

**NOTES ON PAYE FOR COMPUTER USERS
SERIES 9 - NUMBER 13**

(July 1999)

Contents:

1 Income Tax Changes

- 1.1 New Code Suffixes
- 1.2 P11D: removal of mobile telephones entry

2 Other information affecting PAYE and /or NICs

- 2.1 Magnetic Media End of Year Specification
- 2.2 Aggregation of earnings where an employee has more than one job with the same employer
- 2.3 P11D: Two cases on Magnetic Media with the same National Insurance Number
- 2.4 Test Packs for 1999/2000 P14s
- 2.5 Scottish Variable Rate
- 2.6 Reminder of major changes which affect the calculation of IT and Class 1A NICs on company cars

3 Electronic Business Unit

4 Address For Notes

1. Income Tax changes

1.1 New Code Suffixes

In previous editions of the Notes we gave details of three new code suffixes "A", "J" and "Y" effective from 6 April 1999.

The P7X issued last April, as part of the Employer's Budget Pack did not include a general uplift of codes with the "J" suffix. Instead, individual code notifications were issued to employers showing a change of suffix from "J" to "T".

It is possible that future automatic uplifts of code numbers via the P9X and P7X procedures will not include the "J" suffix but this does not mean that the suffix has been discontinued. It is therefore important that payroll software systems continue to recognise the "J" suffix.

1.2 P11D: removal of mobile telephones entry

This year's Budget included a proposal to exempt the provision of a mobile telephone to an employee from tax. The benefit is currently returned in Section I [box 1.20] of the P11D. We have been asked how the change will effect the content of the form P11D for 1999/2000.

We plan to remove Section I [including box 1.20] from the P11D and replace it with a note "box 1.20 is not used". We do not intend relettering or renumbering other entries. This should minimise the affect of the change for employers and software providers.

2. Other information affecting PAYE and/or NICs

2.1 Magnetic Media End of Year Specification

The specification for the submission of 1999/2000 P14s using Magnetic Media was published in March this year and that for 2000/2001 is due to be published in October.

2.2 Aggregation of earnings where an employee has more than one job with the same employer

A supplement to manual CWG2 (1999), the *Employer's Further Guide to PAYE and NICs* is now available. The supplement contains revised guidance on record keeping in situations where an employee has more than one job with the same employer and the earnings from those jobs fall to be added together.

The CWG2 (1999) has been available from the Employers Orderline since February this year and anyone who has ordered a copy since then will have been automatically sent a copy of the supplement by the end of June 1999. Anyone now ordering CWG2 (1999) will receive the supplement. The supplement can be ordered on its own.

Further copies of both the CWG2 and the supplement are available by contacting the Employers Orderline on 0845 7 646 646 which is open daily all year round, 8am to 8pm, Monday to Friday and 10am to 1pm on Saturdays. Alternatively this is available on the Internet at www.inlandrevenue.gov.uk/emp_pack/download.htm

2.3 P11D: Two cases on Magnetic Media with the same National Insurance Number

Annual expenses and benefits information is processed through the Employer Compliance System (ECS) in order to automatically review and trigger any changes needed to employees' tax code numbers.

When an employer chooses to submit Expenses and Benefits information using Magnetic Media each employee must only appear once in the employers return. This is to allow ECS to correctly record expenses and benefits

information for an individual employee. If an employee appeared more than once on a return it would be impossible to distinguish whether these were different benefits for the same employee or duplicated benefits for that employee.

Expenses and Benefits for the same employee must therefore be aggregated and entered only once on the employer's return.

2.4 Test packs for 1999/2000 P14s

In the Series 9 - Number 12 edition of the Notes (paragraph 4.2) we advised that test packs of the forms P14/P60 for 1999/2000 would be made available to enable users to familiarise themselves with the new layout.

Users who require a test pack should telephone the Orderline on 0845 7 646 646 and ask for a '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.

2.5 Scottish Variable Rate

The Scottish Parliament have indicated that they do not intend to introduce a Scottish Variable Rate before the next Scottish Election. But they do wish to retain the flexibility to introduce any variation to the basic rate at short notice.

The Revenue plans to continue, to their original timetable, with the development of their IT systems to accommodate the variable rate and introduce the changes from January 2000. This means that all 2000/2001 electronic coding notifications (Magnetic Media and Electronic Data Interchange) will include the Scottish indicator field but, until such time as a variable rate is introduced, this field will be left blank.

The previous issue of Computer User Notes advised that an updated version of the booklet entitled "Specification for issue of changed code numbers on Magnetic Media", the MT1, would be available from local tax offices from 29 March 1999. This version would include the technical specification for the new "S" identifier on code numbers for the Scottish Variable Rate. Unfortunately, the booklet did not contain that information and for this we apologise. A revised booklet is currently being reprinted and will be available shortly. Until that time, the MT1 and revised leaves can be obtained from the Electronic Business Unit (see 3 below)

The revised specification in respect of Electronic Data Interchange can also be obtained from the Electronic Business Unit. Alternatively, the latest version of the specification, known as the National Rollout Message Implementation Guidelines is also available for download from the Internet on http://www.inlandrevenue.gov.uk/legal_docs/magmedia/eec.htm

Despite the introduction of the system changes needed for a Scottish Variable Rate, our aim is that they will be invisible to the employer who operates a manual payroll system.

In the light of this announcement it is likely that payroll software systems will be

upgraded to accommodate the Scottish Variable Rate and to support this work we will continue to provide any additional guidance that queries from payroll companies indicate are necessary. In this respect Notes on PAYE for Computer Users Series 9 - Number 10, issued in October 1998 provided detailed advice about the revised PAYE specification for the Scottish Variable Rate.

Whether an employer should deduct tax by reference to the Scottish Tax Tables or not will be determined by the presence of an "S" indicator in front of the code number. You should note that, when it becomes relevant, the presence of the "S" indicator will not change the validations of either the existing prefixes "D" or "K" neither will it necessitate any change to the meaning of any PAYE code suffix letter.

Stationery Changes

- Forms P6 and P9
Notices of Coding form P6 and P9 will be redesigned and the revised print, using the new spacings, will be issued for notices of coding for the year 2000/2001.
- Form P45
Samples and test packs of the redesigned forms P45, for use from the start of the tax year 2000/2001, will be available from the Employer Orderline later this year. Live stationery will be available from early 2000. Further details will be provided in the next Notes for Computer Users.
- Form P14/P60
Forms P14/P60 will be redesigned to allow for the extended code number but the Scottish indicator area will not be printed. This will mean that the position of the existing code configuration will be printed out in the new spacings.

Specimen copies of the new 2000/2001 end of year form P14/P60 stationery (for use from April 2001) will be available from the Employers Orderline in March 2000 and test packs will be available from June 2000.

The RD1 design specification for substitute forms P14/P60 for the year 2000/2001 will be available by December 1999. This will automatically be issued to those software suppliers, employers and others already known to design substitute end of year forms. Copies will be obtainable from Inland Revenue Forms Unit, 9th Floor, North West Wing, Bush House, Aldwych, London WC2B 4PP

2.6 *Reminder of major changes which affect the calculation of Income Tax and Class 1A National Insurance Contributions on company cars*

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).

Class 1A Contributions

The calculation of Class 1A National Insurance Contributions follows the above new tax changes and is effective from 6 April 1999. The first payment of Class 1A affected by these changes is for the 1999/2000 tax year, with payments due on 19 July 2000.

A supplement to the CA33 Cars and Fuel Manual will be available from the Employers Orderline from late August. The CA33 has been available from the Employers Orderline since February this year and anyone who has ordered a copy since then will automatically be sent a copy of the supplement when it becomes available.

Employers are reminded that the Class 1A payment due on the 1998/99 tax year should be calculated under the previous rules and paid on 19 July 1999. Any late payment of Class 1A due for the tax year's 1991/92 to 1998/99 should also be assessed using the old systems.

3. Electronic Business Unit

The Modernising Government White Paper (www.citu.gov.uk/moderngov.htm) states that citizens will be able to conduct 25% of their dealings with the Government electronically by 2002 and 100% by 2008. As part of their efforts to meet this commitment, the Inland Revenue has set up the Electronic Business Unit (EBU), within its Business & Management Services Division, to deliver, promote, support and develop the full range of IR electronic business services.

Existing services involve the Revenue exchanging certain PAYE, CIS, Pension or

Self Assessment (SA) forms and returns with employers, contractors, pension providers and agents using either:

- Electronic Data Interchange (EDI) over Value Added Networks (VANs) or
- Magnetic Media (open reel tape, data cartridge, floppy disks).

Forthcoming services will include SA and PAYE Forms and Returns via the Internet.

If you want to find out more, please contact:

Electronic Business Unit
Crown House
Victoria Street
Shipley
West Yorkshire BD17 7TW

The EBU may also be contacted as follows:

Telephone	01274 534555
Fax	01274 534554
E-mail	ebst.ir@gtnet.gov.uk

4. 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 138, 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 the Electronic Business Unit, Crown House, Victoria Street, Shipley, West Yorkshire BD17 7TW. Telephone 01274 534555 or fax 01274 534554 or e-mail at *ebst.ir@gtnet.gov.uk*. 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.