for the Married Couple's allowance and other allowances linked to it will continue to be restricted to 10%

1.2 *Effecting the changes*

Employers will receive a new set of Taxable Pay Tables which are required to give effect to the new Starting Rate and the increase to the Basic Rate bandwidth. These new tables (Taxable Pay tables SR + B to D May 1999 issue) are to be brought into use with effect from 18 May 1999.

There will be a general uplift of codes with a suffix "A", "H", "P", "V" and "Y". Full instructions will be issued to employers on form P7X(1999), a copy of which is given at Annex C of these Notes. Instructions covering codes with the suffix "L" were issued to employers in February on form P9X. There is no increase for codes with a "J" suffix.

As a general rule, **unless** an amended code notification has been received on form P6(T) (or code list, magnetic tape or cartridge) employers should amend 1999/2000 codes as follows:

- "A" suffix code - increase by 2 eg. code 481A becomes 483A
- "H" suffix code - increase by 3 eg. code 516H becomes 519H
- "P" suffix code - increase by 31 eg. code 541P becomes 572P
- "V" suffix code - increase by 38 eg. code 757V becomes 795V
- "Y" suffix code - increase by 38 eg. code 560Y becomes 598Y

Suffix "T" and prefix "K" codes will be amended where appropriate by the issue of a form P6(T) (or equivalent).

The PAYE threshold with effect from 6 April 1999 remains at £83 per week (£361 per month) as advised in the Series 9 - Number 11 Notes.

The code for emergency use with effect from 6 April 1999 is 433L.

1.3 *Computer Specification for PAYE Tax Table Routines*

Annex A to these Notes gives the amendments to the April 1993 Specification (Series 9).

Annex B contains some test data which users may find helpful in verifying their new routines operative from 18 May 1999.

Annex C shows a copy of form P7X(1999) which will be issued to employers as part of the Budget Pack

1.4 Issue of Budget material

A Budget Pack containing new and amended guidance will be issued to employers between 12 and 23 April. It will contain one copy of each of the following items:

- Form P7X(1999) - authority to amend certain codes
- Employer's Bulletin (Issue 2) - a summary for employers detailing the Budget changes and other important information affecting PAYE
- CWG3(1999) Budget Update - a Budget Update leaflet relating to the Annual Pack Orderline
- Tax Tables SR + B to D (May 1999 Issue) - new Taxable Pay Tables
- Amended CWG1(April 1999) cards - a complete set of new cards
- Leaflet - 'How to Contact the Inland Revenue' - a leaflet advising employers how to contact the Inland Revenue following the merger with Contributions Agency.

The CWG3(1999) Budget Update provides details of additional material available from the Orderline. If following the issue of the Annual Pack in February, orders were placed for copies of the Taxable Pay Tables LR + B to D (May 1998 issue 2), the CWG1(1999) cards or for booklets 480(1999) or 490, copies of the new Taxable Pay Tables and Employer's Bulletin will be sent automatically towards the end of April.

1999 Employer's Annual Pack CD Rom

All the material on the Annual pack CD Rom will reflect the Budget changes. It will be available from the Orderline in early April. If you have previously placed an order for the CD Rom it will be sent to you automatically. You do not need to call again.

Orderline material available on the Internet

The majority of the Annual Pack and Orderline material is available on the Inland Revenue web site. This material will reflect the Budget changes. The web site will also include the additional material contained in the Budget Pack. Access the web site on <http://www.open.gov.uk/jw/jw.htm>

1.5 Notifications of changed codes

These will be dated 2 May and issued separately on forms P6(T) (or equivalent) between 6 May and 12 May. Code notifications on magnetic tape or cartridge will be issued between 4 and 6 May.

2. *Other Budget Proposals affecting PAYE*

2.1 *Major changes to the taxation of company cars*

The Chancellor has announced a major reform of the taxation of company cars to help protect the environment. The announcement follows a review of how the company car tax regime might be altered to send better environmental signals.

From April 2002, the existing income tax charge based on 35 per cent of the car's price, subject to business mileage and age-related discounts which are to be abolished, will be replaced by a charge on a percentage of the car's price, graduated according to the level of the car's carbon dioxide emissions.

The Inland Revenue will be undertaking further consultation on the precise details of the linkage between carbon dioxide (and possibly other) emissions and the tax charge, with a view to bringing forward legislation in the 2000 Finance Bill.

To pave the way for this reform, the Chancellor has also announced reductions in the existing business mileage, age related and second car discounts to take effect from 6 April 1999.

The new tax charge from 6 April 1999

From 6 April 1999 the new tax charge on a company car is based on the following percentages of the price of the car for tax purposes:

- 35% for annual business mileage less than 2500 miles
- 25% for annual business mileage between 2,500 and 17,999 miles (instead of the previous one third discount)
- 15% for annual business mileage of 18,000 miles or more (instead of the previous two thirds discount)

Older car discounts

For a car which will be 4 or more years old at the end of the tax year, the tax charge after taking into account business miles will be further reduced by one quarter instead of one third.

Second car discounts

The tax charge on second cars will generally be 35% of the price of the car. Where exceptionally the second car is also used for at least 18,000 business miles in the year, the charge is 25% of the price of the car (instead of the previous one third discount).

2.2 Increased Support for small employers

The Chancellor has announced a package of measures to provide increased support for small businesses to help reduce costs and create jobs. The package includes:

Payroll Software Initiative

To encourage the use of information technology by small businesses to reduce compliance costs the Government will publish a clear standard for payroll systems software for small employers by January 2000. Consultation between Government, software producers, tax specialists and business organisations will start immediately.

Electronic Communication

Revenue Departments will be helping to examine ways of making it easier for business to communicate with Government. We, along with other Government Departments and local authorities are already aiming to provide an Internet-based self service facility offering businesses one place to go to obtain or provide cross-Government information, tailored to their own circumstances. A pilot will be developed during 1999/2000. Building on this sort of initiative, the aim will be to work towards business having a single point of contact with Government.

Payroll service to new employers

The new Small Business Service (SBS) - part of the DTI - intend to introduce a payroll service for new employers. More details will be provided by the SBS in due course.

2.3 Quarterly Limit for PAYE

From 6 April 1999 the limit for making quarterly payments of PAYE and NICs is increased from £600 to £1000.

Payments will continue to remain due within 14 days following each quarter ending 5 July, 5 October, 5 January and 5 April.

Contractors in the construction industry can also choose to pay quarterly provided that their average monthly payments of PAYE and NICs and deductions from payments to subcontractors are within the same limit of £1000.

2.4 Other proposals

Attention is drawn to the following subjects. More detail is given in Press Releases and in the *Employer's Bulletin (Issue 2)* in the Employer's Budget Pack.

- Increase in Car Fuel scale charges with effect from 6 April 1999
- Abolition of tax charge on Mobile Phone benefit from 6 April 1999
- changes to the taxing rules for employee benefits in respect of computers lent by an employer
- the exemption of certain benefits in kind from 6 April 1999 to encourage employees to travel to work other than by using their cars.
- Increase in the Pension Scheme Earnings Cap for 1999/2000 to £90600

3 Budget Proposals affecting NICs

3.1 National Insurance changes

In his Budget Statement on 9th March 1999, the Chancellor of the Exchequer announced several changes to National Insurance Contributions (NICs). Included in the package announced were changes which affect the calculation of NICs for both employees and employers.

Changes affecting employees

- **with effect from 6th April 2000**, employees will start to pay NICs when their earnings exceed a threshold of £76.00 a week. Employee NICs will be payable therefore on the portion of earnings between this level, up to and including the weekly Upper Earnings Limit (UEL) of £535.00.
- **with effect from 6th April 2001**, employees will start to pay NICs when their earnings exceed a threshold which will be aligned to the Single Person's Tax Allowance and the threshold for employers' contributions. Employee NICs will be payable on the portion of earnings between this level, up to and including the weekly UEL of £575.00.

Changes affecting employers

- **with effect from 6 April 2000**, the extension of Class 1A NICs to cover, not just company cars, as at present, but other benefits in kind such as private medical insurance and cheap loans on which employees are already taxed.
- **with effect from 6 April 2001**, the rate at which employers will pay secondary contributions will be reduced to 11.7%.

4 Other information affecting PAYE and NICs

4.1 Working Families Tax Credit (WFTC) and Disabled Persons Tax Credit (DPTC)

In the series 9 - number 10 of 'Notes on PAYE For Computer Users' issued in October 1998 we provided you with some of the basic features of the scheme that had emerged during the consultation process. That consultation has been ongoing and we are now able to furnish some further detail of the scheme. The final details of the scheme cannot be confirmed until the necessary legislation has been enacted.

General

We thought it might be helpful if we gave a brief overview of some of the main aspects of the system, in addition to the specification itself :

- with effect from 6 April 2000 most tax credits due to employees will be paid by their employer through the pay packet. However, where a couple have chosen to have the tax credit paid to the self-employed or non-earning partner employers will not be involved in the **payment** of the tax credit. Although they may still be asked to provide/confirm information prior to the award being made, much as they do currently for Family Credit;
- unlike for example the P9 coding notifications, employers will not receive a bulk issue of Start Notices. The notices will arrive on a piecemeal basis throughout the year, although there will be peaks in October and April;
- the tax credits will be paid on normal pay days so the employers will not need to make any special pay runs;
- the tax credit will be added to the net pay, PAYE tax codes will **not** be used;

although employers will usually be responsible for paying tax credits there will be some situations when they will not have to pay the tax credits due to their employee(s). Employers will not be expected to pay tax credits where:

- ◇ they are not the largest employer of an employee who has more than one job (largest in this case will usually be the employer who pays the most net pay). The employer won't necessarily know this, but it will be evident to the Inland Revenue from the application form;
- ◇ the employee is not due to receive a pay packet in a particular pay period;
- ◇ there is not enough time for the employer to make at least three payments before the end of the employee's employment contract, or the end of the tax credit award period;

- ◇ the value of the tax credit falls below a de-minimus limit. The Inland Revenue will make a direct lump sum payment in this situation.

Start notification

Employers will be given a minimum of 14 calendar days notice for weekly paid staff and 42 calendar days notice for other staff. The Start Notice will be a paper version¹ and consist of five pages containing the following:

- employee's name;
 - NINO;
 - works/payroll number (where provided by the employee);
 - start and end dates of the period for which the employer is responsible for payments;
 - daily rate to be paid;
 - the total amount of tax credit to be paid to the employee by the employer;
 - table showing daily rate of payment in multiples of 1 to 31;
 - a three page form entitled "Certificate of Payments" (copies for employer, employee and Inland Revenue) for use when payments cease prior to the end of the award. This certificate will contain the following details:
 - ◇ employer name;
 - ◇ employer reference;
 - ◇ employee name;
 - ◇ employee NINO;
- and space for the employer to enter the:
- ◇ works/payroll number; (if it is not already pre-printed on the certificate)
 - ◇ total tax credit paid to date for the award;
 - ◇ date last payment made;
 - ◇ end date of the final period in which a tax credit payment is made.

Security reference for funding requests

When the IR sends out a Start Notice to an employer for the first time, a security reference will also be issued separately. This security reference must be used whenever an employer makes a funding application.

In-year procedures

During the year the employer will be required to:

¹ We have been asked whether there are any plans for WFTC to use Electronic Data Interchange (EDI) for the transmission of Start and Stop Notices. Given the expansion of EDI usage particularly for Employer Electronic Communication we are planning to investigate whether this method could be made available to any large employer who has developed an EDI capability. But we are unlikely to be able to do this in the short term.

- calculate the tax credit due by multiplying the daily rate by the number of calendar days for which they are responsible in that pay period, (please see the illustrative example at Annex D of these notes);
- pay the tax credit to the employee with the salary/wages and show it separately as a tax credit on the employee's payslip;
- enter that amount in the appropriate column on the P11 Working Sheet (or equivalent);
- show on the P32 or P30BC, at the end of the month or quarter, the usual details and the tax credit information i.e.:
 - ◊ total tax and NICs deducted from all the employee's pay;
 - ◊ the amount of SMP recoverable and if appropriate, the amount of compensation for the employer's NIC on the SMP paid;
 - ◊ the amount, if any, of the SSP recoverable;
 - ◊ the amount, if any, of SLR recovered;
 - ◊ total tax credits paid;
 - ◊ total funding received for tax credits;
 - ◊ the net tax, NIC and SLR due;
- pay over to the appropriate Accounts Office the net amount due using the P30 payslip. Where there is no tax, NIC and SLR to payover, a nil payslip should still be sent (N.B. we do not expect to amend the P30 as a result of the introduction of WFTC/DPTC);
- complete the Certificate of Payments and give it to the employee where payment of the tax credit stops during the award, (this could be when employment is terminated before the end of the tax credit award period, or the employee is involved in a trade dispute which lasts for the whole of a pay period or longer). The employee will pass the certificate on to the Tax Credit Office / Tax Credit Office (N. Ireland). However, if an employee dies during the award period then the employer must complete this certificate and return it directly to the Tax Credit Office / Tax Credit Office (N. Ireland), so that the Inland Revenue can continue with payments if there is a surviving partner.

Employers who need funding

Employers should use tax, NIC and Student Loan Recoveries to fund the tax credit payments, but where an employer has insufficient deductions from which to fund tax credits, that employer can apply to the Inland Revenue for funding. The funding application:

- may be by phone (with documentary back up on a special form, which will be provided) or by fax on the provided form. The security reference number

supplied at the same time as the first tax credit Start Notice must be quoted as well as the employer reference;

- can span the tax year end, but when it does the employer needs to show separately the amounts required in each of the tax years;
- should be made to the appropriate Accounts Office;
- should contain:
 - ◇ bank account details where appropriate;
 - ◇ amount requested, including relevant computation (the form will comprise a working sheet leading the employer through the computation process);
 - ◇ payment dates and periods;
 - ◇ PLUS the specific length of time that the funding is needed.

(NB if an employer does not provide a bank account number, then payment will be made by Inland Revenue Payable Order);

- will be verified by the IR to ensure that it is reasonable.

When IR have processed the application they will:

- notify the employer of the outcome;
- ensure that funds are available to be drawn on by the employer three days before the pay date, provided the employer's application was made in good time i.e. at least 9 days before pay day if funds are to be transferred by BACS, or at least 21 days if a Payable Order is to be sent.

Stop Notification

On occasion the Inland Revenue will have to issue Stop Notices to employers instructing them to stop paying the tax credit. The payroll system/employer will need to stop paying from the stated date. These notifications will normally allow a minimum of 14/42 calendar days notice.

End of Year Procedures

At the End of Year employers will need to do the following:

- enter the total amount of tax credit paid to the individual in the year on the P14, (where an employee has been in receipt of, for example, two tax credit awards in the year, the employer should record on the P14 **one** total which covers the amount paid out for both awards). This should feed through to the P60 so that

the recipient has their own record;

- enter on the P35
 - ◇ the total amount of tax credit paid to all their employees in the year; and
 - ◇ the total amount of funding for tax credits received from the Inland Revenue in the year.

Record keeping requirements

As well as recording each payment of tax credits on the P11 (or substitute) and the P32 or P30BC, which will in turn appear on the P14/P60/P35, employers will need to be able to sum how much has been paid within an award for possible completion of a Certificate of Payments. Normally, tax credits are awarded for 26 weeks, so it is possible in any tax year that payments for up to three awards could be made. Payroll systems must provide for this eventuality.

A supplement to the existing Specification is included at Annex E of these Notes.

4.2 1999/2000 P14/P60(OCR) Test Packs

In the series 9 number 10 edition of the Notes (paragraph 4.2) we advised sample packs of the forms P14/P60 for 1999/2000 would be made available to enable users to familiarise themselves with the new layout.

We can now advise that test packs will be available from the Employer's Orderline in late May/early June. Orders placed before then will be stored until the packs have been made up and are ready for distribution.

Users who require a test pack should telephone the Orderline on 0845 7 646 646 and ask for '1999/2000 P14/P60(OCR) Test Pack', specifying the type and quantity of forms required. As these packs will be for testing purposes only and not for supplying next year's orders there will be an order limit.

4.3 New Magnetic Media Specification for 1999/2000

An updated version of the booklet entitled "Specification for issue of changed code numbers on magnetic media", the MT1, will be available from local tax offices from 29 March 1999. This version includes the technical specification for the new 'S' identifier which will be included in code numbers if the Scottish Variable Rate is introduced.

The updated version will not include details of the notifications for Student loans and Working Families Tax Credit. These notifications will be issued initially in paper format only.

4.4 ***Employer Electronic Communications***

Magnetic Media: Use for Returns of Expenses & Benefits

We can confirm that all 326,000+ 1997/98 expenses and benefits returns on magnetic media have been successfully processed. We expect to receive many more this year as the number of employers registered to submit their returns in this way has increased threefold and continues to rise. Details of what is involved in using magnetic media for 1998/99 returns are in our EEC1 booklet which you can obtain from the Employers Orderline on 0845 7 646 646.

Electronic Data Interchange (EDI) - National roll-out starts April 1999

The availability of EDI will receive a major boost under the announced national roll-out of the Employer Electronic Communication (EEC) project which started life as a pilot project in October 1997. As most readers will already know, EDI is the electronic exchange of data between the software application systems of two separate organisations. The data is structured into 'messages' using an agreed standard format so that it can be correctly interpreted by the computer applications without the need for manual involvement.

The EEC project has adopted the international standard UN/EDIFACT. But as existing payroll software applications do not directly provide output in UN/EDIFACT, EDI translation software is needed to do this. To complete the transfer, communications networks are needed to link the sender to the recipient. Our chosen messaging services are Value Added Networks (VANs) and X400. The Inland Revenue is currently working closely with both payroll and EDI software suppliers to ensure that EEC functionality is included in products.

The national roll-out of EEC will commence in phases starting in April 1999 with EDI for forms P6, P45, P46, and P160. EDI for forms P9, P11D, P46(car), P14 and works/pension number updates will follow on during the next year or so.

If you would like to know more about the EEC project for employers, please contact our Electronic Business Support Team on 01274 539634 or fax the Team on 01274 539303.

National Roll-out of EDI for Contractors in the Construction Industry - Starts August 1999

Under the new Construction Industry Scheme (CIS), which starts in August 1999, contractors will be able to use EDI to send us their monthly Construction Gross Payment Vouchers (CIS23) and Tax Payment Vouchers (CIS25) and the new type end of year return (CIS36).

If you would like to know more about EDI for contractors, please contact our

Electronic Business Support Team on 01274 539634 or fax the Team on 01274 539303.

If you need general CIS information not specifically related to using EDI, CIS factsheets and leaflets are available from the **CIS Orderline** on **0845 3000 551**. Further advice about **CIS** can be obtained from Tax Offices or the **Contractors Helpline** on **0345 33 55 88**.

4.5 Year 2000

We gave advice on the Year 2000 problem in the October 1998 issue of Notes For Computer Users.

Failure of computer systems or computer software will not be accepted by the Inland Revenue as an excuse for failure to meet your legal obligations. We will continue to pursue any failure to make payments or returns exactly as we do now.

Such failures will result in the appropriate actions being taken which include charging of interest, penalties and/or surcharges and actions to recover debts.

4.6 NICs - Pay intervals other than weekly or monthly

Details about changes to the way NICs for employers are calculated, recorded and reported were contained in the *National Insurance Tables CA38* issued as part of the *Employer's annual Pack* and are also contained in the *CWGI Employer Guide to PAYE and NICs (cards 2,8,11 and 12)*. This guidance did not however specify how to calculate the new Earnings Threshold for employer NICs where an employee is paid in multiples of a Week or Month.

In these circumstances, the equivalent Earnings Threshold should be calculated by dividing the annual threshold figure by the number of Weeks/Months in the tax year, and multiplying the answer by the number of Weeks/Months in the pay interval. This figure should then be rounded up to the nearest whole pound.

Example

Where an employee is paid in 4 weekly intervals, the equivalent Earnings Threshold for employer's contributions would be calculated as follows;

$(£4335 \div 52) \times 4 = £333.46$, rounded up to £334

This is the sixth set of amendments to the Inland Revenue's "Computer Specification for PAYE Tax Table Routines - April 1993 Edition".

APPENDIX A of the "Specification"

The following values should be inserted.

Use the first blank column and on each blank page enter the heading "1999/2000" against "Income Tax Years" and "18/5/99" against "Date from which effective".

Symbol	Value £
B1	1500
B2	26500
C1	1500
C2	28000
K1	150.00
K2	6245.00
R1	10.00%
R2	23.00%
R3	40.00%
G	2
M	50.00%

Please complete the "Incorporation of Amendments" sheet at the front of the booklet showing that the amendments in "Series 9 - Number 12" have been made.

TEST DATA - 1999/2000, WHICH WILL TAKE EFFECT ON 18 MAY 1999

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

CUMULATIVE SUFFIX CODES

(Code 433L)

WEEK NUMBER	GROSS PAY	PAY ADJUSTMENT	TAXABLE PAY	RESULTS PER SPECIFICATION
10	2355.00	834.50	1520.50	312.09
32	3485.75	2670.40	815.35	81.50

MONTH NUMBER

(Code 519H)

4	13152.88	1733.04	11419.84	2915.93
7	6999.69	3032.82	3966.87	798.43

(Code K293)

5	5113.75	1224.60	6338.35	1376.49*
10	21250.70	2449.20	23699.90	5350.43*

* 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.

March 1999 Budget Proposals: what you must do

1 Forms P6(T) - code changes

Suffix T codes and prefix D or K codes

Suffix T or prefix K codes notified on

- forms P6(T) or list
- or
- magnetic tape or cartridge

dated 2 May 1999, which may be enclosed with this notice or sent separately, should be operated from **Week 7**.

Other notices of suffix T codes and prefix K codes (**not** dated 2 May 1999) and all notices of prefix D codes are to be operated as usual.

Suffix A, H, P, V or Y codes

Forms P6(T) dated on or before 1 May 1999 will not take into account the increases in personal allowances announced in the Budget. These codes are to be increased as instructed in Section 2. Forms P6(T) will not be issued between 3 May 1999 and 21 May 1999. Forms P6(T) dated on or after 22 May 1999 will take into account the increases in personal allowances and **must not** be increased.

2 Code increases

You are required to amend PAYE codes with an A, H, P, V or Y suffix for all employees in your employment on 18 May 1999 and operate the amended codes from **Week 7** as follows:

Suffix codes	increase by	for example
A	2	code 481A becomes 483A
H	3	code 516H becomes 519H
P	31	code 541P becomes 572P
V	38	code 757V becomes 795V
Y	38	code 560Y becomes 598Y

There is no increase for codes L and J.

Please enter the amended code (and the week or month applied) in the space provided on the Deductions Working Sheet.

Codes on a Week 1/Month 1 basis are also to be increased as above, but you must continue to operate them on a Week 1/Month 1 basis.

3 Code changes - exceptions

Do not change

- a suffix T or prefix D or K code unless the Tax Office has sent you a notification on form P6(T) or list, tape or cartridge (see 1 above)
- any code where you have received a form P6(T) or list, tape or cartridge entry, dated 2 May 1999
- the code of an employee who leaves before 18 May 1999 (even where, because of 'lying time', the last wages payment is made on or after 18 May 1999).

Note

If you have increased a code following the above instructions and afterwards receive a form P6(T) dated 2 May 1999, use the code on the form P6(T).

If you cannot operate the code notified to you on a form P6(T) dated 2 May 1999 because it was received too late for you to operate on the first pay day after 18 May, please contact your Tax Office.

4 New employees

Where an employee is engaged between 6 April and 24 May 1999, the P45 is for the 1998-99 tax year and the code has an L or H suffix, refer to CWG1 April (1999)(2) Card 6.

Where a new employee

- is engaged between 19 May 1999 and 14 June 1999
and
 - the date of leaving shown on his or her P45 is after 5 April 1999, but before 18 May 1999 (or if a date is not shown and the week number entered is not later than 6)
and
 - the code has an A, H, P, V or Y suffix
- amend the code as instructed in Section 2 and enter the amended code on Part 3 of form P45 to the left of the old code at item 5.

7 CWG1 cards

We have reprinted all the *Employer's Quick Guide to PAYE and NICs* (CWG1) cards currently in use. This pack contains a copy of the reprinted cards - CWG1 April 1999(2).

Please use these cards from 18 May 1999 and destroy all CWG1 April 1999 cards.

5 PAYE threshold and Emergency Code

This Budget introduces no change to the PAYE threshold which remains at £83 per week (£361 per month).

The code specified for emergency use also remains unchanged at 433L. Refer to Cards 2 and 6 CWG1 April (1999)(2) for further information.

6 Tax Tables

New Taxable Pay Tables SR + B to D (May 1999 issue) are enclosed with the Budget Pack. Use these new tables from 18 May 1999. Once the new tables are in use please scrap Taxable Pay Tables LR + B to D (May 1998, issue 2). Continue to use Pay Adjustment Tables A (1993 issue).

For employers on the Inland Revenue Computer User Notes register who are responsible for their own reprogramming, amendments needed to the *Specification for PAYE Tax Table routines* are contained in '*Notes on PAYE for Computer Users*', series 9 - number 12 which was issued in March 1999.

If you wish to receive a copy of these Notes, please send your name and address to

IR Computer Users Notes
PO Box 138
Northampton
NN3 6WB.

Example,

an employer who:

- pays monthly wages on the last working day of each month; and
- received notification that they had responsibility for payments from Tuesday 6 June 2000 to Monday 23 October 2000 (this would cover the remaining 20 weeks of an award following the 42 days notice period during which the Inland Revenue would make direct payments) at a daily rate of £9.53

would need to make the following payments.

<u>DATE</u> <u>EMPLOYER</u> <u>BECOMES</u> <u>RESPONSIBLE</u> <u>FOR PAYMENTS</u>	<u>DATE</u> <u>EMPLOYER</u> <u>CEASES TO BE</u> <u>RESPONSIBLE</u> <u>FOR PAYMENTS</u>	<u>PAY DATE</u>	<u>END OF PAY</u> <u>PERIOD</u>	<u>NUMBER OF DAYS BETWEEN</u>			<u>DAILY</u> <u>RATE</u>	<u>AMOUNT</u> <u>TO BE</u> <u>PAID IN</u> <u>PAY</u> <u>PACKET</u>
				<u>START OF</u> <u>RESPONSIBILITY</u> <u>AND FIRST</u> <u>PAYMENT</u>	<u>END OF</u> <u>PREVIOUS</u> <u>PAY PERIOD</u> <u>AND END OF</u> <u>CURRENT</u> <u>PAY PERIOD</u>	<u>END OF PREVIOUS</u> <u>PAY PERIOD AND</u> <u>END OF</u> <u>RESPONSIBILITY</u> <u>TO PAY</u>		
06/06/00	23/10/00	30/06/00	30/06/00	25			£9.53	238.25
		31/07/00	31/07/00		31		£9.53	295.43
		31/08/00	31/08/00		31		£9.53	295.43
		29/09/00	30/09/00		30		£9.53	285.90
		31/10/00	31/10/00			23	£9.53	219.19

N.B. This table has been constructed to provide an example and will not be issued as part of the Start Notice.

WFTC/DPTC Specification

1. This specification covers both WFTC and DPTC awards but throughout the rest of the specification will just be referred to as tax credits. N.B. Employers will not be told what tax credit their employee is receiving they will just be informed that the employee is entitled to a tax credit.
2. The routines described below makes use of two distinct classes of variables:
 - variables supplied by the IR (shown in bold). The IR variables will be supplied by the IR on each Start Notice (and Stop Notice if appropriate), these will then need to be entered into the payroll programme by the employer/payroll section; and
 - variables derived from them by the payroll run (shown in italics).

N.B. It should be noted that that IR variables will probably be different for each employee who is entitled to a tax credit and could well change from one award period to the next for the same employee.

3. The tax credit **cannot** be used to fund deductions of any kind, and so must be added to the net pay figure after all the other steps in the payroll calculation have been performed.
4. **IR variable definition**

		<u>Symbol</u>
Definition 1	- start date of employer responsibility for tax credit payment	D_b
Definition 2	- end date of employer responsibility for tax credit payment when award runs its full period	D_e
Definition 3	- stop date for tax credit payment when it is stopped during the award by the Inland Revenue (as per Stop Notice)	D_s
Definition 4	- daily rate	W_D

5. **IR variable field size.** The practical maximum field sizes recommended for these are

D	-	dd/mm/yyyy
W_D	-	999.99

ANNEX E (Continued)

6. Payroll variable definition.

		<u>Symbol</u>
Definition 1	- end date of pay period in which the first tax credit is paid by the employer	d_b
Definition 2	- end date of the penultimate pay period in which the tax credit is paid by the employer	d_l
Definition 3	- last date for which the employer takes responsibility for paying the tax credit, when payment is terminated during the award by the employer	d_t
Definition 4	- first tax credit payment period	$N_b = (d_b - \mathbf{D}_b) + 1$
Definition 5	- last tax credit payment period with a standard end as per original Start Notice	$N_e = (\mathbf{D}_e - d_l)$
Definition 6	- last tax credit payment period when stopped by the Inland Revenue	$N_s = (\mathbf{D}_s - d_l)$
Definition 7	- last tax credit payment period when terminated by the employer	$N_t = (d_t - d_l)$

Note that, apart from the first and last payments of tax credit in any award, the values of the various N_n will usually be fixed at 7 for weekly paid employees and will vary between 28 and 31 for monthly payment cycles. However, there may be some occasions when N_n will be completely different e.g. if employee is to receive tax credit with advance holiday pay. Also some employees may for example be paid quarterly.

The recommended field size for N is 999.

ANNEX E (Continued)

7. Calculation of tax credit Due

Formula 1	first tax credit payment	W_b	=	N_b	x	W_D
Formula 2	last tax credit payment when award runs its full period	W_e	=	N_e	x	W_D
Formula 3	normal tax credit payments between first and last payments	W_n	=	N_n	x	W_D
Formula 4	last tax credit payment when stopped during award by the Inland Revenue	W_s	=	N_s	x	W_D
Formula 5	last tax credit payment when terminated during award by the employer	W_t	=	N_t	x	W_D

The tax credit due should then be added to the net pay figure for that pay period.

Glossary of Symbols

D and d	=	relate to the dates associated with the tax credit
D_b	=	start date of employer responsibility for tax credit payment
D_e	=	end date of employer responsibility for tax credit payment when award run its full period
D_s	=	stop date of tax credit when it is stopped during the award by the Inland Revenue (as per Stop Notice)
d_b	=	end date of pay period in which the first tax credit is paid by the employer
d_l	=	end date of penultimate pay period in which the tax credit is paid by the employer
d_t	=	last date for which the employer takes responsibility for paying the tax credit, when payment is terminated during the award by the employer
N	=	relates to the number of days to pay
N_b	=	number of days in pay period when the first tax credit payment is made
N_e	=	number of days in pay period when the last tax credit payment is made with a standard end as per Start Notice
N_n	=	number of days in pay period n
N_s	=	number of days in the pay period in which the last tax credit payment made when stopped by the Inland Revenue
N_t	=	number of days in the pay period in which the last tax credit payment made when terminated by the employer
W	=	relates to the amounts of tax credit
W_b	=	amount of first tax credit payment
W_e	=	amount of last tax credit payment when the tax credit runs the full period of the award
W_n	=	amount of normal tax credit payment
W_s	=	amount of tax credit payment when it is stopped during the award by the Inland Revenue
W_t	=	amount of tax credit payment when it is terminated during the award by the employer
WD	=	the daily rate of tax credit

SUPPLEMENT TO NOTES ON PAYE FOR COMPUTER USERS
SERIES 9 - NUMBER 12

Address for “Notes”

Requests to be included on (or deleted from) the mailing list and, notifications of address changes should be put in writing and sent to “Inland Revenue Computer User Notes”, PO Box, Northampton NN3 6WB.

Addresses for enquiries concerning the Notes

Any query you have about the contents of the “Specification” or the “Notes on PAYE for Computer Users” should be made to Pete Robinson, 4th Floor, North Spur, Bush House, London WC2B 4RD. Telephone 0171 438 6581 or fax 0171 438 7894. Please do not use this contact point to notify address changes or deletion requests, or for general PAYE enquiries. General PAYE enquiries should be directed to your PAYE Tax Office or to the Employer’s Helpline whose number is 0345 143 143

If you have a query about the amendments to “*NI Guidance for Software Developers*” please contact Angela Bell on telephone number 0191 225 9646.