

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

**SERIES 10 – NUMBER 9**

**17 April 2002**

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## 1. Income Tax changes affecting PAYE

### 1.1 Summary of changes: April 2002 Budget

In his Budget statement on 17 April 2002 the Chancellor of the Exchequer proposed changes to the income tax bandwidths and certain allowances.

The rates of tax and bandwidths for 2002-2003 are as follows:

Starting Rate	10% - up to £1920
Basic Rate	22% - £1,921 to £29,900
Higher Rate	40% - over £29,900

### 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 2002) are to be brought into use with effect from 18 June 2002.

There will be a general uplift of codes with a suffix "A" and "H". Full instructions will be issued to employers on form P7X(2002), a copy of which is given at Annex C of these Notes. Instructions covering codes with the suffix "L", "A" and "H" were issued to employers in February on form P9X(2002). The P7X increases to "A" and "H" suffix codes are *further* uplifts. There is no further general uplift for codes with an "L" 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 2002-2003 codes as follows:

"A" suffix code – increase by 2 e.g. code 580A becomes 582A  
"H" suffix code – increase by 4 e.g. code 698H becomes 702H

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 2002 remains at £89 per week (£385 per month) as advised in the Series 10 – Number 7 Notes.

**The code for emergency use** with effect from 6 April 2002 is 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 18 June 2002.

**Annex C** shows a copy of form P7X(2002) 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 May 2001. 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 Changes to National Insurance Contributions

The Chancellor has announced that with effect from April 2003 there will be changes to National Insurance contributions. To avoid having to involve the employer in two different deductions on the same income we intend to add this additional 1per cent to the relevant rates of National Insurance and reflect the new composite rate in the various NI tables. The effect of these changes are set out in the table below:-

<b>Thresholds and Rates</b>	<b>2002-03</b>	<b>2003-04</b>
Primary threshold	£89 a week	£89 a week
Secondary threshold	£89 a week	£89 a week
Employees' primary Class 1 rate on earnings between the Primary Threshold and the Upper Earnings Limit	10%	11%
Employees' primary Class 1 rate on earnings above the Upper Earnings Limit	-	1%
Employers' secondary Class 1 rate on earnings above the Secondary Threshold	11.8%	12.8%

The impact of this change is

- The rate of employer National Insurance (Class 1 secondary NICs) will be increased by 1per cent.
- The primary contributor (the employee) will continue to pay primary NICs on earnings between the Primary Threshold and the Upper Earnings Limit (UEL). The rate of employee National Insurance (Class 1 primary NICs) deducted from earnings up to the UEL will be increased by 1per cent. All earnings above the UEL will now attract a 1 per cent charge.
- Income which attracts Class 1A or Class 1B National Insurance contributions will similarly attract the increase in the secondary Class 1 National Insurance rate. As stated earlier, for ease of calculation for the employer the 1 per cent will be added to the relevant rates of National Insurance.

- The additional 1 per cent on earnings above the UEL will be calculated in the same fashion as all Class 1 NICs, and the same earnings period rules will apply.
- The primary and secondary thresholds will be frozen at £89 in 2003-04.
- There will be no separate accounting arrangements for the additional charge.
- The additional NICs payable by employees on earnings above the UEL will give no entitlement to any increased contributory benefit entitlement.

#### 2.1.1 Statutory Paternity Pay (SPP) and Statutory Adoption Pay (SAP)

The P14 for 2003/04 will include two new fields for SAP and SPP. Employers will be required to enter the amount of SAP or SPP paid in the year.

#### 2.1.2 NI Rebate

In order to make National Insurance contributions less confusing for employees who are members of contracted-out occupational pension schemes it has been decided to remove the NIC rebate boxes (currently boxes 1f and 1g/1h) from the P14 and net the rebate-off against the NI paid. The relevant NI tables will be revised to only show the net amount. Software will need to be additionally revised to allow for a minus NICs payment in respect of people whose income in the pay period is between the LEL and the Earnings Threshold. There will be a new entry on the P14 for the entry of 'M' in those circumstances where the employer NICs is a minus amount and a rebate is due.

The new layout will be introduced for 2003/04 and the tables will be available from the Orderline in January 2003.

#### 2.1.3 Changes to P14 2003/04

Shown above are a number of items which impact on the P14 for 2003/04. In summary these are

- Removal of the NIC rebate boxes
- Additional fields for SAP and SPP
- Entry of a minus amount of employer NICs.

To support these changes we intend to publish the following:

- Revised NI Guidance for Software Developers. This will only deal with the calculation of NICs – June 2002
- CA51/52 Submitting Year End Returns on Magnetic Media, A Technical Guide for 2003/2004 – September 2002

(The P14 will continue to require the recording of earnings up to the UEL spread across the three columns as now. We are hoping to avoid any need to record earnings above the UEL. Details of P14 recording requirements for 2003/2004 will be published in the IR Notes for Software Developers – September 2002).

- The PDF version of the 2003/04 forms P14 and P60– September 2002

In addition, we will:

- Send the 2003/04 RD1 Specification booklet to those who design substitute P14/P60 stationery – December 2002
- Provide samples of the new stationery to enable you to test your software – February 2003 from the Employer Orderline
- Provide test data on the IR web site to enable you to check your software changes - Autumn 2002
- Incorporate these changes into the IR Payroll Standard – December 2002 in respect of software for use in 2003/04

## 2.2 Car Fuel Scale Charge

### 2.2.1 The level of charge for 2002/03

The scale charges of taxable benefit on fuel provided for private motoring in company cars are increased by 16% for 2002/03

<b>Cars having a cylinder capacity</b>	Petrol £	Diesel £
1400cc or less	2240	2850
1401cc to 2000cc	2850	2850
More than 2000cc	4200	4200
<i>Cars not having a recognised cylinder capacity: £4200</i>		

This completes the Chancellor's 5-year programme of increases in fuel scale charges over and above increases in pump prices, announced in his 1998 Budget.

### 2.2.2 New Fuel Scale Charge for 2003/04

The Chancellor has announced that with effect from April 2003 the fuel scale charge will be linked directly to the car's CO<sub>2</sub> emissions. The same percentage figure used to calculate the car benefit charge for the company car will also be used to calculate the new fuel scale charge. The appropriate percentage is based on the level of CO<sub>2</sub> emissions of the car and also takes account of supplements for diesels and discounts for alternative fuels.

The relevant percentage figure will be multiplied by a set figure for the tax year. The amount of this set figure for 2003-2004 is £14,400.

**Also, from April 2003 to make it easier for employees to opt out of free fuel, the charge will be proportionately reduced where an employee stops receiving free fuel part way through the year. But, to deter employees from opting out and in repeatedly, provision is made that should an employee opt back into free fuel at any time in the same tax year that he has previously given it up a full year's charge will apply.**

## **Examples**

1. Employee A is provided with a company car throughout 2003-2004. The car was first registered on 1 March 2002 and has an approved CO<sub>2</sub> emission figure of 187. Free fuel is available from the start of the tax year, but is withdrawn on 5 June 2003.

Fuel benefit charge for 2003/04 is  $£14,400 \times 21\% \times 61/365 = £505$

2. Employee B is provided with a company car from 1 September 2003, the date of registration of the car. The car, which is still available on 6 April 2004 has an approved CO<sub>2</sub> figure of 140. Free fuel is provided from day 1 of the car's availability, but the employee decides to hand back his fuel card on 15 October 2003. He then asks for, and has, the fuel card re-instated from 4 January 2004 and continues to use free fuel for private motoring.

Fuel benefit charge for 2003/04 is  $£14,400 \times 15\% \times 217/365 = £1284$

NB. The fuel benefit charge is apportioned by reference to the car's availability but not in relation to the gap between 15 October to 4 January when free fuel is provided because the employee had opted back into free fuel having previously opted out.

3. In 2003/04 Employee C is provided with company car 1 from 6 April 2003 to 21 July 2003. Company car 2 is then available from 22 July 2003 to 5 April 2004. Cars 1 and 2, both petrol cars, have approved CO<sub>2</sub> figures of 225 and 193 respectively. Employee C is provided with free fuel in car 1 from 6 April 2003 but opts out on 31 May 2003. He then resumes receiving free fuel in car 2 from 1 February 2004.

Fuel benefit charge for 2003/04 is;	Car 1	$£14,400 \times 29\% \times 107/365 =$	£1224
	Car 2	$£14,400 \times 22\% \times 258/365 =$	£2239
		Total	£3463

NB. The fuel benefit charge is calculated by reference to the availability of the 2 cars. There is no reduction available for the period 1 June 2003 to 28 February 2004 when free fuel was not available.

### **2.3 Vans available for private use**

The Chancellor announced 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 employee's private use. The aim is to introduce a new system that is more environmentally geared and in tune with modern working practices. The review will look at

- The definitions of cars and vans, seeking clarity for vehicles that are close to the borders
  - The differing value of private benefit provided by available vehicles
  - Bringing the tax charge in line with other environmental taxes.
- We will provide more details as soon as they are available.

## 2.4 Subsidised public bus services

Since April 1999 employers have been able to support public transport services, generally bus services, to ensure they offer the services required by employees. But the tax exemption only applied if employees pay the same price for tickets on the buses as other passengers. The Chancellor has now announced an extension to the existing arrangements regarding subsidising public bus services. With effect from April 2002 where the employer subsidises local bus services to enable employees to travel at reduced cost or for free on those services, no tax or NICs charge arises on the cost to the employer of that subsidy.

## 2.5 Authorised Mileage Allowance Payments (AMAPS)

*Treatment of mileage expenses for NIC purposes.*

In the November (Series 10, number 7) edition of the Notes we told you about planned changes to the NICs treatment of mileage expenses paid to employees who use their own vehicles for business travel. Paragraph 2.1 explained that the new scheme had taken into account responses received during consultation and the changes were awaiting Parliamentary approval. A response to the consultation and the new NIC regulations can be found on our website at [www.inlandrevenue.gov.uk/consult\\_new/mile-regs-response.pdf](http://www.inlandrevenue.gov.uk/consult_new/mile-regs-response.pdf)

The regulations introducing this new statutory NICs scheme were laid on the 13 February 2002 and came into force on the 6 April 2002. Although the changes were only planned at the time the November Notes were issued, the regulations were approved without amendment. This means that there are no changes to tell you about now. In addition to the guidance we gave about the new scheme in the November edition of the Notes, full guidance on how the new scheme works has been included in the 2002 editions of booklet 490, Employee travel - A Tax and NICs Guide for Employers and the 2002 issue of leaflet CWG2, Employers Further Guide to PAYE and NICs.

One issue that we have been asked to confirm is whether all of the business miles travelled by an employee should be included in the NIC calculations, even though some employers restrict the number of business miles that they pay. The new NICs motoring expenses scheme requires employers to use all business miles travelled by the employee. The same applies to the new Approved Mileage Allowance Payment Scheme (AMAPS) introduced for tax. Employers must, however, ensure that for NICs they include non-reimbursed miles in the relevant earnings period.

## 2.6 Mileage Allowance Relief Optional Reporting Scheme (MARORS)

Queries we have received indicate that there is some confusion about the reporting requirements where the employer reimburses business motor mileage allowances, for use of own vehicle for business purposes, at a rate that is less than the statutory rate.

There is no statutory requirement for employers to report negative amounts in respect of mileage allowances paid to employees for business travel in their own vehicles; that is where the mileage allowance paid is less than the approved mileage allowance payments. That means 'negative' amounts must not be reported on forms P11D. Employers may, though, if they wish, make a return on these 'negative' amounts under a new voluntary arrangement called Mileage Allowance Relief Optional Reporting Scheme (MARORS). The negative amount effectively represents the difference between the amount that could have been paid tax free under the new statutory mileage scheme and the lesser amount paid by the employer. The new MARORS arrangements are very similar to the Car Allowance Enhanced Reporting Scheme (CAERS) arrangements where the last return is for the year 2001/02 due by 6 July 2002. The MARORS arrangements will be set out in the EEC1 Booklet 'Expenses and Benefits Returns on Magnetic Media' for 2002/03 which will be published in the autumn'02.

## 2.7 Extract of Form P11D for 2002/03

In order to help you to re-programme software, the elements of the P11D that will require an entry in respect of mileage allowances paid above the maximum exempt rates, (Section E) and the provision of a company car (Section F), we are publishing the changes in a draft version of the 2002-2003 P11D at **Annex D**. The final full version of the Return of Benefits in Kind (form P11D) for 2002/03 will be published in the September 2002 edition of Notes. Remember there is no provision for negative amounts to be returned on the P11D.

In early Summer this year, we also hope to publish on the IR Website, an interactive version of the 2002-2003 P11D WS2; the Working Sheet for calculating company car benefits, together with a new P11D WS6 for calculating mileage allowances in excess of the maximum exempt rates. In the longer term we are looking at the possibility of making a fully interactive company car tax calculator available on our website.

## 2.8 Cyclists breakfasts

And finally, don't forget that from April 2002 an employer can provide breakfast for cyclists on 6 designated 'cycle to work' days per year entirely tax and NICs free.

## 2.9 Measures to help employers with payroll administration

In June 2001 the Government asked businessman Patrick Carter to undertake a review of payroll services. His review was published in November 2001 and Ministers invited comments on the detail of the review's recommendations. The proposals announced in the Budget implement the review's key recommendations.

### 2.9.1 Main proposals

The main proposals are:

- the introduction of cash incentives for a five year period starting from 2004/05 to encourage small employers (with fewer than 50 employees) to file their end of year returns with the Inland Revenue electronically
- moving on a phased basis towards universal electronic filing of end of year returns
- substantial improvements in the support services the Inland Revenue offers to employers.

### 2.9.2 Cash incentives

Employers (including pension payers) with fewer than 50 employees (or pensioners) who successfully file their end of year returns with the Inland Revenue electronically for a tax year will be entitled to the cash incentives as shown in the table below.

End of Year	2004/05	2005/06	2006/07	2007/08	2008/09
Incentive £	250	250	150	100	75

Employers who meet the requirements will receive the incentive for any year they file electronically. Employers do not have to start filing electronically for the year 2004/05 to qualify for the incentives for the later years.

Employers who already file by the Internet Service for PAYE or EDI will also qualify for the cash incentives provided they meet the requirements set out above.

### 2.9.3 Electronic filing

Employers (including pension payers) will be required to file their end of year returns electronically from the following tax years:

- 2004/05 - employers with 250 or more employees
- 2005/06 - employers with 50 or more employees (but fewer than 250)
- 2009/10 - employers with fewer than 50 employees.

This means employers will have to file forms P35 and P14 electronically using software that meets the Inland Revenue standard. These quality standards will be incorporated in the Inland Revenue Payroll Standard. "Electronically" means filing using the Internet Service for PAYE or "Electronic Data Interchange" (EDI), it does not include filing by magnetic media. Employers will not be required to file other forms (such as forms P11D, P45 and P46) electronically at this stage although the Inland Revenue encourages all employers to do as much of their business electronically as possible.

The Carter Review proposed that incentive payments should be made to the intermediary – such as a payroll bureau - where an employer used one to file the end of year return. The Government is giving further consideration to this proposal and an announcement will be made at a later date.

#### 2.9.4 Liaison with software developers

The Inland Revenue will be working closely with software developers on ways of embedding more validation rules into software so that more data passes Revenue checks first time. The current charge for testing software will be removed. Further details on the timetable for removing the charge and on consulting with software developers will be announced later.

#### 2.9.5 Support

Employers will also need specific support in making the move to using electronic business. The Employers Helpline and Business Support Teams will have a role in providing this support as well as the current support offered by the Electronic Business Unit.

#### 2.9.6 Contact Point

Ian Atkin Business Services: e mail: [Ian.Atkin@ir.gsi.gov.uk](mailto:Ian.Atkin@ir.gsi.gov.uk) tel 020 7438 7201,

#### 2.10 Employees starting and leaving during week 11 (month 3) 2002-03

As the code and Tax Table changes in this year's Budget take effect part-way through week 11/month 3 (18 June) some employers may be hesitant about what to do with employees leaving in that week or new employees with a P45 showing a date of leaving in week 11. Guidance on this subject is contained within the form P7X and also in a Q & A article in the Employers Bulletin, both issued with the Employers Budget Pack.

When a new employee with a P45 showing a date of leaving between 6 April – 17 June 2002 is taken on between 18 June 2002 and 19 July 2002 (both dates inclusive), software developers may find that the use of tax week numbers remains an effective way of checking the P45 and deciding whether to uplift codes with a suffix "A" or "H". Here is the proposed way to do this:

**Weeks 1-10 on P45**                    - check against old Tax Tables in the usual way  
**Week 11 on P45**                    - check against both old and new Tables

There is a match against the tax due using old Tables

- Increase codes with suffix "A" or "H"
- Enter the amended code at item 6 on Part 3 of the P45

There is a match against the tax due using new Tables

- Use the code and tax details on the P45

There is no match against either the old or new Tables

- Use the code on the P45
- Enter the figure of tax due at item 13 on Part 3 of the P45

**Week 12 onwards**                    - check against new Tables

**Months 1-2** = weeks 1-10

**Month 3**     = week 11

**Month 4**     = week 12

### 3. **Other Information**

#### 3.1 Form P35(2002) Employer's Annual Return

This form has now been finalised and an illustration can be found at:

[www.inlandrevenue.gov.uk/ebu/pnforms.htm](http://www.inlandrevenue.gov.uk/ebu/pnforms.htm)

Changes include two additional boxes to reflect the new arrangements for limited companies who have deductions made from their subcontracting income under the rules of the Construction Industry Scheme. It is important to note that these changes have resulted in the boxes being numbered rather than lettered as in previous years.

This version will be sent to employers for their 2002-03 Employer's Annual Return and should also be completed by any employer ceasing in business during the 2002-03 tax year.

#### 3.2 CIS set off against liabilities arising as an employer and/or contractor

In the November 2001 issue of 'Inland Revenue Notes for Payroll Software Developers' we told you about a change in the treatment of subcontractors who have deductions made from their subcontracting income under the rules of the Construction Industry Scheme.

We provided a brief overview of how we thought this would operate and have since published further details on the Internet at the following address: [www.inlandrevenue.gov.uk/cis](http://www.inlandrevenue.gov.uk/cis) under the 'What's New?' section.

As this change affects a relatively small number of employers/contractors, we have tried to limit any changes made to general employer forms and procedures. In the November article we stated that this change would be limited to an extra box on the P35. However, when we came to design the form, it seemed better to have two extra boxes to accommodate this CIS related information.

Please see the article at section 3.1 above and **Annex E** of this edition for more information concerning the 2002-03 P35.

#### 3.3 Acceptable alternative National Insurance Number formats for PAYE forms

There are occasions when an employer for whatever reason cannot supply a valid National Insurance Number (NINO) for an employee. All the acceptable alternatives are detailed in the numerous technical specifications/packs available at: [http://www.inlandrevenue.gov.uk/ebu/softw\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/softw_index.htm) The formats vary depending on which service and forms are being used, therefore for ease of reference all the various alternatives are shown in the tables at **Annex F**

Additional information

- There is help available to employers if an employee's NINO is not known - this information can be found on the Inland Revenue website at <http://www.inlandrevenue.gov.uk/faqs/nicqemp.htm#ninoemp>

### 3.4 Tax Credits

#### 3.4.1 Transitional arrangements

The November 2001 edition of the IR Notes for Payroll Software Developers, (Series 10 - Number 7), included a technical specification for paying tax credit through the payroll from April 2003. From that date, two new tax credits, Working Tax Credit and Child Tax Credit, will replace the current Working Families' and Disabled Person's Tax Credits (WFTC and DPTC). Employers will pay the Working Tax Credit through the payroll but the Revenue will pay Child Tax Credit direct to claimants.

All WFTC/DPTC awards will end by Monday 7 April 2003. Subject to the necessary legislation being approved later this year, special arrangements will be put in place to ensure a smooth transition next April for both employers and tax credit claimants.

To allow employers time to adjust to the new system and to ease the transition to the Working Tax Credit, payments of WFTC/DPTC through the pay packet will gradually be phased out from 27 August this year. All awards in place before 27 August will be paid as normal for the first 26 weeks, but the Inland Revenue will make the remaining payments up to 7 April 2003. Awards beginning on or after 27 August will be paid direct by the Inland Revenue throughout.

As WFTC/DPTC awards always run from a Tuesday to a Monday, this means that the last award period for which employers will pay WFTC/DPTC will run from 20 August 2002 to Monday, 17 February 2003. Employers – including those who pay wages and tax credits in arrears - should therefore be able to make their last WFTC/DPTC payment by 5 April 2003. Unlike WFTC/DPTC, Working Tax Credit awards could begin on any day of the week. The earliest that an employer could have to start paying Working Tax Credit to an employee is 18 May 2003 (after a 42-day notice period beginning on 6 April 2003). **So it is not necessary for designers to prepare payroll software to handle an overlap of WFTC/DPTC and Working Tax Credit in the 2003-04 tax year.**

#### 3.4.2 Amendment notices from April 2003

As explained in the November 2001 *Notes*, the new tax credits system is designed to respond to changes in claimants' circumstances during the year. This means that we may need to amend in-year the amount of tax credit we ask employers to pay to an employee. As changes may occur partway through a pay period, payroll software needs to be able to calculate and pay tax credit at more than one daily rate within one pay period.

In theory it is possible that we may need to ask an employer to amend the daily rate of tax credit for a particular employee several times in a single pay period. Such cases will be rare, but we do not want payroll software to have to be designed to cope with an unlimited number of amendments in one pay period. So we intend to make clear in our guidance to employers that we will not expect them to action more than two amendment notices relating to one employee in a single pay period. This means that once they have received two amendment notices relating to the same employee in one pay period, they will not be

expected to action any subsequent amendment notice relating to that employee in the same pay period.

If they receive a third amendment notice in the same pay period, they will be able to contact the Tax Credit Office, who will arrange direct payment of the tax credit for the remainder of the pay period concerned. **So payroll systems do not need to cater for more than three different daily rates of tax credit to an employee in a single pay period.**

### 3.5 Statutory Payments

#### 3.5.1 **Technical Specification on Statutory Maternity Pay (SMP) for women expecting a baby on or after 6 April 2003**

This specification is now available at

[www.inlandrevenue.gov.uk/e bu/e bu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/e bu/e bu_paye_ts.htm)

**Please note** this specification does **not cover the current rules** of the SMP scheme, but the changes that will apply to women with an Expected Week of Childbirth on or after 6/4/03. **NB** A woman expecting a baby on or after 6 April 2003 could give birth prematurely as early as the end of November 2002.

**At this time, the changes to the SMP scheme are still subject to Parliamentary approval. As far as the Inland Revenue are aware this information reflects the current intentions of the Government. Should there be changes the Inland Revenue will inform you as soon as possible.**

A text summary giving more detail on what is changing and how the changes will be implemented is also available at

[www.inlandrevenue.gov.uk/e bu/e bu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/e bu/e bu_paye_ts.htm)

The expected values for the IR data, as far as these are known at the moment, are:

IR data			
	Description of data	Abbreviation used	Values
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SMP to arise	<b>LEL</b>	£75 from 6/4/2002. Not known from 6/4/2003
A2	The number of weeks an employee needs to be continuously employed	<b>Cont_Emp_weeks</b>	26
A3	The number of weeks in the Maternity Pay Period (MPP)	<b>MPP_weeks</b>	26
A4	Standard rate of SMP (this was previously known as the lower rate).  <b>NB</b> the Standard rate will no longer underpin the earnings-related rate for complete weeks in the MPP starting on or after Sunday 6 April 2003.  There are transitional rules affecting	<b>Standard_Rate</b>	£75 for weeks in the Maternity Pay Period (MPP) starting on or after Sunday 7 April 2002. £100 for weeks in the MPP starting on or

IR data			
	MPPs spanning 6/4/03.		after Sunday 6 April 2003
A5	Small Employer Threshold (field size set at 100 thousand just in case)	<b>SER_Threshold</b>	£40,000 for SMP payments made on or after 6 April 2002. Not known for SMP payments made on or after 6 April 2003
A6	Small Employer Recovery Rate	<b>SER_Recovery</b>	100%
A7	Small Employer Compensation rate	<b>Comp</b>	4.5% for SMP payments made on or after 6 April 2002. Not known for payments made on or after 6 April 2003
A8	Standard Recovery rate	<b>Standard_Recovery</b>	92%

### 3.5.2 *Technical Specification on Statutory Paternity Pay (SPP) where the baby is expected to be born on or after 6 April 2003*

This specification is now available at [www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

**At this time, the Statutory Paternity Pay scheme is still subject to Parliamentary approval. As far as the Inland Revenue are aware this information reflects the current intentions of the Government. Should there be changes the Inland Revenue will inform you as soon as possible.**

**Please note** that SPP will be available where the baby is expected to be born on or after 6 April 2003. There will also be some transitional arrangements where the baby is expected to be born before 6 April 2003, but is actually born on or after 6 April 2003. **NB** A baby that is expected to be born on or after 6 April 2003 could be born prematurely as early as the end of November 2002.

A text summary giving some basic information on the SPP scheme for parents of new-born babies and how it will be implemented is also available at [www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

The expected values for the IR data, as far as these are known at the moment, are:

IR data			
	Description of data	Abbreviation used	Recommended Field size
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SPP to arise	<b>LEL</b>	£75 from 6/4/2002. Not known from 6/4/2003

IR data			
A2	The number of weeks an employee needs to be continuously employed	<b>Cont_Emp_weeks</b>	26
A3	The number of weeks in the Paternity Pay Period (PPP) (field size set in double figures just in case)	<b>PPP_weeks</b>	2
A4	Standard rate of SPP  <b>NB</b> The earnings-related rate will not apply throughout PPPs starting before Sunday 6 April 2003.	<b>Standard_Rate</b>	£75 throughout Paternity Pay Periods (PPP) starting before Sunday 6 April 2003. £100 throughout PPPs starting on or after Sunday 6 April 2003
A5	Small Employer Threshold (field size set at 100 thousand just in case)	<b>SER_Threshold</b>	£40,000 for SPP payments made on or after 6 April 2002. Not known for payments made on or after 6 April 2003.
A6	Small Employer Recovery Rate	<b>SER_Recovery</b>	100%
A7	Small Employer Compensation rate	<b>Comp</b>	4.5% for SPP payments made before 6 April 2003. Not known for payments made on or after 6 April 2003
A8	Standard Recovery rate	<b>Standard_Recovery</b>	92%

### 3.5.3 *Technical Specification on Statutory Paternity Pay (SPP) where a child is matched for adoption on or after 6 April 2003*

This specification is now available at

[www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

**At this time, the Statutory Paternity Pay scheme is still subject to Parliamentary approval. As far as the Inland Revenue are aware this information reflects the current intentions of the Government. Should there be changes the Inland Revenue will inform you as soon as possible.**

**Please note** that SPP will be available where a child is matched for adoption on or after 6 April 2003. There will also be some transitional arrangements where a child is matched before 6 April 2003 but is placed on or after 6 April 2003.

A text summary giving some basic information on the SPP scheme for parents of children placed for adoption and how it will be implemented is also available at [www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

The expected values for the IR data, as far as these are known at the moment, are:

IR data			
	Description of data	Abbreviation used	Recommended Field size
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SPP to arise	LEL	£75 from 6/4/2002. Not known from 6/4/2003
A2	The number of weeks an employee needs to be continuously employed	Cont_Emp_weeks	26
A3	The number of weeks in the Paternity Pay Period (PPP) (field size set in double figures just in case)	PPP_weeks	2
A4	Standard rate of SPP	Standard_Rate	£100 for weeks of SPP starting on or after Sunday 6 April 2003
A5	Small Employer Threshold (field size set at 100 thousand just in case)	SER_Threshold	Not known for SPP payments made on or after 6 April 2003
A6	Small Employer Recovery Rate	SER_Recovery	100%
A7	Small Employer Compensation rate	Comp	Not known for payments made on or after 6 April 2003
A8	Standard Recovery rate	Standard_Recovery	92%

#### 3.5.4 *Technical Specification on Statutory Adoption Pay (SAP) where a child is matched for adoption on or after 6 April 2003*

This specification is now available at

[www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

**At this time, the Statutory Adoption Pay scheme is still subject to Parliamentary approval. As far as the Inland Revenue are aware this information reflects the current intentions of the Government. Should there be changes the Inland Revenue will inform you as soon as possible.**

**Please note** that SAP will be available where a child is matched for adoption on or after 6 April 2003. There will also be some transitional arrangements where a child is matched before 6 April 2003 but is placed on or after 6 April 2003.

A text summary giving some basic information on the SAP scheme for parents of children placed for adoption and how it will be implemented is also available at [www.inlandrevenue.gov.uk/ebu/ebu\\_paye\\_ts.htm](http://www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm)

The expected values for the IR data, as far as these are known at the moment, are:

<b>IR data</b>			
	<b>Description of data</b>	<b>Abbreviation used</b>	<b>Recommended Field size</b>
A1	The Lower Earnings Limit for National Insurance Contributions purposes which is also the minimum level of average weekly earnings for entitlement to SAP to arise	<b>LEL</b>	£75 from 6/4/2002. Not known from 6/4/2003
A2	The number of weeks an employee needs to be continuously employed	<b>Cont_Emp_weeks</b>	26
A3	The number of weeks in the Adoption Pay Period (APP)	<b>APP_weeks</b>	26
A4	Standard rate of SAP	<b>Standard_Rate</b>	£100 for weeks in the Adoption Pay Period (APP) starting on or after Sunday 6 April 2003
A5	Small Employer Threshold (field size set at 100 thousand just in case)	<b>SER_Threshold</b>	Not known for SAP payments made on or after 6 April 2003
A6	Small Employer Recovery Rate	<b>SER_Recovery</b>	100%
A7	Small Employer Compensation rate	<b>Comp</b>	Not known for SAP payments made on or after 6 April 2003
A8	Standard Recovery rate	<b>Standard_Recovery</b>	92%

### ***Any Questions***

If you have any questions about these specifications e-mail the Work and Parents project at [Sarah.Percy@ir.gsi.gov.uk](mailto:Sarah.Percy@ir.gsi.gov.uk).

### ***3.5.5 Payroll Standard***

Paragraph 2.7 of the Payroll Standard states that accredited software must be able to record Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP). The next version of the Payroll Standard (released in June 2002) will include additional text to advise that accredited software must be able to **calculate** SSP and SMP from April 2003. The tests for accreditation will be based on the SSP and SMP technical specifications. Similar tests are currently available in the Additional Test Data document, which is available at [www.inlandrevenue.gov.uk/ebu/testdata.htm](http://www.inlandrevenue.gov.uk/ebu/testdata.htm)

Test data for Statutory Paternity Pay and Statutory Adoption Pay will be added to the Additional Test Data document in May. These tests will be based on the technical specifications mentioned earlier in this article.

IR are also planning to include these two new schemes in the Payroll Standard from April 2003 and further details will be included in the June 2002 version of the Payroll Standard.

For further information on the Payroll Standard, the accreditation scheme and test data please call the Payroll Support Unit on 0845 91 59146. The current version of the Payroll Standard is available from [www.inlandrevenue.gov.uk/ebu/payroll.htm](http://www.inlandrevenue.gov.uk/ebu/payroll.htm)

### 3.6 *Increase to the National Minimum Wage*

Following announcements made by the Government in March and June last year, the Secretary of State for Trade and Industry, Patricia Hewitt confirmed on 15 April that with effect from 1 October 2002 the minimum wage rates would be increased.

For workers aged 22 years and over it will increase from £4.10 to £4.20 per hour, and for workers aged 18-21 years, from £3.50 to £3.60 per hour.

The lower rate of minimum wage is called the development rate and also applies to workers aged 22 years and over, undertaking accredited training for the first six months of a new job.

Up to the minute information about the minimum wage can be obtained from the confidential helpline on 0845 6000 678 or by visiting the DTI's interactive website at [www.tiger.gov.uk](http://www.tiger.gov.uk)

### 3.7 *National Insurance Contributions – error correction*

Annex A of the Inland revenue Notes for payroll Software Developers issued in November 2001 showed the tax year as 2001. This should have been 2002. The employer's rate for mariners was also omitted. We apologise for any problems this may have caused and have included a revised annex with this edition at **Annex G**.

### 3.8 *Magnetic Media submission for End of Year 2001/2002*

Following publication of the CA51/52 technical specification in April 2001, an error has been identified in the validation notes relating to the ECON number in Record Type 1, Field 11.

The part of the notes relating to the format of the ECON number which reads 'characters 2 to 8 must be in the range 3000000 to 3900000' should in fact read '**characters 2 to 8 must be in the range 3000000 to 3999999**'.

The correct range was shown in the previous specification (2000/2001) and is correct in the specification recently published for 2002/2003.

### 3.9 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 2002/2003, the limit has been increased to £97,200. 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

### 4. Next issue of these notes

The next issue of these notes is scheduled for November 2002 following the Chancellor's Pre-Budget announcement.

### 5. Receiving future editions of these Notes by email

If you would prefer to receive future editions of the IR Notes for Payroll Software Developers by email, instead of a paper copy, please request this by email to the address below.

**Please make your request to: [irnotes@reply.co.uk](mailto:irnotes@reply.co.uk), remembering to include your email address and company name and address.**

### 6. 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](mailto: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.**

**SERIES 10 – NUMBER 9****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 “2002/2003” against “Income Tax Years” and “18/06/2002” against Date from which effective”.

Symbol	Value
B1	1920
B2	27980
C1	1920
C2	29900
K1	192.00
K2	6347.60
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 9” have been made.

**SERIES 10 – NUMBER 9****Test Data – 2002/2003, Which Will Take Effect On 18 June 2002**

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

CUMULATIVE SUFFIX CODES

(Code 461L)

WEEK NUMBER	GROSS PAY	PAY ADJUSTMENT	TAXABLE PAY	RESULTS PER SPECIFICATION
12	2808.00	1065.96	1742.04	330.07
29	2899.89	2576.07	323.82	32.30

MONTH  
NUMBER

(Code 319T)

4	12515.75	1066.36	11449.39	2708.79
10	9141.40	2665.90	6475.50	1232.50

(Code K255)

5	6023.66	1066.25	7089.91	1463.58*
8	32799.98	1706.00	34505.98	10060.39*

\*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.

## Tax codes to use from 18 June 2002

### What you should do before 18 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 18 June 2002, 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 1 June or earlier.

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

### What you must do on the first pay day after 17 June

#### Budget changes

Apply Budget changes on the first pay day after 17 June 2002

#### use

- any Budget-increased tax codes dated 2 June 2002
- the reprinted Employer's Help Books in your Budget Pack
- the new tax tables in your Budget Pack

#### scrap

- the earlier versions of the reprinted Employer's Help Books
- *Tax Tables SR + B to D (May 2001)*

#### 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 2 June 2002

- Use the tax code shown on any *P6(T)* dated 2 June 2002. (After 2 June 2002 no further tax code notices will be sent until 30 June 2002.)
- Copy the tax code onto the *Deductions Working Sheet*.

#### Employees without a new tax code on form *P6(T)* or electronic equivalent dated 2 June 2002

- 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*.
- For codes with suffix A and H – increase as follows.

- Add 2 to any tax code ending in A.  
For example old tax code 580A becomes 582A.
- Add 4 to any tax code ending in H.  
For example old tax code code 698H becomes 702H.

**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 the first pay day after 17 June 2002.

### What you may have to do after 17 June

#### If a new employee starts before 28 June 2002 with a *P45* showing a date of leaving in the tax year 2001-2002

- refer to part 4 of the Employer's Help Book, *Day-to-day payroll*, E13.

#### If a new employee starts after 17 June and before 19 July 2002 with a *P45* showing a date of leaving from 6 April 2002 to 17 June 2002 inclusive

- 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 2002-2003

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

#### If you get a tax code notice dated on or after 30 June 2002 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 2002-2003 program.

**If you do your own reprogramming** you must use Inland Revenue Notes for Payroll Software Developers Series 10 Number 9. 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.

**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 2002 to 5 April 2003. 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 2003. 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.

**Note to employee**

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 2002-03 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.

DRAFT

**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**

<b>A</b>	<b>Assets transferred (cars, property, goods or other assets)</b>	Cost/ Market value	Amount made good or from which tax deducted	Cash equivalent
	Description of asset <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	<b>1.12</b> £ <input type="text"/> <b>1A</b>
<b>B</b>	<b>Payments made on behalf of employee</b>			
	Description of payment <input type="text"/>	<b>1.12</b> £ <input type="text"/>		
	Tax on notional payments not borne by employee within 30 days of receipt of each notional payment	<b>1.12</b> £ <input type="text"/>		
<b>C</b>	<b>Vouchers or credit cards</b>	Gross amount	Amount made good or from which tax deducted	Cash equivalent
	Value of vouchers and payments made using credit cards or tokens	£ <input type="text"/>	£ <input type="text"/>	<b>1.13</b> £ <input type="text"/>
<b>D</b>	<b>Living accommodation</b>	Cash equivalent		
	Cash equivalent of accommodation provided for employee, or his/ her family or household	<b>1.14</b> £ <input type="text"/> <b>1A</b>		
<b>E</b>	<b>Mileage allowance payments</b>	Taxable payments		
	Car and mileage allowances paid for employee's own vehicle in excess of maximum exempt rates (See P11D Guide for 2002-03 exempt rates)	<b>1.15</b> £ <input type="text"/>		
<b>F</b>	<b>Cars and car fuel</b> <i>If more than two cars were made available, either at the same time or in succession, please give details on a separate sheet</i>			
		<b>Car 1</b>	<b>Car 2</b>	
	Make and Model	<input type="text"/>	<input type="text"/>	
	Date first registered	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/> / <input type="text"/> / <input 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 type="text"/> g/km <input type="checkbox"/>	<input 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 type="text"/> cc	<input type="text"/> cc	
	Type of fuel or power used <i>Please use the key letter shown in the P11D Guide (2003)</i>	<input type="text"/>	<input 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 2002-03</i>	From <input type="text"/> / <input type="text"/> / <input type="text"/> to <input type="text"/> / <input type="text"/> / <input type="text"/>	From <input type="text"/> / <input type="text"/> / <input type="text"/> to <input type="text"/> / <input type="text"/> / <input type="text"/>	
	List price of car <i>If there is no list price, or if it is a classic car, employers see booklet 480; employees see leaflet IR172</i>	£ <input type="text"/>	£ <input type="text"/>	
	Price of optional accessories fitted when car was first made available to the employee	£ <input type="text"/>	£ <input type="text"/>	
	Price of accessories added after the car was first made available to the employee	£ <input type="text"/>	£ <input type="text"/>	
	Capital contributions (maximum £5,000) the employee made towards the cost of car or accessories	£ <input type="text"/>	£ <input type="text"/>	
	Amount paid by employee for private use of the car	£ <input type="text"/>	£ <input type="text"/>	
	Cash equivalent of each car	£ <input type="text"/>	£ <input type="text"/>	
	<b>Total cash equivalent of all cars available in 2002-03</b>			<b>1.16</b> £ <input type="text"/> <b>1A</b>
	Cash equivalent of fuel for each car	£ <input type="text"/>	£ <input type="text"/>	
	<b>Total cash equivalent of fuel for all cars available in 2002-03</b>			<b>1.17</b> £ <input type="text"/> <b>1A</b>

**G Vans** Cash equivalent of all vans made available for private use **1.18** £ **1A**

**H Interest-free and low interest loans**  
*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.*

	Loan 1	Loan 2
Number of joint borrowers (if applicable)	<input type="text"/>	<input type="text"/>
Amount outstanding at 5 April 2002 or at date loan was made if later	£ <input type="text"/>	£ <input type="text"/>
Amount outstanding at 5 April 2003 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 2002-03— enter "NIL" if none was paid	£ <input type="text"/>	£ <input type="text"/>
Date loan was made in 2002-03 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 2002-03 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	<b>1.19</b> £ <input type="text"/> <b>1A</b>	<b>1.19</b> £ <input type="text"/> <b>1A</b>

**I Private medical treatment or insurance**

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

**J Qualifying relocation expenses payments and benefits**  
*Non-qualifying benefits and expenses go in N and O below*

Excess over £8,000 of all qualifying relocation expenses payments and benefits for each move **1.22** £  **1A**

**K Services supplied**

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

**L Assets placed at the employee's disposal**

	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"/>	<b>1.22</b> £ <input type="text"/> <b>1A</b>

**M Shares**  
 Tick the box if during the year there have been share-related benefits for the employee

**N Other items (including subscriptions and professional fees)**

	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"/>	<b>1.22</b> <input type="text"/> <b>1A</b>
Description of other items <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	<b>1.22</b> £ <input type="text"/>
Income tax paid but not deducted from director's remuneration			<b>1.22</b> <input type="text"/> Tax paid

**O Expenses payments made to, or on behalf of, the employee**

	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"/>	<b>1.23</b> £ <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"/>	<b>1.23</b> £ <input type="text"/>
General expenses allowance for business travel	£ <input type="text"/>	£ <input type="text"/>	<b>1.23</b> £ <input type="text"/>
Payments for use of home telephone	£ <input type="text"/>	£ <input type="text"/>	<b>1.23</b> £ <input type="text"/>
Non-qualifying relocation expenses (those not shown in sections J or N)	£ <input type="text"/>	£ <input type="text"/>	<b>1.23</b> £ <input type="text"/>
Description of other expenses <input type="text"/>	£ <input type="text"/>	£ <input type="text"/>	<b>1.23</b> £ <input type="text"/>



# P35 - Employer's Annual Return for

\*  
\*

Please return to:

Employer reference

Your reference

Inland Revenue office telephone no.

Accounts Office reference

## PAYE Income Tax, National Insurance contributions and related payments

This form will help you check you have made the right payments during the year. For guidance, see booklet E10 *Finishing the tax year up to 5 April 2003*. This is one of a range of booklets replacing the CWG1 help cards. Or you can contact your Inland Revenue office.

### You are required by law to

- complete and sign this form, and **send it in time to reach the Inland Revenue office by 19 May** following the end of the tax year
- send with this form the National Insurance and Tax copies of the form **P14 End of Year Summary**, for each employee for whom we asked you to complete a form **P11 Deductions Working Sheet** (or keep an equivalent record) during the year.

We will charge penalties where a return is late, and will charge them automatically if we receive the return for the year ended 5 April 2003 after 26 May 2003.

### Checklist

**You must answer each question by ticking the correct box**

- |  |                                |                                 |
|--|--------------------------------|---------------------------------|
| 1 Have you enclosed a form <b>P14 End of Year Summary</b> or a form <b>P38(S)</b> for every person in your paid employment, either on a casual basis or otherwise, during the above tax year?<br>– If 'No', please submit a form <b>P38A Employer's Supplementary Return</b> .       | No<br><input type="checkbox"/> | Yes<br><input type="checkbox"/> |
| 2 Did you make any "free of tax" payments to any employee? In other words, did you bear any of the tax yourself rather than deduct it from the employee?   | No<br><input type="checkbox"/> | Yes<br><input type="checkbox"/> |
| 3 So far as you know, did anyone else pay expenses or provide benefits or vouchers exchangeable for money, goods or services to any of your employees because they were employed by you during the year?   | No<br><input type="checkbox"/> | Yes<br><input type="checkbox"/> |
| 4 Did anyone <b>employed by a person or company outside the UK</b> work for you in the UK for 30 or more days in a row?<br>– If 'Yes', have you included them in the list on the back of this form or on any continuation sheets?  | No<br><input type="checkbox"/> | Yes<br><input type="checkbox"/> |
| 5 Have you paid any of an employee's pay to someone other than that employee, for example to a school?<br>– If 'Yes', have you included it in the payments shown on that employee's form <b>P14 End of Year Summary</b> ?  | No<br><input type="checkbox"/> | Yes<br><input type="checkbox"/> |
| 6 Do the rules relating to payments for services provided through a <b>Service Company</b> or a <b>Partnership</b> apply to any of your business income? *<br>– If 'Yes', is PAYE and NICs on the <b>deemed remuneration</b> included over the page or on any continuation sheets? * | No<br><input type="checkbox"/> | Yes<br><input type="checkbox"/> |

### You are also required to

- Send any outstanding PAYE or NICs to the Inland Revenue Accounts Office **by 19 April**. We will charge interest on amounts paid late.
- Give a form **P60 End of Year Certificate** to each relevant employee **by 31 May** following the end of the tax year.
- If you have prepared forms **P11D** or **P9D**, give copies of these forms (or equivalent information) to each relevant employee **by 6 July** following the end of the tax year.

### Contracted-out pension schemes

if applicable

Enter your employer's contracting-out number from your **Contracting-out Certificate**

### Declaration and Certificate

**Tick one box to complete each statement below**

This declaration and certificate covers any documents authorised by the Inland Revenue as substitutes for the forms mentioned below. You may be penalised or prosecuted if you make false statements

#### I declare and certify that for the above tax year

- forms **P14 End of Year Summary**, for each employee or director for whom I was required to complete a form **P11 Deductions Working Sheet** (or keep an equivalent record) during the year,  
– are enclosed
- completed forms **P38A Employer's Supplementary Returns**  
– are enclosed  are not due
- completed forms **P11D** and **P11D(b) Returns of expenses payments, benefits and Class 1A contributions** \*  
– are enclosed  will be sent later  are not due
- completed forms **P9D Return of Expenses Payments and Income from which Tax Cannot be Deducted** for employees earning at a rate of less than £8,500 per annum \*  
– are enclosed  will be sent later  are not due

**All the details on this form and any forms enclosed are fully and truly stated to the best of my knowledge and belief**

Employer's signature

Capacity in which signed

Date



**Do not send payments with this form**

If a payment is due, see your payslip booklet for instructions on how to pay

\* For more information, please refer to the **CWG2 Employer's Further Guide to PAYE and NICs**.

It is available, as well as forms **P11D**, **P11D(b)** & **P9D** from the **EMPLOYER'S ORDERLINE** on **0845 7 646 646**

## Summary of payments for the year

List **each employee or director** for whom you have completed a **P11 Deductions Working Sheet** (or kept an equivalent record). If there is not enough space, please prepare continuation sheets.

Employee's name Put an asterisk (*) by the name if the person is a director	National Insurance contributions (NICs) Enter the total of employee's and employer's NICs from column 1d on form P11	Do not show Student Loan deductions here or adjust the figures for Tax Credits paid to your employees. <i>Enter these at boxes 20 and 23</i>	Income Tax deducted or refunded in <b>this employment</b> Write 'R' beside an amount to show a net refund
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£
	£		£

National Insurance contributions (NICs)		Income Tax	
Total NICs shown above	<b>1</b> £	Total Tax shown above after deducting amounts marked 'R'	<b>13</b> £
Totals from continuation sheets	<b>2</b> £	Totals from continuation sheets	<b>14</b> £
<b>1 + 2</b>	<b>3</b> £	<b>13 + 14</b>	<b>15</b> £
Received from Inland Revenue to pay and/or recover SSP / SMP	<b>4</b> £	Received from Inland Revenue to refund tax	<b>16</b> £
At boxes 6, 7 and 8, enter <i>only</i> the amounts you have recovered – by deduction from your NIC and tax payments, or – directly from the Inland Revenue	<b>3 + 4</b> <b>5</b> £	Deductions made from subcontractors – see your Contractor's Annual Return	<b>17</b> £
<b>Do not enter the totals paid</b>		<b>Total Tax</b> 15 + 16 + 17	<b>18</b> £
Statutory Sick Pay recovered	<b>6</b> £	<b>Combined amounts</b> Total Tax/NICs 12 + 18 <b>19</b> £ Total Student Loan deductions <b>20</b> £ Tax Credit funding received from Inland Revenue <b>21</b> £ <b>19 + 20 + 21</b> <b>22</b> £ Total Tax Credits paid to employees <b>23</b> £ Amount payable for the year 22 – 23 <b>24</b> £ Tax / NICs paid already <b>25</b> £	
Statutory Maternity Pay recovered	<b>7</b> £		
NIC compensation on SMP see your payment record	<b>8</b> £		
NIC Holiday claimed	<b>9</b> £		
NIC Rebate claimed	<b>10</b> £		
<b>6 + 7 + 8 + 9 + 10</b>	<b>11</b> £		
<b>Total NICs after adjustments</b> 5 – 11	<b>12</b> £		
<b>Do not send your payment with this form.</b> Send it to the Inland Revenue Accounts Office immediately. See your payslip booklet.		<b>NOW PAYABLE</b> 24 – 25	<b>26</b> £

Fill in boxes 27 and 28 only if you are a Construction Industry limited company holding a CIS4 Registration Card

CIS deductions suffered Total of col E on CIS 132	<b>27</b> £
Revised amount now payable 26 – 27	<b>28</b> £

Please now sign the declaration overleaf

### Acceptable alternative National Insurance Number formats for PAYE forms

The valid NINO format for all types of submission is 2 letters followed by 6 numbers and 1 letter (A, B, C or D). The tables below give the acceptable alternative when a valid NINO cannot be obtained.

SERVICE	END OF YEAR		
	P14	P38A	P38S
<b>Internet</b>	<ul style="list-style-type: none"> <li>The letters TN followed by the Date of Birth in the format DDMMYY followed by a letter denoting the employees gender (M for Male, F for Female) e.g. male, DOB 12 Aug 1972 =TN120872M</li> </ul>	<ul style="list-style-type: none"> <li>The letters TN followed by the Date of Birth in the format DDMMYY followed by a letter denoting the employees gender (M for Male, F for Female) e.g. male, DOB 12 Aug 1972 =TN120872M</li> </ul>	<ul style="list-style-type: none"> <li>The letters TN followed by the Date of Birth in the format DDMMYY followed by a letter denoting the employees gender (M for Male, F for Female) e.g. male, DOB 12 Aug 1972 =TN120872M</li> <li>Not Known</li> </ul>
<b>EDI</b>	<ul style="list-style-type: none"> <li>"NONE"</li> </ul>	<ul style="list-style-type: none"> <li>"NONE"</li> </ul>	<ul style="list-style-type: none"> <li>"NONE"</li> </ul>
<b>Magnetic Media</b>	<ul style="list-style-type: none"> <li>TN followed by date of birth in the form day/month/year, followed by an alpha suffix M or F (eg male, DOB 12 Aug 1972 =TN120872M)</li> </ul>	Not applicable	Not applicable
<b>Paper</b>	<ul style="list-style-type: none"> <li>Leave NINO box blank</li> <li>The employee's date of birth should be shown</li> </ul>	<ul style="list-style-type: none"> <li>"Not known"</li> </ul>	<ul style="list-style-type: none"> <li>Leave NINO box blank</li> <li>The employee's date of birth should be shown</li> </ul>

SERVICE	Expenses & Benefits		
	P11D	P9D	P46(Car)
<b>Internet</b>	<ul style="list-style-type: none"> <li>• "NOT KNOWN".</li> </ul>	<ul style="list-style-type: none"> <li>• "NOT KNOWN".</li> </ul>	<ul style="list-style-type: none"> <li>• A valid NINO must be used.</li> </ul>
<b>EDI</b>	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>	Not applicable	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>
<b>Magnetic Media</b>	<ul style="list-style-type: none"> <li>• Blank spaces must be left.</li> </ul>	Not applicable	Not applicable
<b>Paper</b>	leave blank	leave blank	leave blank

SERVICE	In Year Movements		
	P45(1)	P45(3)	P46
<b>Internet</b>	<ul style="list-style-type: none"> <li>• "NOT KNOWN"</li> </ul>	<ul style="list-style-type: none"> <li>• "NOT KNOWN"</li> </ul>	<ul style="list-style-type: none"> <li>• "NOT KNOWN"</li> </ul>
<b>EDI</b>	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>
<b>Magnetic Media</b>	Not applicable	Not applicable	Not applicable
<b>Paper</b>	leave blank	leave blank	leave blank

SERVICE	Pension Notifications & Works Number Update (WNU)	
	P160 / PENNOT	WNU
<b>Internet</b>	<ul style="list-style-type: none"> <li>• "NOT KNOWN"</li> </ul>	<ul style="list-style-type: none"> <li>• "NOT KNOWN"</li> </ul>
<b>EDI</b>	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>	<ul style="list-style-type: none"> <li>• "NONE"</li> </ul>
<b>Magnetic Media</b>	Not applicable	<ul style="list-style-type: none"> <li>• ALL nine characters must be space filled.</li> <li>• Where the suffix is not known, the ninth character MUST be a space</li> </ul>
<b>Paper</b>	leave blank	Not applicable

Additional information

- There is help available to employers if an employee's NINO is not known - this information can be found on the Inland Revenue website at <http://www.inlandrevenue.gov.uk/faqs/nicqemp.htm#ninoemp>

## Class 1 Earnings Limits and Thresholds and NICs Rates from April 2002

Class 1 Not Contracted-out contribution rates

Category Letters A (Standard rate), B (Married Woman's Reduced Rate) &amp; C (Employer's only rate)

Earnings Bands	Employee's contribution			Employer's contribution
	Contribution Category letter A	Contribution Category letter B	Contribution Category letter C	Contribution Category letters A, B and C
Below £75.00 weekly, Below £325.00 monthly, Below £3900.00 yearly	Nil	Nil	Nil	Nil
£75.00 to £89.00 weekly, or £325.00 to £385.00 monthly, or £3900.00 to £4615.00 yearly	<b>0%</b>	<b>0%</b>	Nil	<b>0%</b>
£89.01 to £585.00 weekly, or £385.01 to £2535.00 monthly, or £4615.01 to £30420.00 yearly	<b>10%</b> on earnings above the Earnings Threshold	<b>3.85%</b> on earnings above the Earnings Threshold	Nil	<b>11.8%</b> on earnings above the Earnings Threshold
Over £585.00 weekly, Or over £2535.00 monthly, or over £30420.00 yearly	<b>10%</b> on earnings above the Earnings Threshold, up to and including the UEL then <b>Nil</b> on earnings above the UEL	<b>3.85%</b> on earnings above the Earnings Threshold, up to and including the UEL then <b>Nil</b> on earnings above the UEL	Nil	<b>11.8%</b> on all earnings above the Earnings Threshold

Reduce the employer's rate by 0.5% for foreign-going mariners.