

Inland Revenue Notes for Payroll Software Developers

SERIES 10 – NUMBER 5.1

15 March 2001

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1. Income Tax changes affecting PAYE

1.1 Summary of changes: March 2001 Budget

In his Budget statement on 7 March 2001 the Chancellor of the Exchequer proposed changes to the income tax bandwidths and certain allowances.

The rates of tax and bandwidths for 2001-2002 are as follows:

Starting Rate 10% - up to £1880
Basic Rate 22% - £1,881 to £29,400
Higher Rate 40% - over £29,400

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 May 2001) are to be brought into use with effect from 18 May 2001.

There will be a general uplift of codes with a suffix "A" and "H". Full instructions will be issued to employers on form P7X(2001), 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(2001). There is no further general uplift for codes with an "L," "P," "V" or "Y" suffix.

Unless an amended code notification has been received on form P6(T) (or code list, magnetic tape or cartridge or via Electronic Data Interchange) employers should amend 2001-2002 codes as follows:

"A" suffix code – increase by 18 e.g. code 554A becomes 572A
"H" suffix code – increase by 36 e.g. code 654H becomes 690H

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 2001 remains at £87 per week (£378 per month) as advised in the Series 10 – Number 4.1 Notes.

The code for emergency use with effect from 6 April 2001 is 453L.

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 18 May 2001.

Annex C shows a copy of form P7X(2001) 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 issued September 2000. 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

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 Car Benefit and Car Fuel Benefit

2.1.1 Car Fuel Benefit for 2001 – 2002

The scale charges of taxable benefit on fuel provided for private motoring in company cars are increased by 14 %, including fuel duty.

<i>Cars having a recognised cylinder capacity</i>	Petrol £	Diesel £
1400cc or less	1930	2460
1401cc to 2000cc	2460	2460
More than 2000cc	3620	3620
<i>Cars not having a recognised cylinder capacity</i>	£3620	

2.1.2 Car Fuel Benefit for 2002-2003

The Chancellor has indicated that in 2002/03 the figures will again increase in line with his pre-announced 5 year programme but the Revenue will be consulting on the basis of the fuel scale charge from 2003/04 bearing in mind the environmental agenda and CO₂ emissions. Further details will be provided in *Notes for Payroll Software Developers* as soon as they are announced.

2.1.3 Car Benefits for 2001/02 and 2002/03

The existing basis for the scale charges will continue to apply until 5 April 2002. In his Budget, last year the Chancellor announced details of a major reform of company car tax from April 2002. The full details are in *Notes for Payroll Software Developers* series 10 numbers 2 and 4 which are available on the IR web site

<http://www.inlandrevenue.gov.uk/comp/index.htm>. Full details of the new company car scheme, including proposed discounts in respect of vehicles powered by electric, or electric/petrol or gas/petrol which are environmentally friendly, can be found in appendix 1A to the booklet 480(2001) available from the orderline on 08457 646 646 and on the IR website :<http://www.inlandrevenue.gov.uk/cars/> which also includes a copy of the draft regulations.

2.1.4 Reporting

In number 4 edition we set out the reporting requirements and details of the revised form P46(car) being introduced from April 2001. This new P46(car) does not include a fuel type category letter for the employer to indicate a low emission diesel engine which meets Euro standard 4. We anticipate that the use of vehicles meeting this standard will progressively increase although there are no such vehicles in use yet.

We are suggesting to employers that they bring the fact that the vehicle meets the Euro 4 standard to the attention of their Inland Revenue office when they submit the P46(car). A further revised version of the P46(car) will be introduced from April 2002. This will introduce a new category letter for a diesel car meeting the Euro 4 standard. We intend to provide you with full details in the September 2001 edition of these *Notes*.

During June 2001 we also intend to write to employers seeking details of the CO₂ emission levels on cars supplied before 6 April 2001. This request will ask employers to help us to get correct tax codes in place from April 2002 for employers with company cars by providing:

For cars registered between 1 January 1998 to 5 April 2001

- Approved CO₂ emission figure
- Type of fuel used

For cars registered before 1 January 1998

- The engine size in cubic centimetres (cc)

It would be very helpful if your software products are able to identify these cases in order to help employers to submit this additional information.

From April 2002, where it is employer policy to provide any fuel cost reimbursement for business miles travelled in a company car he may increase the amount reimbursed up to 5p per mile in respect of each employee who also needs to travel in the same vehicle on the business journey.

2.1.5 Authorised Mileage Rates

Rates for 2001/02

The 2001/02 authorised mileage rates are set out in *Notes* number 4 issued in November 2000. The average of the two middle bands for 2001/02 is 42.5p for the first 4000 business miles and 25p thereafter.

2.1.6 Changes being introduced from April 2002

To further encourage the use of environmentally friendly cars the Chancellor proposes to introduce from April 2002 a new statutory mileage scheme which will set out the maximum exempt amount which the employer may pay, without having to deduct Tax or National Insurance contributions (NICs), for business miles travelled in the employee's vehicle.

Employees will be able to claim tax relief up to the statutory rates, if paid less, but will no longer be able to make a claim for tax relief based on actual receipted bills, nor claim capital allowances or interest on loans related to car purchases. The proposed authorised mileage rate figures for 2002/03 are:

Motor Cars and Vans

Up to 10,000 business miles 40p

Over 10,000 business miles 25p

MotorCycles 24p

Bicycles 20p

We are still considering the NIC implications for payments made for business miles above the 10,000 mile break point.

Aggregation

Where an employee is reimbursed by two or more associated companies, the reimbursed mileage should be aggregated for the purpose of deciding when 10,000 miles is reached.

Additional Passenger Rate

In addition to the mileage rates above an employer may choose to pay up to 5p per mile tax and NICs free for each passenger carried to encourage car sharing on business journeys. The passenger must be an employee who also needs to travel on business. Where the employer does not pay the passenger rate the employee will not be able to claim any tax relief for carrying a business passenger.

Dispensations

From April 2002 existing dispensations that include any element of reimbursement for motor mileage allowances for private cars will, by statute, automatically cease. But if the dispensation contains other items these will not be affected. In future, where an employee uses his own car for business travel IR will not need to agree a dispensation where the rate paid does not exceed the statutory rate, nor be able to agree a dispensation for business motoring mileage rates paid in amounts that exceed the authorised mileage rates.

Fixed Profit Car Scheme (FPCS) and Car Allowances Enhanced Reporting Scheme (CAERS)

We are considering what the introduction of a statutory net reporting scheme means for employers who currently use the FPCS or CAERS. The FPCS is likely to be discontinued, but elements of the CAERS may well remain. We will provide full information about this in the September 2001 edition of the *Notes*

New arrangements for returning details of taxable mileage payments

From April 2002, with first P11D return being due by 6 July 2003, where the employer makes a reimbursement in excess of the statutory authorised mileage rates they will need to calculate the profit liable to tax using the statutory mileage rates and include the 'profit' element only on form P11D

Other Transport Measures

Regulations are being introduced to allow for up to 6 cyclists' breakfasts per year to encourage staff to cycle to work. Some employers have cycle days where they provide breakfasts to those who try cycling. Additionally from April 2002 there will be an exemption in respect of minor green commuting benefits such as.

- Works buses 12 passenger seats is reduced to 9

We will provide full details in September.

It has also been announced that IR will be consulting on extending tax exemption where employers subsidise contract buses.

2.2 Statutory Maternity Pay

The Chancellor proposed major changes to the arrangements for Statutory Maternity Pay (SMP). These will be phased in over a two-year period:

From April 2002:

- The lower rate of SMP will be increased from £62.20 to £75.00 a week
- The qualifying threshold for 'Small Employers' Relief' (SER) will be doubled to £40,000. Employers who qualify for SER can claim back 100% of the total SMP paid, plus 5% compensation

From April 2003:

- The lower rate of SMP will be increased to £100.00 a week – with the higher rate remaining at 90% of the employee's Average Weekly Earnings, if that is less
- The period for which SMP is payable will be extended to 26 weeks.

(For women who do not qualify for SMP, the above changes will be reflected in the arrangements for Maternity Allowance paid by the Benefits Agency.)

Paid Paternity Leave

It is proposed to introduce this from April 2003. It will be payable for two weeks to working fathers and be payable at an amount equal to the lower rate of SMP.

Paid Adoption Leave

The Chancellor also outline proposals to introduce paid adoption leave, which would allow one of the adoptive parents to take paid leave when a child is first placed with a family. No details are yet available as to how this will be administered.

2.3 All-Employee Share Ownership Plan (AESOP)

AESOPs were introduced last year to encourage employees to hold shares in the companies for which they work. AESOPs are designed to appeal to companies of all sizes and companies that have not previously had employee share plans for all their employees.

This year's Finance Bill will propose a small number of changes to make the plan easier to operate.

The key change is to remove the potential double charge to stamp duty when shares are acquired by the plan trustees and then bought by the employees. This will also remove the possibility of employees facing an Income Tax charge when an employer or trust meets the Stamp Duty liability.

The following changes will also be made:

- removing the possibility of employees facing an Income Tax charge when an employer or trust meets incidental costs of operating the plan
- being able to satisfy a qualifying period of employment for AESOPs by having worked throughout that period in any company that was part of the group

For more information on AESOPs:

- visit our website on <http://www.inlandrevenue.gov.uk/shareschemes>

2.4 Enterprise management Incentives (EMIs)

The proposals

Improvements are proposed to the Enterprise Management Incentives (EMIs) introduced in last year's Finance Act, together with changes to NICs on employee share options. The improvements were suggested by companies and their advisors in the light of the first few months' experience of operating the incentives.

Summary

The main changes to EMIs are:

- To replace the limit of 15 employees who can be granted EMI options per company by an overall limit of £3m on the value of EMI options which a company may have outstanding at any one time. The individual limit of £100,000 per employee is to remain.
- To extend the time limit for notifying the grant of an EMI option from 30 to 92 days.

Further details

Details of these and other changes to EMIs and AESOPs can be found in the Press Notice, [REV 3](#), 'Tax Boost to Employee Share Ownership' and Inland Revenue Budget Note, [REV BN 6](#), 'More Flexibility for EMI'.

Enquiries

All enquiries on EMIs should be referred to:

Small Company Enterprise Centre
TIDO
Ty Glas
Llanishen
Cardiff CF14 5ZG

029 2032 7400
Fax: 029 2032 7398
Email: enterprise.centre@ir.gsi.gov.uk

2.5 Pensions Schemes Earnings Cap

The limit on the level of earnings that may be pensionable under Tax Approved Pension Schemes (often known as the Pensions Schemes Earnings Cap) is increased annually in line with retail prices.

For the tax year 2001/2002, the limit has been increased to £95,400. The earnings cap applies to everyone who:

- contributes to a personal pension scheme
- joined an occupational pension scheme set up since 14 March 1989
- joined any occupational pension scheme from 1 June 1989.

From 6 April 2001, the cap will apply to people who contribute to Stakeholder Pension schemes.

3. Other Information

3.1 P14 – Earnings columns

When completing the earnings columns 1a to 1d of the form P14 for 2000-2001 the entries must be in whole pounds only, for example, £3484 and not £3484.00.

If National Insurance Contributions are calculated using the exact percentage method, round down the annual total of the earnings to the nearest pound. For example, if the annual total of earnings in column 1d of the P11, or substitute, is £199.95, the entry in the corresponding box of the P14 for 2000/01 will be £199.

3.2 Forms P14/P60 for 2001/02

We would just like to remind readers that forms P14/P60 and the new single-part sheet feed P60 for 2001/02 will be available shortly. From next month, the Employer's Orderline will supply quantities of these forms either for software testing or for ceasing employers who need the correct P14 forms to accompany their 2001/02 P35.

3.3 Beneficial loans – official rate of interest for 2001/02

The official rate of interest applying to beneficial loans is to remain unchanged at 6.25% for the year 2001/02. This follows the approach, detailed in the Series 10 Number 2.1 edition of the Notes issued in March 2000, that the official rate will continue to be set in advance for the whole of the following tax year.

3.4 Internet Service for PAYE

Employers and agents can now register and enrol for the Internet Service for PAYE. For information and access you can visit our website at:
<http://www.inlandrevenue.gov.uk/efiling/help/mainhelp.htm>

One of the major benefits of this service is the speed at which we can communicate with our customers. It may take weeks to process paper forms, but using the Internet means we can check end of year returns and let users know of any errors quickly and efficiently, often while they are still online. For many employers, using the Internet Service will simply be a part of the payroll or accounting software they already use.

Software suppliers who are interested in developing compatible software can see details of the technical specifications at:
http://www.inlandrevenue.gov.uk/ebu/pay_e_techpack/index.htm

We are encouraging employers to use the Internet service by offering incentive payments for all employers who use the Internet to send in their 2000/2001 PAYE end of year returns, and make at least one electronic payment of tax for that year on time.

Regulations are now in force covering these incentive payments. You can access the Statutory Instrument 56 of 2001 "The Income Tax (Electronic Communications) (Incentive Payments) Regulations 2001" at <http://www.inlandrevenue.gov.uk/si/index.htm>

3.5 Forms P38(S)

Student employees forms P38(S) are not available to be sent electronically with the end of year return forms (P35, P14 and P38A) by the PAYE Internet service or Electronic Data Interchange. Employers are still required to send paper forms of the P38(S) to their appropriate Inland Revenue office at the same time as they send their form P35.

3.6 PAYE – Electronic Data Interchange

Forms P35 and P38A have now been added to the range of forms within the EDI service.

The updated Message Implementation Guide (MIG) version 3.2, which includes these forms, can be obtained from the Inland Revenue website at: http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm

To register to use these forms, or to resolve any questions you have, please contact the Electronic Business Unit on 0845 60 55 999.

3.7 Working Families' Tax Credit (WFTC) and Disabled Persons' Tax Credit (DPTC)

We are working on an updated version of "An employer's guide to tax credits – WFTC and DPTC", first published in December 1999. While there have been no substantive changes to the scheme for paying tax credits through the payroll, the updated version of the guide will include some of the most frequently asked questions since the scheme was introduced in April 2000.

Copies of the revised guide will be available from mid-May from the Employer's Orderline on 0845 7 646 646.

3.8 SSP/SMP Technical Specifications

Following consultation with the payroll software industry, the Inland Revenue has agreed to develop a technical specification for Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP). These specifications will be available on the Inland Revenue's website at: <http://www.inlandrevenue.gov.uk/> within the "Technical Specifications" page of the e-business by 4th May 2001.

3.9 National Minimum Wage

The main rate will rise from £3.70 to £4.10 an hour on 1 October 2001. There will be a further increase to £4.20 an hour on 1 October 2002, subject to the economic conditions at the time. The Government will make an announcement about the young person's rate on receipt of the recommendations in volume two of the Low Pay Commission's report, expected in May.

Up to the minute information about the minimum wage can be obtained from the help line on 0845-6000-678 or by visiting the DTI's minimum wage website at <http://www.dti.gov.uk/er/nmw>. Interactive guidance is available from <http://www.tiger.gov.uk>

3.10 Agencies

In his report to Parliament in March 2000 Lord Haskins highlighted the high compliance costs associated with joiners and leavers. These are a particular problem for employment agencies because of the number of temporary workers on the payroll. IR have conducted a review and established that the form P46 routines are not being operated correctly. Paragraph 28 of The Income Tax Employments Regulations SI 1993 No. 744 stipulates that a form P46 is sent to the Revenue when payments of emoluments are made.

Some employment agencies are sending forms P46 to IR as soon as an applicant has signed-on with them and long before any employment begins or payment of salary is made. This procedural mistake is causing problems for IR and considerable additional paper work and effort for agencies who have to handle subsequent correspondence from IR as we try to sort out the resulting mess from creating a tax coding record when one isn't due or necessary. As a result of this IR will: -

- issue forms P6/P9 Notices of coding,
- ask for leaving information when details of the next employment are notified, and also
- request an end of year return P14.

Could you please ensure that payroll software programs only generate a P46 for despatch to IR when the individual has been allocated a job and wages/salary are accruing. This applies both to the generation of a paper record and to the transmission of information by Electronic Data Interchange (EDI) and from June 2001 Internet.

A further problem arises when the period of agency employment finishes and a form P45 is not prepared. IR accepts that it is sometimes difficult for the agency to know whether a further appointment will follow and consequently often delay preparation and submission of form P45. This means that the P45 is never prepared and sent to IR and as a result we continue to hold a live taxpayer record. It is suggested that arrangements are made to cleanse agency payroll systems quarterly and where they has been no payment in the previous quarter a form P45 is prepared and submitted in the usual way. It may be easier for the agency if the payroll software automatically generates this quarterly review and you may wish to look at this aspect. The alternative would be for the strict interpretation of the Regulations to apply and for forms P45 should be submitted as soon as the employment ceases.

Finally agencies often have great difficulty with the NINO. The Employer Helpcard CWG1 card 3 tells the employer what to do when an employer can't find a National Insurance number.

To support this initiative we included an article in the September 2000 edition of the Employer Bulletin asking employers to submit forms P46 at the correct time. We will be following this up by contacting employment agencies and offering support from the Business Support Teams. These teams will offer to visit agencies and explain how the procedures should work and outline how much extra work is being generated at the moment. In the meantime IR would welcome your help in ensuring that payroll software is interpreting the Regulations correctly.

3.11 Error in Statutory Maternity Pay Tables, CA36 for April 2001

There is an error in Column 3 of Pages 5 and 6 of the April 2001 edition of the SMP Tables CA36 and CA36(SD).

Do **NOT** use the date shown in column 3 as the latest start date for the 26 weeks continuous employment test. The date currently shown in Column 3 is the Sunday after this date.

For example the latest start date for a woman with an Expected Week of Confinement of 25/02/01 to 03/03/01 is actually Saturday 27/5/00 **NOT** Sunday 28/05/00.

Inland Revenue apologise for this error. Correct Pages 5 and 6 are being printed and will be sent out to every employer who has ordered or will order the CA36 and CA36(SD) from the Employers Orderline. The pdf version of this material on the Internet will also be corrected as soon as possible.

3.12 Tax/NICs Alignment

From 6th April 2001 employers do not have to pay Class 1 NICs where they:

- pay for, reimburse or provide a voucher giving entitlement to workplace parking for a car, motor cycle or cycle
- pay or provide non-cash vouchers to car sharers where the conditions for tax relief in Extra Statutory Concession (ESC) A66 are met
- provide a non-cash voucher to cover
 - use of a works bus service
 - loan of a bicycle or cycle safety equipment
 - travelling and subsistence when public transport is disrupted and the conditions for tax relief in ESC A58 are met
 - transfers from or to the mainland by workers on offshore oil and gas rig platforms where the conditions for tax relief in ESC A65 are met
 - late night journeys exempt from income tax by ESC A66
- reward an employee for a suggestion and the conditions for tax relief in ESC A57 are met
- provide a long service award and the conditions for tax relief in ESC A22 are met.

Also from 6th April 2001:

If personal incidental expenses are paid to employees who have to stay away from home overnight on business, employers will need to add the various elements of the payment together for NICs, just as is done for tax, to determine whether the total is within the limits for exemption.

If an employee is sent to work abroad, employers can exclude from NICs

- the cost of journeys from the employee's home in the UK to the place of work abroad and return journeys home
- the cost, where the employee works abroad for 60 days or more, of up to 2 journeys a year by a spouse and children to visit or accompany the employee and up to 2 return journeys

This applies even if the employee's earnings are not chargeable to UK tax.

The cost of similar journeys made by an employee and his family, where the employee is seconded from abroad to work for an employer in the UK, may also be excluded from NICs. Please look at paragraphs 7.8 and 7.9 of Booklet 490.

Further information

More detail about these payments is given in:

The Employer's Further Guide to PAYE & NICs (leaflet CWG2 (2001))
Expenses and Benefits - A tax guide, booklet 480
Employee Travel, A Tax and NICs Guide for Employers, booklet 490

Class 1A National Insurance on benefits in kind – booklet CWG5(2000), Issue 2

Tax, National Insurance Contributions and Green Travel, leaflet IR176

These are available from the Employer's Orderline on 0845 7 646 646. Or you can download them from our website at:

<http://www.inlandrevenue.gov.uk/employers/download.htm>

Extra-Statutory Concessions, booklet IR1 is available from our website at: <http://www.inlandrevenue.gov.uk/leaflets/c13.htm>

4. Next issue of these notes

The next issue of these notes is scheduled for November 2001 following the Chancellor's Pre-Budget announcement.

5. **Mailing List for these 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 Notes for Payroll Software Developers”,
PO Box 1460,
Bristol BS99 3NW.**

Or you can email: irnotes@reply.co.uk

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 whose number is **0845 7 143 143**

Please note, that EBU cannot deal with change of mailing address information, which 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 “2001/2002” against “Income Tax Years” and “18/05/2001” against Date from which effective”.

Symbol	Value
B1	1880
B2	27520
C1	1880
C2	29400
K1	188.00
K2	6242.40
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 5” have been made.

Test Data – 2001/2002, Which Will Take Effect On 18 May 2001

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

CUMULATIVE SUFFIX CODES

(Code 453L)

WEEK NUMBER	GROSS PAY	PAY ADJUSTMENT	TAXABLE PAY	RESULTS PER SPECIFICATION
9	2808.00	785.61	2022.39	405.79
29	2899.89	2531.41	368.48	36.80

MONTH NUMBER

(Code 319T)

4	12515.75	1066.36	11449.39	2740.40
10	9141.40	2665.90	6475.50	1236.49

(Code K255)

5	6023.66	1066.25	7089.91	1465.57*
8	32799.98	1706.00	34505.98	10123.60*

*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 18 May

First make sure you have a deductions working sheet (P11 or equivalent) for every employee. If you take on a new employee before 18 May 2001, refer to the Employer's Help Cards, Card 6.

Then apply any tax codes that we send to you on forms P6(T) dated 5 May or earlier.

Finally put to one side any deductions working sheets for employees leaving before 18 May (even if, because of 'lying time' the last wages payment will be made after 18 May). Take no further action with these in connection with this leaflet.

What you must do on the first pay day after 17 May

Budget changes

Apply Budget changes from week 7 or the first pay day after 17 May 2001

use

- any Budget-increased tax codes dated 6 May 2001
- the reprinted Employer's Help Cards in your Budget Pack
- the new tax tables in your Budget Pack

scrap

- the earlier versions of the reprinted Employer's Help Cards
- Tax Tables SR + B to D (May 2000)

continue to use

- Pay Adjustment Tables A (1993 issue).

There is no change to

- the PAYE threshold (starting point), which remains at £87 per week (£378 per month)
- the emergency code, which is still 453L.

Employees with a new tax code on form P6(T) or electronic equivalent dated 6 May 2001

- Use the tax code shown on any P6(T) dated 6 May. (We will not send you any tax code notices between 7 May and 26 May 2001.)
- Copy the tax code onto the deductions working sheet.

Employees without a new tax code on form P6(T) or electronic equivalent dated 6 May 2001

- 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 P11 deductions working sheet.
- For codes with suffix A and H – increase as follows.

- Add 18 to any tax code ending in A.
For example old tax code 554A becomes 572A.
- Add 36 to any tax code ending in H.
For example old tax code code 654H becomes 690H.

There is no increase for codes with suffixes L, P, T, V and Y.

- Enter the increased codes on the employees' deductions working sheets.
- If any tax code was on a 'week 1' or 'month 1' basis before you increased it as above, continue to use 'week 1' or 'month 1' for the increased code.
- Use the increased codes from week 7 or the first pay day after 17 May 2001.

What you may have to do after 17 May

If a new employee starts before 24 May 2001 with a P45 showing a date of leaving in the tax year 2000-2001

- refer to the Employer's Help Cards, Card 6.

If a new employee starts after 17 May and before 14 June 2001 with a P45 showing a date of leaving in weeks 1 to 6 of 2001-2002

- increase codes with an A or H suffix in line with the instructions above
- enter the Budget increased tax code to the left of the old code at item 6 on the P45.

In all other cases where the P45 shows a date of leaving in 2001-2002

- use the code on the P45
- do not increase it.

If you get a tax code notice dated on or after 27 May for any employee

Use the tax code on the notice from the next pay day in the normal way. It will already include any Budget increase.

If you use payroll software

If you buy in software, make sure that you have an updated 2001–2002 program.

If you do your own reprogramming you must use Inland Revenue Notes for Payroll Software Developers Series 10 Number 5. If you are on our 'Notes' register you should have had these in March. 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

To get future copies of the Notes

- register at irnotes@reply.co.uk, or
- send your name and address to:

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Notes for Payroll Software Developers
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