

## **Inland Revenue Notes for Payroll Software Developers**

**SERIES 10 – NUMBER 13**

**April 2003**

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## **1. Income Tax changes affecting PAYE**

### **1.1 Summary of changes: April 2003 Budget**

In his Budget statement on 9 April 2003 the Chancellor of the Exchequer proposed changes to the income tax bandwidths.

The rates of tax and bandwidths for 2003/04 are as follows:

Starting Rate	10% - up to £1,960
Basic Rate	22% - £1,961 to £30,500
Higher Rate	40% - over £30,500

### **1.2 Effecting the changes**

Employers will receive a new set of Taxable Pay Tables as part of the Budget Pack which give effect to the increases to the Starting Rate and Basic Rate bandwidths. These new tables (Taxable Pay tables SR + B to D June 2003) are to be brought into use with effect from 15 June 2003.

There is no general uplift of codes as a result of Budget changes. Any amended codes will be notified to employers on individual forms P6(T) (or code list, magnetic tape or cartridge or via Electronic Data Interchange). Full instructions will be issued to employers on form P7X(2003), a copy of which is given at Annex C of these Notes.

**The PAYE threshold** with effect from 6 April 2003 remains at £89 per week (£385 per month) as advised in the Series 10 – Number 12 Notes.

**The code for emergency use** with effect from 6 April 2003 remains 461L.

### **1.3 Specification for PAYE Tax Table Routines**

**Annex A** to these Notes gives the amendments to the Specification for PAYE Tax Table Routines – February 2000 (Version 10).

**Annex B** contains some test data which users may find helpful in verifying their new routines operative from 15 June 2003.

**Annex C** shows a copy of form P7X(2003) which will be issued to employers as part of the Budget Pack.

Amendments have also been made to the Specification for PAYE Tax Table Routines for Free Of Tax (FOT) arrangements. Both the Specification and the amendments can be found on the Inland Revenue website under [http://www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

### **1.4 Test facility**

The payroll test data currently held on the Internet will be updated to reflect the Budget changes. The updated version of the payroll test data will be made available on the IR Website shortly.

## **2. Other Budget Proposals**

### **2.1 Exemption for Additional Household Expenses**

With effect from 6 April 2003, employers will be able to meet some or all of the incidental household costs incurred by employees who work at home under agreed arrangements, without giving rise to a tax charge. Such payments can already be made without giving rise to a NIC liability.

To minimise the need for record-keeping, employers will be able to pay up to £2 per week (£104 per year) without supporting evidence of the costs the employee has incurred.

Where an employer pays more than that amount, the exemption will still be available but, the employer must provide supporting evidence that the payment is wholly in respect of additional household expenses incurred by the employee in carrying out his or her duties at home.

### **2.2 Minor benefits exemptions**

The Chancellor announced four further measures which will increase tax free exemption limits and reduce reporting and record keeping requirements on employers:

- the value of a gift that can be made tax-free by an employer to an employee for long service will be increased from £20 to £50 for each year of service
- the tax free amount allowed for the cost of an annual party will be increased from £75 to £150 per head
- the value of a gift that can be received tax free by an employee from a third party will be raised from £150 to £250 and
- the limit on the number of cycle to work days on which meals can be provided to participating employees is removed.

All of these measures will take effect as soon as the amending regulations come into force.

### **2.3 Taxation of company car benefits**

The Government is setting the company car carbon dioxide (CO<sub>2</sub>) lower threshold (the qualifying level for the minimum charge) for 2005/06 at 140 grams per kilometre (g/km), a reduction of 5 g/km from the level in 2004/05.

Details of the qualifying levels and percentages to use in working out the car benefit charge for each band of CO<sub>2</sub> are set out in the table below:

CO <sub>2</sub> EMISSIONS IN GRAMS PER KILOMETRE			PERCENTAGE OF CAR'S PRICE TAXED
2003/04	2004/05	2005/06	
155	145	140	15*
160	150	145	16*
165	155	150	17*
170	160	155	18*
175	165	160	19*
180	170	165	20*
185	175	170	21*
190	180	175	22*
195	185	180	23*
200	190	185	24*
205	195	190	25*
210	200	195	26*
215	205	200	27*
220	210	205	28*
225	215	210	29*
230	220	215	30*
235	225	220	31*
240	230	225	32*
245	235	230	33**
250	240	235	34***
255	245	240	35****

#### **Diesel Supplements**

- \* add 3 per cent if car runs solely on diesel
- \*\* add 2 per cent if car runs solely on diesel
- \*\*\* add 1 per cent if car runs solely on diesel
- \*\*\*\* maximum charge so no diesel supplement

### **2.4 Employer provided vans**

In the Series 10 - Number 9 edition of Notes issued last April, we told you about the Chancellor's 2002 Budget announcement of a review of the tax and Class 1a NICs charge that arises when a van is made available to an employee by reason of their employment, and is available for the employees private use.

In his 2003 Budget the Chancellor has announced a forthcoming consultation on the tax and NICs treatment of employer provided vans.

## **2.5 Review of tax and NIC treatment of employer provided childcare**

The Government has announced plans to:

- re-design the workplace nurseries tax exemption into a wider exemption for employer-provided childcare benefits.
- tighten the scope and limit of the current childcare voucher NICs exemption to bring it into line with the re-defined workplace nurseries exemption.

A consultation document on employer supported childcare was published on 25 February 2003 and can be accessed at [http://www.inlandrevenue.gov.uk/consult\\_new/esc.pdf](http://www.inlandrevenue.gov.uk/consult_new/esc.pdf)

Views on the proposals contained in the consultation document are invited by 31 May 2003.

## **2.6 Mandatory electronic payment for large employers**

From April 2004 large employers will be required to make their payments electronically.

Regulations will be made that will require electronic payment from employers with 250 or more employees. Employers will be able to choose between paying by BACS (Banker's Automated Credit Service) and CHAPS (Clearing House Automated Payments System).

At the same time the Inland Revenue will introduce a later due date for electronic payments made by all employers. This will compensate for the loss of the cash flow advantage offered by cheque.

The regulations will include provision for a surcharge that will apply, after a number of warnings, where the Exchequer receives funds represented by the payment after the due date. The maximum surcharge rate for a default payment will be 0.83% of the total amount due for the year. This is equivalent to 10% of the employer's average monthly payment. The maximum rate will only be reached where the employer has failed to make prompt payment for twelve months. Full details of the surcharge rates will be set out in the draft regulations to be published in June.

We will be writing to affected employers in Autumn this year (see paragraph 3.3.8) to notify them of their obligation to pay electronically from April 2004 as well as confirming their requirement to submit end of year returns electronically for 2004/05 onwards.

## **2.7 Pension Schemes Earnings Cap**

The limit on the level of earnings that may be pensionable under Tax Approved Pension Schemes (often known as the Pensions Scheme Earnings Cap) is increased annually in line with retail prices. For 2003/04 the limit has been increased to £99,000.

## **2.8 Changes to Employee Share Schemes**

From 9 April 2003, employers operating share schemes will have to apply NICs and tax under PAYE where an employee exercises an option early in a Company Share Option Plan (CSOP) unless they are a “good leaver” – that is an employee who leaves the company due to injury, disability, redundancy or retirement.

To equip employers to cope more easily with the 1% NICs increase from April where share based gains are concerned, (as well as payments made through intermediaries), the existing limit on the amount that may be recovered each month from an employee’s subsequent earnings is being abolished and the period over which recovery may be made is being extended into the following tax year.

With effect from 9 April 2003 the deadline for employees to refund the PAYE on notional payments (e.g. gains from share options and shares) to the employer will be extended from 30 to 90 days. Where the employee does not make good the PAYE to the employer within 90 days, Class 1 NICs will be due on that amount.

Other changes are being made to CSOPs, SAYE option schemes and Share Incentive Plans (SIP) to make them more flexible for employees and easier to run for employers. Reforms are also being made to the rules for charging equity remuneration generally to make them fairer and close loopholes. These changes will come into effect from different dates depending on the change.

For more information on the different measures and the start dates visit: [www.inlandrevenue.gov.uk/shareschemes](http://www.inlandrevenue.gov.uk/shareschemes) and look at ‘What’s New’.

## **2.9 Reform of the construction industry scheme**

A consultation paper was published in the 2002 Pre-Budget Report, proposing a major reform of the Construction Industry Scheme. The new proposals included replacing CIS documentation with an Inland Revenue run verification service and periodic returns, and a new employment status declaration to help the Construction Industry get the employment status of its workers right.

In response the construction industry showed broad support for the new proposals and is now invited to work with the Inland Revenue to implement the new scheme in April 2005.

### **3. Other Information**

#### **3.1 Electronic Data Interchange (EDI)**

##### **EDI Technical specifications**

Further discrete EB5 Message Implementation Guidelines have been created and are available on the IR website in both zipped and rtf formats.

##### **EDI software certification scheme**

From April 2003 the tax credit, student loan and P35 end of year declaration messages will be included in the certification scheme.

##### **P46 message change –amendment**

The P46 message change, published in the Series 10 Number 12 of the IR Notes for Payroll and Software Developers should have read 'The date of birth on the EDI P46 message is no longer mandatory. This change will be reflected in the new P46 "miglet"'. This was corrected in number 12.1 published on the Internet November 2002. Please accept our apologies for any confusion this may have caused.

#### **3.2 Working Tax Credit**

##### **Background**

In the November 2001 edition of the *Notes* (Series 10 – Number 7) we published an article on the arrangements for paying Working Tax Credit from April 2003, together with a technical specification for payroll software designers. A small error has been identified in this technical specification, which we need to bring to your attention.

The error is in definitions 8 and 9 relating to amendment notices, in part 6 *Payroll variable definition*. It means that employers affected will pay the old rate (the one before the amendment) for a day longer than they should, and will start paying the new rate (the one after the amendment) a day later than they should, resulting in small over/underpayments to employees. We understand that some software designers spotted the error and may have corrected it in their software packages, but we have no means of identifying them or the employers using the software.

This was our mistake and we apologise for any inconvenience caused. We are dealing with the error as follows:

- We do not expect software designers to amend their 2003/04 packages but we are publishing at Annex D the correct technical specification, which should be used for the 2004/05 tax year
- We are providing payroll representative bodies with text to use in their professional magazines alerting payroll managers to the error. The payroll managers can then direct employees to the Tax Credit Office if they find that they have been under/overpaid Working Tax Credit in a pay period in which the daily rate was amended
- We will sort out any over/underpayments of Working Tax Credit direct with the claimant, without involving the employer

### Outline of Error and Solutions

Definition 8 currently gives the number of days from the previous processing date to the date of change  $N_c = (D_a - d_l)$

i.e. The number of days from the previous processing end date ( $d_l$ ) to the date of change ( $D_a$ )

If, for example, the change date is the 15 December 2002, the number of days, according to the formula, is 15

i.e. 30/11/2002 to 15/12/2002 = 15

This is wrong, as the date of change is being included in the formula

**The formula for definition 8 should be  $(D_a - d_l) - 1$**

Definition 9 gives the number of days from the date of change to the end of the current processing month  $N_d = (d_c - D_a)$

i.e. The end of the current processing month ( $d_c$ ) minus the date of change ( $D_a$ )

i.e. 15/12/2002 to 31/12/2002 = 16

This is wrong, as the last day is not included in the formula.

**The formula for definition 9 should be  $(d_c - D_a) + 1$**

Using the corrected definitions 8 and 9 the calculations would be

30/11/2002 to 15/12/2002 = 14  $(D_a - d_l) - 1$

15/12/2002 to 31/12/2002 = 17  $(d_c - D_a) + 1$

Attached at Annex D is an updated version of the technical specification which includes the corrected definitions.

### **3.3 Modernising PAYE Processes for Customers (MPPC)**

IR has set up a new programme called Modernising PAYE Processes for Customers (MPPC) into which the Payroll Process Improvement Programme (formerly known as Carter) has been incorporated. The reference to "customers" includes employers, taxpayers/contributors, agents, payroll bureaux - and payroll software developers who have an active part in encouraging all employers to take advantage of the business benefits that new technology provide.

In addition to the 'Carter' proposals, including the mandatory electronic submission of employer end of year returns, we aim to deliver wider service improvements based upon user experience. This will involve internal process re-engineering which will provide a faster service for employers, and ultimately for employees.

#### **3.3.1 Electronic Filing**

In April 2002 the Chancellor announced that for the tax year 2004/05 and later years, employers with 250 or more employees will have to submit their end of year returns (specifically forms P35 and P14) electronically from April 2005. Employers with 50 to 249 employees have to submit electronically for 2005/06 and later years.

Small employers with fewer than 50 employees will be required to send their end of year returns electronically from April 2010. In the meantime, those small employers who choose to send in their returns electronically will receive an incentive payment, between 2005 and 2009, for doing so. You can find details of the Chancellor's announcement in Notes for Payroll Software Developers series 10 numbers 9, 10, 11 and 12, which are available at <http://www.inlandrevenue.gov.uk/comp/index.htm>

The findings of the Carter Review of Payroll Services acknowledge that there are many business benefits for both the employer and IR in conducting much more of their business electronically. But these notes concentrate on the specific mandatory areas of electronic submission of the employer end of year return (form P35 and P14s). Further details of IR's e-services for employers can be found at [www.inlandrevenue.gov.uk/ebu/emp\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/emp_index.htm)

The draft Regulations to support the new scheme are about to be published for consultation. They can be found at [http://www.inlandrevenue.gov.uk/consult\\_new/index.htm](http://www.inlandrevenue.gov.uk/consult_new/index.htm) The consultation period finishes on Monday 7 July. Whilst we await approval of the final Regulations you may find it helpful to have further details of how we currently expect the arrangements may work.

For the time being, the new e-filing arrangements do not include the Contractors Annual Return made on form CIS36, which Contractors should continue to submit on paper. However, CIS36 continuation sheets may continue to be submitted by Electronic Data Interchange (EDI) by those contractors who want to use this facility. For all employers who are also contractors, the total amount of CIS deductions payable to the IR, as shown on the paper form CIS36, will still need to be entered onto the electronic P35 return to enable the proper accounting for these sums at the year end. Likewise, companies that have CIS deductions made from their income and have set some or all of these deductions against their own liabilities to the IR, will need to account for the amounts involved on the electronic P35 return as part of the final balancing of their full-year liabilities.

The future shape of the CIS scheme is currently the subject of a fundamental review resulting in the recent publication of a Consultation Document that you can see on the Internet at [http://www.inlandrevenue.gov.uk/consult\\_new/cis\\_reform.pdf](http://www.inlandrevenue.gov.uk/consult_new/cis_reform.pdf) (although the consultation period has now closed). Whilst we consider the impact of this review, which may result in major changes being made to the scheme, it would not be sensible for us to replicate the current CIS36 return through the Internet service. EDI does, however, remain available as mentioned in the previous paragraph.

### **3.3.2 What is mandatory e-filing?**

E-filing means employers will have to send their whole End of Year return (currently described as both forms P35 and P14) electronically. The 2 channels available for electronic submissions are:

- Internet service for PAYE or
- Electronic Data Interchange (EDI) service or

*Submissions may also be made via an intermediary, such as a payroll bureau or agent who will submit all, or part of the End of Year return on the employer's behalf using one of the above*

**PLEASE NOTE:** Magnetic Media (including CD ROM, flexible disk, data cartridge and open reel tape) do not count as electronic for end of year submissions. Small employers who continue to use Magnetic Media will not get the electronic filing incentive. Similarly large and medium employers who continue to file by Magnetic Media will get a penalty for failure to make an electronic submission after their respective e-filing deadline.

### **3.3.3 Penalties**

There will be a new penalty of up to £3,000 per annum per PAYE scheme in respect of the employer's failure to make an electronic end of year return when they should have done so. This will be in addition to the existing late filing penalty provisions.

### **3.3.4 Definition of employer**

For the purposes of electronic filing the term 'employer' will be taken to mean a PAYE scheme. Each Inland Revenue Employer's PAYE Reference (eg 123/A456) denotes a PAYE scheme and the employer is currently required to make a separate end of year return (forms P35 and P14s) in respect of each PAYE scheme.

It is expected that the vast majority of employers will wish to make a simultaneous end of year return of both P35 and P14 data via the Internet service for PAYE.

### **3.3.5 Proposed service enhancements**

In creating a uniform nation-wide e-filing system, some extra-statutory local arrangements will have to come to an end. In particular, we will no longer accept multiple P35s (the summary return) for a single PAYE scheme.

However, there are 3 service enhancements that we are looking to introduce:

- Multi-part submissions
- Dual channel options
- Compression of Internet submissions

*Multi-part submissions and dual channel options.* We are currently investigating allowing a submission in respect of a single PAYE scheme in multiple parts. For example an employer may wish a bureau to handle part of the payroll and send to IR the P14 data, via EDI or Internet, in respect of the employees the bureau handles. The accountant may handle the PAYE for the directors and send to IR their P14 data via the Internet leaving the employer responsible for the summary return (P35 data) which he may also want to submit over the Internet. Our thoughts in this area are not yet finalised but our hope is to give both employers and intermediaries the greatest level of flexibility, timing, source and delivery technology to make submissions.

An employer may currently make an EDI or Magnetic Media submission of P14 data in respect of the bulk of his work-force but make a paper P14 submission in respect of the directors and only provide one paper form P35 covering all employees including the directors. For EDI and Internet filing IR will require electronic submission of both the P35 summary data and all the P14 data. So where employers wish to continue to keep director records separate, while within the same PAYE scheme, they will have to make arrangements to send in the P14 data in parts from each source but make a single P35 return .

An employer may run separate payrolls under one employer's PAYE reference (eg weekly & monthly paid, permanent & temporary, or staff in different regions). If in this example the employer wishes to continue to keep separate payrolls for internal purposes then we hope to provide facilities to enable the employer to send in the P14 data in any number of parts together with a single summary P35 return. See section 3.3.7 for consequences on the employer of using additional PAYE schemes.

Each part-submission will need to carry a unique alpha-numeric identifier (in case that part needs to be resubmitted), created by the employer, and the P35 will need to say how many part-submissions comprise the complete End of Year return.

*Compression.* The Government Gateway imposes an upper limit on the size of an individual XML submission of 25Mb; this equates to around 20,000 P14s. A small but significant number of PAYE Schemes need to file whole end of year messages (or parts thereof) above this limit. Initial test results using readily available, Open Source, compression algorithms indicate that compression of the P14s embedded in a submission will result in an upper limit of around 150,000 P14s per 25Mb submission.

Support for compressed P14s will be included in the 2003/04 end of year schema to be released during the next couple of months, which also incorporates changes designed to raise the uncompressed limit to 30,000 P14s.

We will provide more low level information about multi-part submissions and compression in the coming months.

### **3.3.6 Large Returns**

The majority of employers handle their own payroll and will want to make a simultaneous P35 and P14 end of year return. IR's general advice to them will be that they should now start to think about whether to use EDI or the Internet to transmit their end of year data to IR.

EDI can be suitable for employers, payroll bureaux, or agents who

- Have EDI capacity elsewhere in their business already.
- Have payroll software which is already EDI enabled.
- Are large employers with a high turnover of employees, typically in the thousands.

Subscription to a Value Added Network is not always necessary since data in Generic Flat File (GFF) format can be sent over an ISDN line.

The Internet service is suitable for most small to medium sized businesses. If multi-part submissions and/or compression become available, the Internet service will be suitable for virtually every employer. Connectivity to the Internet need not be expensive for employers; many telecoms suppliers offer dial-up or broadband 'packages'.

The options for very large employers who wish to file over the Internet are still being explored, but the proposed enhancements of Multi-part submissions, Dual channel options, and Compression of Internet submissions are aimed at allowing the largest employers and intermediaries the greatest level of flexibility, timing, source and delivery technology to make submissions.

In making this decision the employer will be encouraged to consider the business benefits that can be achieved from doing all their business with IR electronically.

### **3.3.7 Creating more than one Employer's PAYE Reference**

An employer who wishes to make completely separate returns from a number of differing sources with an accompanying summary return (P35 data) from each will have to make an election with their relevant IR PAYE office to operate additional PAYE scheme(s).

The draft Regulations include anti-avoidance provisions to prevent deliberate scheme splitting simply to take advantage of the incentive arrangements or to delay mandatory e-filing.

The impact of an employer operating more than one PAYE scheme will be the need to make a separate End of Year return in respect of each scheme. The employer will need to make sure that each member of the work force is accurately allocated to the correct PAYE scheme. Where there is movement of an employee between schemes, the employee shall be treated for those purposes as having ceased to be employed by one employer and having commenced an employment with a new employer.

Further, Small Employer Relief, applicable for the recovery of the Statutory Payments, must be calculated per employer (from all their schemes) not per scheme. Where the employee's entitlement to a Statutory Payment depends upon the length of service with an employer arrangements will need to be made to ensure that total service, and not just time in a specific PAYE scheme, is available.

### **3.3.8 Employer size -Snapshot mailing**

In the autumn of this year the Inland Revenue will take a count from our records – a 'snapshot' – of the number of employees in each PAYE scheme at a fixed date and notify employers of which grouping they fall into and the electronic filing implications:

- Schemes with 250 or more employees. These schemes will be required to send in their end of year returns electronically from 2004/05 i.e. due by 19 May 2005
- Schemes with between 50 and 249 employees. Employers in this group will be told that they will not be entitled to an incentive for e-filing their 2004/05 return and reminded of the forthcoming obligation to use the electronic services for their 2005/06 return
- Schemes with fewer than 50 employees do not have to e-file until 2010. They will be reminded of the incentive arrangements which apply from 2004/05.
- The following employer schemes types are outside the arrangements of mandatory electronic filing, at least for the time being:-
  - a. Contractor Only schemes who submit a CIS36 return
  - b. Returns of electoral payments where the Returning Officer currently submits a return on forms P35EP and forms P527 and P528
  - c. Profit Sharing Schemes where returns on forms P35(PSS) will no longer be required after 2005/06
  - d. Returns under the Taxed Award Scheme arrangements
  - e. A few specialised schemes who we will notify individually

The snapshot will be based on the IR's database which links employees, for whom IR hold a tax record, to their employer's PAYE reference. The employer will have the right of appeal against the grouping into which IR have placed the PAYE scheme.

There will be a snap-shot mailing in each successive October with the last, in October 2007, defining those who must e-file their 2008/09 return by 19 May 2009. The first mailing is expected to be in October 2003 and will specify the

- obligation to file electronically (for large employers) for 2004/05
- potential eligibility for incentives (for small employers) for 2004/05
- potential obligation to pay electronically (for large employers) for 2004/05

The autumn 2003 snapshot decision will (to give early planning certainty for all concerned) remain valid for May 2005 filing whether the number of employees rises or falls in the interim.

A new employer whose PAYE scheme is created after the snap-shot has been taken will be treated as a small employer. For example, a new scheme set up in December 2004 (after the October 2004 snap-shot) will be treated as a small employer for 2005/06 regardless of the number of employees. It will not be required to e-file its 2005/06 end of year return even though the snap-shot letter issued in Autumn 2005 will correctly identify its true size: the Autumn 2005 snapshot will determine its size for filing the 2006/07 return.

### **3.3.9 Quality Standard (QS)**

IR has today published the Quality Standard that will be applied to returns received over the Internet or by EDI. The business validation rules, Message Implementation Guide (MIG) and Extensible Mark-up Language (XML) schema that support the Quality Standard will be available in summer 2003. Employer returns (forms P35 and P14 data), submitted by EDI or Internet, will be required to meet initial EDI or Internet data format rules when first received by the EDI Gateway or the Government Gateway for Internet returns. In addition, we plan to apply some of the business rules within the Quality Standard that relate to P14 data to returns received over the Internet or through EDI, when an employer submits his end of year return in more than one chunk. This will enable submitters to correct any errors ahead of the 19 May deadline. The complete Quality Standard will be applied when the Inland Revenue has received all parts of an employer's end of year return. Returns which do not meet the QS will be automatically rejected by the Inland Revenue, with a rejection message sent to the submitter (employer or intermediary as appropriate) indicating what will need correction. The employer/intermediary will need to make the necessary corrections and electronically resubmit the return by 19 May to avoid a late filing penalty. The Quality Standard can be found at: [www.inlandrevenue.gov.uk/ebu/qual\\_stand\\_valid\\_spec.pdf](http://www.inlandrevenue.gov.uk/ebu/qual_stand_valid_spec.pdf)

All developers are advised to build into software those elements of the Quality Standards which are needed by their customers. For example, there is no requirement for a software product designed exclusively for pension payments to build in anything about Statutory Maternity pay. It is advised that you make sure that your software is fit for

purpose so that your customers avoid rejection of their End of Year returns at the Gateways. This would have the added potential for a penalty if the corrections were not made in sufficient time for the return to reach IR by 19 May.

Throughout this text reference is made to the employer return being made by 19 May each year. Electronic returns must be made by the 19<sup>th</sup>. If exceptionally a return is sent by 19 May but there is a slight delay in receipt of the return or the online acknowledgement of it, the 'period of grace' as set out in Extra Statutory Concession B46 will apply.

### **3.3.10 Introduction of the Inland Revenue Personal Reference (IRPR)**

To ensure that data can be easily matched to the IR databases and so enable employers and the Revenue to gain the full benefits of e-filing, you will note that the Quality Standard incorporates some new validations in respect of the National Insurance Number (NINO). It will help employers when matching employee correspondence from IR, and reduce the number of queries employers receive from us, if they have a NINO for each employee where one is appropriate. This guidance supersedes that provided in Notes for Software Developers Series 10 number 9 appendix F.

We will provide more information about the NINO and IRPR reporting requirements for paper and Magnetic Media returns later.

Ideally all form P14 data should include a NINO. In a circumstance where that isn't possible the employer, should from a future date, use the Inland Revenue Personal Reference Number (IRPR) allocated to that employee. Our plans and the timings of the issue of the IRPR to employers during 2004/05 are not yet final. We will provide more details later.

The IRPR is in the format; 2 numbers, 1 letter and 5 numbers (for example 48G12345). IRPRs will be generated in circumstances where an employee's NINO cannot be traced or verified quickly without the Revenue carrying out further checks. Once a NINO is traced the employer (and employee) will be notified of this so that they can update their payroll records.

Where the employer has been unable to obtain a NINO or IRPR he will need to provide the 'date of birth' and 'gender' data as part of the P14 return. The important point to note is that any P14 that is submitted without an entry in one of these areas (NINO, IRPR or date of birth with gender) will fail the Quality Standard and be rejected. In those circumstances an entry/entries will have to be made and the return electronically re-submitted, with the risk of a late filing penalty on the employer.

In order to support the employer in his efforts to get the employee to provide a National Insurance number we would prefer that payroll software was set up in such a way that only a NINO could be entered in the National Insurance number field and that a separate input field is populated for the IRPR. Whether two fields or just one are used within the payroll system to hold NINO and IRPR is a matter of design. A report or other mechanism should be available to employers to allow them a simple way of identifying employees without a NINO and no IRPR.

### **3.3.11 Test Services**

In support of the Quality Standard, IR intends to provide a more extensive test service from autumn 2003. This will enable developers to self-test their software to ensure that the Standard has been accurately built into the software. Clearly, software that is fit for the purpose needs to pass this test. Customers may well seek reassurance from suppliers on this point, given that any return that doesn't get through the electronic gateways will be automatically rejected. That will lead to delays and could lead to a late filing penalty being incurred.

Further, we will also provide a facility which will enable employers and/or intermediaries to test their final submission before it is sent to IR. Further details about this element of the test service will be provided later.

### **3.3.12 Incentives**

Small employers will qualify for the incentive payment where their return is submitted to the IR electronically and meets the Quality Standard. Incentives will be available for the end of year returns due May 2005 to May 2009. Qualification for the incentive will be determined for each year separately.

The payment of the incentive will be credited to the employer's IR collection record and will be available for the employer to set against future payments of tax and National Insurance. Alternatively, the employer can apply to have the incentive repaid direct to him. In those cases where the small employer uses the services of an intermediary, agent or payroll bureau the incentive is still credited to the employer record.

All employers can start to file electronically now, they don't need to wait until the year in which they are obliged to do so. Small employers who e-file in earlier years won't disqualify themselves from the incentive in 2005 just because they are already e-filing when the incentive scheme starts. Indeed they may judge it wise to start e-filing in advance to build confidence that they will successfully qualify for the incentives.

The regulations that will provide for the incentive will be made under sections 143 and Schedule 38 to Finance Act 2000. A draft of the regulations will shortly be available at [http://www.inlandrevenue.gov.uk/consult\\_new/index.htm](http://www.inlandrevenue.gov.uk/consult_new/index.htm) Section 143(2) FA 2000 specifically provides that incentives will not be regarded as taxable income.

Small employers who use the simplified PAYE arrangements and who submit their end of year returns electronically will qualify for the incentive payments.

### **3.3.13 IR Payroll Standard**

From April 2004 all payroll software that is accredited as meeting the IR Payroll Standard, will also be tested to ensure it meets the requirements of the Quality Standard. The logo that is shown on accredited software will be amended to say 'Tested and meets the Inland Revenue Payroll Standard and relevant sections of the Quality Standard'.

To qualify for an incentive payment employers will not have to use payroll software that meets the requirements of the IR Payroll Standard. But IR will continue to promote IR Payroll Standard accredited software to new small employers, who are less likely to be familiar with payroll. Details of the accreditation scheme can be found at <http://www.inlandrevenue.gov.uk/e bu/psu.htm>

### **3.3.14 Other Returns**

There are some additional items that will help software companies to understand how the electronic filing arrangements will work.

*Forms P38(S) – Student Employees.* With effect from April 2005, for the year 2004/05, all employers or intermediaries will be asked to retain completed forms P38(S) and make them available for inspection, by IR, when required.

*Forms P38A – Employers Supplementary Return.* There will be no change to the arrangements in respect of employer returns of earnings for people who worked during the year and for whom no P11 Deduction Working sheet, or equivalent record, was required. The supplementary return P38A will continue to be required as appropriate. They can be sent in electronically via EDI or Internet services although a paper return will be acceptable. Please note that each entry on the P38A requires the individual's private address to be quoted.

*Forms P60 – End of Year Certificate.* For the time being at least, in those circumstances that require the employer to send P14 data to IR, the employer will have a continuing requirement to provide an End of Year Certificate (form P60) to each employee/pensioner who is in their employment at the 5th April.

*Forms P14 – End of Year Summary.* For 2004/05 and later years, the electronic end of year summary (form P14 data) will continue to include, as an optional field, the employee's private address. Our existing Internet service for Employers will be updated for 2004/05 returns.

With effect from 2004/05 we will no longer require EDI submitters to use a permit number. However, each part submission will need to contain a unique reference that identifies it as a part of a multi-part submission. See section 3.3.5 about multiple submissions and compression.

### **3.3.15 Intermediaries**

Before April 2005 it will be necessary for the Inland Revenue to write to employers to check that we are holding, on our records, the latest information (name, address etc) of any intermediary, bureau etc that is acting for them and confirm our authority to communicate with them. More details will be provided as soon as we are able.

### **3.3.16 Intermediaries and forms P35**

Payroll bureaux, agents and others offering payroll services have been a welcome addition to the payroll service providers for many years. But in the past many intermediaries have not submitted the full end of year return. They have handled the P14s but required employers to check P35s and make entries in those areas when the bureau doesn't hold information. These areas are likely to be

- Details of advances received from IR to cover Statutory Payments, Tax Credits or to fund a tax repayment.
- Details of the deductions made from subcontractors during the year (taken from the CIS 36 Contractors Annual Return).
- Details of the remittances the employer has made to IR for tax, NICs, deduction of student loans etc.
- Details of CIS deductions suffered by limited companies from payments received for working in the construction industry.
- Confirmation that a form P38(S) has been retained or P14 data provided in respect of every person in the employer's paid employment, either on a casual basis or otherwise.
- Confirmation that 'free of tax' payments to any employee were made during the Year.
- Confirmation that no one else paid expenses or provide benefits or vouchers exchangeable for money goods or service to any employers because they were in that employment during the year.
- Confirmation that no employee's pay has been paid to someone other than the employee, for example to a school,  
*if they have confirmation that the payments have been included in the P14 data.*
- Confirmation that no-one employed by a person or company outside the UK worked for the employer in the UK for 30 or more days in a row,  
*if they have, confirmation that the payments have been included in the P14 data.*
- Confirmation that 'deemed payments' relating to services provided through an intermediary (sometimes known as IR35), have been returned.
- Confirmation that all forms P14 have been submitted for each employee or director for whom the employer was required to maintain a P11 deduction working sheet or equivalent record.
- Confirmation that a P38A Employer's Supplementary Return is due or not due.
- Where appropriate make a 'NIL' P11D and P11D(b) return in respect of Returns of expenses payments, benefits and Class 1A contributions.

Where the intermediary does not intend to use the multi-part and dual channel options described in section 3.3.5 and intends to make the end of year return on behalf of the employer he will need to put arrangements in place to ensure that he has the necessary information and employer authority in order that the return is made by the due date of 19 May.

IR will need the intermediary or agent to check the return information with the client/employer before it is sent to IR. We suggest that a payroll bureau or agent retain a copy of their client/employer's approval of the information.

### **3.3.17 Cessations, Additional and Correction returns**

From mid-2005 IR will provide facilities for the electronic submission during the year of an End of Year return, additional or correction returns. When a business ceases and there are no employees and the employer wishes to make his final return to IR, he should be able to send that return electronically. The first cessation return that can be sent electronically will be for 2005/06. We will include further details in the 2005/06 XML schema and MIG that will be published later.

Employers are expected to make a full and complete return. To accommodate the electronic submission of additional or corrected returns, where these are exceptionally submitted, the schema/MIG will be modified to provide for entries of negative amounts. The facility to make correction or additional returns will not be available until April 2005. Where an employer wishes to pay an employee holiday pay in the last week of the tax year being reported, if the amount of pay exceeds the maximum value as defined in the Quality Standard, an additional P14 must be forwarded to the Inland Revenue.

### **3.3.18 Employers who provide services through a service company or partnership** **- IR35 cases**

Employers submitting returns under the provisions of IR35 are required to make a return by the 19 May each year. However employers are allowed to submit provisional figures if the amount of deemed remuneration cannot be accurately calculated in time for the 19 May. IR35 cases are required to make an amendment to the P35 by the following January. Amendment returns are outlined in section 3.3.17.

### **3.3.19 Electronic Payment**

The Chancellor announced in this year's Budget, that employers with 250 or more employees, will be required to pay electronically from 2004/05 (see para 2.6). In order that all employers can take advantage of the benefits that e-business brings we would like software to enable them to make electronic payments. Details of the technical information you need to make payment electronically can be found at <http://www.inlandrevenue.gov.uk/howtopay/pay.htm>

### **3.3.20 Support**

All employers or their agents have received the 2003 Employers' CD-ROM which brings together the essential information about e-filing in one handy place. The same information is of course available on the Website, alternatively extra copies of the CD-ROM can be obtained from the Employers' Orderline.

In addition IR staff across the country will be giving out a leaflet, which will be available shortly on our Website, to employers who are in contact with us for other reasons, to encourage them to make their plans for e-filing early.

### **3.3.21 Where to find help**

EDI and Internet Service Information and Guidance for

- software developers is at [http://www.inlandrevenue.gov.uk/ebu/softw\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/softw_index.htm)

- employers is at [http://www.inlandrevenue.gov.uk/ebu/emp\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/emp_index.htm)
- agents is at [http://www.inlandrevenue.gov.uk/ebu/age\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/age_index.htm)

These WebPages outline all you need to know and tell you who to contact if you need further help. Queries about any changes to the operation of PAYE please contact your PAYE office. For general enquires from Employers and Agents wishing to use EDI or the Internet services please contact the e-business Helpdesk on 0845 60 55 999 or [helpdesk@ir-efile.gov.uk](mailto:helpdesk@ir-efile.gov.uk) The Helpdesk opens weekdays 0800-2200, weekends and bank holidays 1000-1800. For Software Developers enquires please contact the Software Developers Support Team on 01274 534666 or email [sdsteam@ir'gsi.gov.uk](mailto:sdsteam@ir'gsi.gov.uk) The SDST Helpdesk is open weekday office hours only.

### **3.4 Payroll Standard Accreditation**

From 6 April 2003 accredited software must be able to perform the following payroll functions:

- Calculation and recording of Statutory Sick Pay.
- Calculation and recording of Statutory Maternity Pay.
- Calculation and recording of Statutory Paternity Pay (for new born children).
- Recording of Statutory Paternity Pay (for adoption).
- Recording of Statutory Adoption Pay.
- Calculation and recording of Working Tax Credits.
- Changes to recording and calculation of National Insurance Contributions described in the NI Guidance for Software Developers 2003+.

The payroll test data available from <http://www.inlandrevenue.gov.uk/ebu/testdata.htm> includes test data for these payroll functions. Payroll Standard accreditation will be based on these tests. All payroll software developers, who are either accredited or are considering an application for accreditation, are advised to check their software against these tests.

Please note that full calculation tests for Statutory Paternity Pay (adoption) and Statutory Adoption Pay are included for developers who wish to provide this functionality, but the Payroll Standard requirements will only specify recording of the amounts paid during the year.

The accreditation process will be based upon both the calculation and recording of all the other payment types mentioned above.

The Payroll Standard document is available to view and download from [www.inlandrevenue.gov.uk/ebu/payroll.htm](http://www.inlandrevenue.gov.uk/ebu/payroll.htm)

### **3.5 Duplicate P60s for employees**

IR has taken a fresh look at its policy on issuing duplicates of the form P60 and it now has no objection to employers giving duplicate P60s to their employees.

Employers can do this, for example, where employees have mislaid their original and need evidence of their earnings for the previous tax year. However, any duplicates should be clearly marked with the word "Duplicate".

Wording on the official IR version of the P60 will be revised, as current stocks of the 2003/04 print are used-up. We will update any published guidance on this subject as it comes up for revision.

Employers can still give details of an employee's pay and tax on letter-headed paper if they prefer.

In the meantime software firms or employers are free to remove the wording 'as you will not be able to get a duplicate' from their own approved substitutes when it next becomes convenient to do so.

### **3.6 Beneficial Loans – Rate of interest for 2003/04**

The official rate of interest for calculating the cash equivalent of beneficial loans to employees is set to remain at 5 per cent for 2003/04. This official rate will continue to apply for the whole of the tax year unless there are any significant changes in mortgage rates.

### **3.7 Draft of form P11D for 2003/04**

The P11D will require further changes for 2003/04 to accommodate new information relating to the fuel benefit charge at Section F of the form. Details on the new basis for calculating the fuel benefit charge from April 2003, announced in Budget 2003, were included in the Series 10, Number 9 edition of the Notes.

The changes at Section F consist of:

- The addition of two new boxes relating to the car fuel charge; 'Date free fuel was withdrawn in the year' plus a tick box to indicate where free fuel is reinstated in the year
- The removal of one of the two boxes relating to company car accessories. The two categories of accessories, those added when the car is first made available and those added after (with a list price of more than £100) are merged into a single 'accessories' box.

In order to help you re-program software we are publishing the changes in a draft version of the 2003/04 P11D at ANNEX E. The final full version will be published in the September 2003 edition of Notes.

The revised version of P11D WS2, the Working Sheet for calculating company car and car fuel benefits, will be published on the IR Website in summer 2003.

### **3.8 National Minimum Wage increase**

**From October 2003**

- The main rate will increase to £4.50
- The development rate will increase to £3.80

### **4. Next issue of these Notes**

The next issue of these notes is scheduled for summer 2003.

### **5. Mailing List for these notes**

The mailing options for these Notes are:

- Advance notification by post
- Advance notification by email
- Paper issue of these Notes

Requests to be included on the mailing list and notification of address changes should include details of your preferred option, your email address, company name and address and be sent by email to [irnotes@reply.co.uk](mailto:irnotes@reply.co.uk)

Or you can write to:

**“Inland Revenue Notes for Payroll Software Developers”**

**PO Box 1460**

**Bristol**

**BS99 3NW**

If you wish to be removed from mailing list please send your request by email to [irnotes@reply.co.uk](mailto:irnotes@reply.co.uk) or write to the address shown above.

### **6. Contacts for enquiries**

*If you require further information about any of the subjects included in these Notes, please ring the Helpline numbers quoted **before** contacting the Electronic Business Unit.*

Any other query you have about the contents of the “Specification” or the “Inland Revenue Notes for Payroll Software Developers” should be made to:

Electronic Business Unit

Crown House

Victoria Street

Shipley

West Yorkshire

BD17 7TW

Telephone: **0845 60 55 999**

Fax: **01274 534618**

E-mail: **helpdesk@ir-efile.gov.uk**

General payroll enquiries should be directed to your local Inland Revenue Office or to the Employer's Helpline on **0845 7 143 143**.

**Please note, that EBU cannot deal with change of mailing address information, these should be directed to 'PO Box 1460' as detailed above.**

**Amendments to the Specification for PAYE Tax Table Routines**

APPENDIX A of the Specification

The following values should be inserted.

Use the first blank column and on each blank page enter the heading “2003/2004” against “Income Tax Years” and “15/06/2003” against “Date from which effective”.

Symbol	Value
B1	1960
B2	28540
C1	1960
C2	30500
K1	196.00
K2	6474.80
G	2
M	50.00%

Please complete the “Incorporation of Amendments” sheet at the front of the booklet showing that the amendments in “Series 10 – Number 13” have been made.

**SERIES 10 – NUMBER 13****Test Data – 2003/2004, Which Will Take Effect On 15 June 2003**

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

**1.1 CUMULATIVE SUFFIX CODES**

(Code 461L)

WEEK NUMBER	GROSS PAY	PAY ADJUSTMENT	TAXABLE PAY	RESULTS PER SPECIFICATION
12	2808.00	1065.96	1742.04	328.96
29	2899.89	2576.07	323.82	32.30
MONTH NUMBER				

(Code 319T)

4	12515.75	1066.36	11449.39	2671.19
10	9141.40	2665.90	6475.50	1228.49

(Code K255)

5	6023.66	1066.25	7089.91	1461.57*
8	32799.98	1706.00	34505.98	9985.19*

\*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.

**What you should do before 15 June**

**First** make sure you have a *Deductions Working Sheet* (form *P11* or equivalent) for every employee. If you take on a new employee before 15 June 2003, refer to part 4 of the Employer's Help Book, *Day-to-day payroll*, E13.

**Then** apply any tax codes that we send to you on forms *P6(T)* dated 24 May or earlier.

**Finally** put to one side any *Deductions Working Sheets* for employees leaving before 15 June (even if, because of 'lying time', the last wages payment will be made after 15 June). Take no further action with these in connection with this leaflet.

**What you must do on the first pay day after 14 June****Budget changes**

Apply Budget changes on the first pay day after 14 June 2003

**use**

- any Budget-increased tax codes dated 25 May 2003
- the reprinted Employer's Help Book, PAYE and NICs rates and limits for 2003-2004, E12 in your Budget Pack
- the new tax tables in your Budget Pack

**scrap**

- the earlier version of the reprinted Employer's Help Book, E12
- *Tax Tables SR + B to D (June 2002)*

**continue to use**

- *Pay Adjustment Tables – Tables A* (1993 issue).
- The PAYE threshold remains £89 per week (£385 per month).
- The Emergency code remains 461L.

**Employees with a new tax code on form *P6(T)* or electronic equivalent dated 25 May 2003**

- Use the tax code shown on any *P6(T)* dated 25 May 2003. (After 25 May 2003 no further tax code notices will be sent until 15 June 2003.)
- Copy the tax code onto the *Deductions Working Sheet*.

**Employees without a new tax code on form *P6(T)* or electronic equivalent dated 25 May 2003**

- For codes with suffix L, P, T, V, and Y or prefix D or K, and codes NT and BR – continue with the code on the *Deductions Working Sheet, P11*.
- Suffixes A and H are no longer in use from 2003-2004. You should have received a new tax code showing a new suffix. If, exceptionally, you have carried forward a code with either of these suffixes, contact your Inland Revenue office.

**What you may have to do after 14 June****If you get a tax code notice dated on or after 15 June 2003 for any employee**

Use the tax code on the notice from the next pay day in the normal way.

**If you use payroll software**

**If you buy in software**, make sure that you have an updated 2003-2004 program.

**If you do your own reprogramming** you must use Inland Revenue Notes for Payroll Software Developers Series 10 Number 13. If you are on our 'Notes' register you should have had these in April. If you need a copy of these Notes please:

- call us on 0845 60 55 999, or
- e-mail us at [helpdesk@ir-efile.gov.uk](mailto:helpdesk@ir-efile.gov.uk)

To get future copies of the Notes

- register at [irnotes@reply.co.uk](mailto:irnotes@reply.co.uk), or
- send your name and address to:  
**Inland Revenue**  
**Notes for Payroll Software Developers**  
**PO Box 1460**  
**Bristol**  
**BS99 3NW.**

### Technical Specification for paying Working Tax Credit

1. This specification replaces the one issued in November 2001 to cover Tax Credit awards from April 2003. Employers will not be told which elements of the Tax Credit their employee is receiving. They will only be informed that the employee is entitled to a Tax Credit.
2. The routines described below make 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, Amendment Notice and Stop Notice if appropriate. These will then need to be entered into the payroll system/software by the employer/payroll section; and
  - variables derived from them by the payroll run (shown in Italics)

**N.B. It should be noted that IR variables will probably be different for each employee who is entitled to Tax Credit and the daily rate could change for each employee during the period of the award and there could be more than one daily rate during a pay period where an amendment notice is received.**

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

	<b>Symbol</b>	
Definition 1 -	start date of employer responsibility for Tax Credit payment	<b>Db</b>
Definition 2 -	stop date for Tax Credit payment when it is stopped during the award by the Inland Revenue (as per Stop Notice)	<b>Ds</b>
Definition 3 -	date from which the amended daily rate applies	<b>Da</b>
Definition 4 -	the normal daily rate of Tax Credits	<b>Wd1</b>
Definition 5 -	amended daily rate of Tax Credits	<b>Wd2</b>

5. IR variable field size

The practical maximum field sizes recommended for these are

**D** - dd/mm/yyyy  
**Wd** - 999.99

6. Payroll variable definition

		<i>Symbol</i>
Definition 1	End date of pay period in which the first Tax Credit is paid by the employer	<i>db</i>
Definition 2	End date of previous pay period in which the Tax Credit is paid by the employer	<i>dl</i>
Definition 3	Last date for which the employer takes responsibility for paying the Tax Credit, when employment is ceased (including on death of an employee)	<i>dt</i>
Definition 4	End date of pay period in which the Tax Credit paid is amended following an amendment notice	<i>dc</i>
Definition 5	Number of days in the first Tax Credit payment period	$Nb = (db - Db) + 1$
Definition 6	Number of days from end date of the previous pay period to the date of stopping shown on the stop notice	$Ns = (Ds - dl)$
Definition 7	Number of days from end date of the previous pay period to the date the employment is ceased (including on death of an Employee)	$Nt = (dt - dl)$
Definition 8	Number of days from end date of the previous pay period to the date of amended daily rate as shown on the amendment notice	$Nc = (Da - dl) - 1$
Definition 9	Number of days from the date of amendment of daily rate to the end date of the pay period	$Nd = (dn - Da) + 1$

Note that, apart from the first and last payments of Tax Credit, 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

7. Calculation of Tax Credit due

Formula 1 amount of first Tax Credit payment  $Wb = Nb \times Wd1$

Formula 2 amount of normal Tax Credit payment between first and last/amended payments  $Wn = Nn \times Wd1$

## ANNEX D (Continued)

Formula 3	amount of last Tax Credit payment when stopped during award by the Inland Revenue	$Ws = Ns \times \mathbf{Wd1}$
Formula 4	amount of last Tax Credit payment when employment is ceased (including on death of an employee)	$Wt = Nt \times \mathbf{Wd1}$
Formula 5	amount of Tax Credit payment during period when there is more than one daily rate following amendment notice	$Wu = (Nc \times \mathbf{Wd1}) + (Nd \times \mathbf{Wd2})$

The Tax Credit due should then be added to the net pay figure for that pay period.

### 8. Ongoing use of amended daily rate

Where an amended daily rate of Working Tax Credit has been received this needs to be adopted for future payments. Once it has been used as the amended daily rate it will need to become the normal daily rate in the subsequent pay periods.

Formula 1	Adopt amended rate as normal rate	$\mathbf{Wd1 = Wd2}$
Formula 2	Zeroise amended rate	$\mathbf{Wd2 = 0}$

**Glossary of Symbols**

<b>D</b> and <b>d</b>	relate to the dates associated with the Tax Credit
<b>Db</b>	start date of employer responsibility for Tax Credit payment
<b>Ds</b>	stop date of Tax Credit when it is stopped during the award by the Inland Revenue (as per Stop Notice)
<b>Da</b>	date from which the amended daily rate applies
<i>db</i>	end date of pay period in which the first Tax Credit is paid by the employer
<i>dl</i>	end date of previous pay period in which the Tax Credit is paid by the employer
<i>dt</i>	last date for which the employer takes responsibility for paying the Tax Credit, when employment is ceased (including on death of an employee)
<i>dc</i>	end date of pay period in which the Tax Credit paid is amended following an amendment notice
<i>N</i>	relates to the number of days to pay
<i>Nb</i>	number of days in the first Tax Credit payment period
<i>Nc</i>	Number of days from end date of the previous pay period to the date of amended daily rate as shown on the amendment notice
<i>Nd</i>	Number of days from the date of amendment of daily rate to the end date of the pay period.
<i>Nn</i>	number of days from previous pay date to this pay date
<i>Ns</i>	Number of days from end date of the previous pay period to the date of stopping shown on the stop notice
<i>Nt</i>	Number of days from end date of the previous pay period to the date the employment is ceased (including on death of an employee)
<i>W</i>	relates to the amount of Tax Credit
<i>Wb</i>	amount of first Tax Credit payment
<i>Wn</i>	amount of normal Tax Credit payment between first and last amended payments
<i>Ws</i>	amount of last Tax Credit payment when stopped during the award by the Inland Revenue
<i>Wt</i>	amount of last Tax Credit payment when employment is ceased (including on death of an employee)
<i>Wu</i>	amount of Tax Credit payment during period when there is more than one daily rate following amendment notice
<b>Wd1</b>	the normal daily rate of Tax Credits
<b>Wd2</b>	amended daily rate of Tax Credits

**Note to employer**

Complete this return for a director, or an employee who earned at a rate of £8,500 a year or more during the year 6 April 2003 to 5 April 2004. Do not include expenses and benefits covered by a dispensation or PAYE settlement agreement. Read the P11D Guide and booklet 480, Chapter 24, before you complete the form. Send the completed P11D and form P11D(b) to the Inland Revenue office by 6 July 2004. You must give a copy of this information to the director or employee by the same date. The term employee is used to cover both directors and employees throughout the rest of this form.

DRAFT

**Note to employee**

**ANNEX E**

Your employer has filled in this form. Keep it in a safe place as you may not be able to get a duplicate. You will need it for your tax records and to complete your 2003-04 Tax Return if you get one. Your tax code may need to be adjusted to take account of the information given on this P11D. The box numbers on this P11D have the same numbering as the Employment Pages of the Tax Return, for example, 1.12. Include the total figures in the corresponding box on the Tax Return, unless you think some other figure is more appropriate.

**Employer's details**

Employer's name

PAYE tax reference

**Employee's details**

Employee's name  If a director tick here

Works number /department  National Insurance number

**Employers pay Class 1A National Insurance contributions on most benefits. These are shown in boxes which are brown and have a 1A indicator**

**A Assets transferred (cars, property, goods or other assets)**

	Cost/ Market value	Amount made good or from which tax deducted	Cash equivalent	
Description of asset <input style="width: 90%;" type="text"/>	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	= <b>1.12</b> £ <input style="width: 100px;" type="text"/>	<b>1A</b>

**B Payments made on behalf of employee**

Description of payment  **1.12** £

Tax on notional payments not borne by employee within 30 days of receipt of each notional payment **1.12** £

**C Vouchers or credit cards**

	Gross amount	Amount made good or from which tax deducted	Cash equivalent	
Value of vouchers and payments made using credit cards or tokens <input style="width: 90%;" type="text"/>	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	= <b>1.13</b> £ <input style="width: 100px;" type="text"/>	

**D Living accommodation**

Cash equivalent of accommodation provided for employee, or his/ her family or household **1.14** £  **1A**

**E Mileage allowance and passenger payments**

Amount of car and mileage allowances paid for employee's own vehicle, and passenger payments, in excess of maximum exempt amounts (See P11D Guide for 2003-04 exempt rates) **1.15** £

**F Cars and car fuel** *If more than two cars were made available, either at the same time or in succession, please give details on a separate sheet*

	Car 1	Car 2	
Make and Model	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	
Date first registered	<input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/>	<input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/>	
Approved CO2 emissions figure for cars registered on or after 1 January 1998 <i>Tick box if the car does not have an approved CO2 figure</i>	<input style="width: 40px;" type="text"/> g/km <input type="checkbox"/>	<input style="width: 40px;" type="text"/> g/km <input type="checkbox"/>	<i>See P11D Guide for details of cars that have no approved CO2 figure</i>
Engine size	<input style="width: 40px;" type="text"/> cc	<input style="width: 40px;" type="text"/> cc	
Type of fuel or power used <i>Please use the key letter shown in the P11D Guide (2004)</i>	<input style="width: 40px;" type="text"/>	<input style="width: 40px;" type="text"/>	
Dates car was available <i>Only enter a 'from' or 'to' date if the car was first made available and/or ceased to be available in 2003-04</i>	From <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> to <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/>	From <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> to <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/>	
List price of car <i>Including car and standard accessories only; if there is no list price, or if it is a classic car, employers see booklet 480; employees see leaflet IR172</i>	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	
Accessories <i>All non-standard accessories, see P11D Guide</i>	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	
Capital contributions (maximum £5,000) the employee made towards the cost of car or accessories	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	
Amount paid by employee for private use of the car	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	
Cash equivalent of each car	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	
<b>Total cash equivalent of all cars available in 2003-04</b>			<b>1.16</b> £ <input style="width: 100px;" type="text"/> <span style="float: right; border: 1px solid brown;"><b>1A</b></span>
Cash equivalent of fuel for each car	£ <input style="width: 100px;" type="text"/>	£ <input style="width: 100px;" type="text"/>	
Date free fuel was withdrawn (applies to all cars) <i>Tick if reinstated in year (see P11D Guide)</i>	<input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/>		
<b>Total cash equivalent of fuel for all cars available in 2003-04</b>			<b>1.17</b> £ <input style="width: 100px;" type="text"/> <span style="float: right; border: 1px solid brown;"><b>1A</b></span>

<b>G</b>	<b>Vans</b>								
	Cash equivalent of all vans made available for private use							1.18	£

1A

<b>H</b>	<b>Interest-free and low interest loans</b>	
	<i>If the total amount outstanding on all loans does not exceed £5,000 at any time in the year, there is no need for details in this section.</i>	

	Loan 1	Loan 2
Number of joint borrowers (if applicable)	<input type="text"/>	<input type="text"/>
Amount outstanding at 5 April 2003 or at date loan was made if later	£ <input type="text"/>	£ <input type="text"/>
Amount outstanding at 5 April 2004 or at date loan was discharged if earlier	£ <input type="text"/>	£ <input type="text"/>
Maximum amount outstanding at any time in the year	£ <input type="text"/>	£ <input type="text"/>
Total amount of interest paid by the borrower in 2003-04— enter "NIL" if none was paid	£ <input type="text"/>	£ <input type="text"/>
Date loan was made in 2003-04 if applicable	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Date loan was discharged in 2003-04 if applicable	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Cash equivalent of loans after deducting any interest paid by the borrower	1.19 £ <input type="text"/> 1A	1.19 £ <input type="text"/> 1A

<b>I</b>	<b>Private medical treatment or insurance</b>	Cost to you	Amount made good or from which tax deducted	Cash equivalent
	Private medical treatment or insurance	£ <input type="text"/>	£ <input type="text"/>	1.21 £ <input type="text"/> 1A

<b>J</b>	<b>Qualifying relocation expenses payments and benefits</b>	
	<i>Non-qualifying benefits and expenses go in N and O below</i>	
	Excess over £8,000 of all qualifying relocation expenses payments and benefits for each move	1.22 £ <input type="text"/> 1A

<b>K</b>	<b>Services supplied</b>	Cost to you	Amount made good or from which tax deducted	Cash equivalent
	Services supplied to the employee	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/> 1A

<b>L</b>	<b>Assets placed at the employee's disposal</b>	Annual value plus expenses incurred	Amount made good or from which tax deducted	Cash equivalent
	Description of asset <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/> 1A

<b>M</b>	<b>Shares</b>
	Tick the box if during the year there have been share-related benefits for the employee <input type="checkbox"/>

<b>N</b>	<b>Other items (including subscriptions and professional fees)</b>	Cost to you	Amount made good or from which tax deducted	Cash equivalent
	Description of other items <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/> 1A
	Description of other items <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.22 £ <input type="text"/>
	Income tax paid but not deducted from director's remuneration			Tax paid 1.22 £ <input type="text"/>

<b>O</b>	<b>Expenses payments made to, or on behalf of, the employee</b>	Cost to you	Amount made good or from which tax deducted	Taxable payment
	Travelling and subsistence payments (except mileage allowance payments for employee's own car - see box E)	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
	Entertainment (trading organisations read P11D Guide and then enter a tick or a cross as appropriate here) <input type="checkbox"/>	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
	General expenses allowance for business travel	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
	Payments for use of home telephone	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
	Non-qualifying relocation expenses (those not shown in sections J or N)	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>
	Description of other expenses <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	1.23 £ <input type="text"/>