

Major changes to Class 1 National Insurance Contributions

There are major changes to the way NICs for employees and employers are calculated from 6 April 1999. They affect the way employers calculate, record and report details of their employees' earnings and contributions.

Full details are in the new CWG1 cards 2, 8, 11, 12 enclosed in this annual pack.

In summary the changes are:

- employees' Class 1 NICs are abolished on earnings up to and including the Lower Earnings Limit (LEL)
- employers' Class 1 NICs are abolished on earnings up to and including a new Earnings Threshold
- one single rate of employers' Class 1 NICs replaces the current four separate ones.

This means changes to the P11 Deductions Working Sheet. If you use an Inland Revenue version, make sure you get new ones for 1999-2000 from the Employers' Orderline.

Transfer of Contributions Agency to Inland Revenue

On 1st April the Contributions Agency will transfer from the Department of Social Security to the Inland Revenue. This is something employers have wanted for years.

It means that National Insurance contributions, Statutory Sick Pay and Statutory Maternity Pay will be handled by the Inland Revenue.

You probably won't notice too much difference for quite a while and your contact with us will be much as before.

But over time we will be able to improve the service we provide for you - for example by giving you one contact point for your specific enquiries. And of course, you can use the national Employers' Helpline (0345 143 143) for general tax and NICs enquiries.

As well as the operational side of things, the Inland Revenue will also take on responsibility for NICs policy but no date has yet been set.

We'll keep you posted on changes which affect you.

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For readers with computerised payrolls

If you are on our mailing list as a computer user or a software provider, we sent you our *Notes for computer users* and the *NI Summary* in October/November 1998. This *Employers' Bulletin* repeats much of the information in those publications and adds more. Please note that any timings suggested in *Employers' Bulletin* are for employers with manual systems.

Notes for computer users and the *NI summary* are available on the Inland Revenue website at

<http://www.open.gov.uk/jw/jw.htm>

Do you use magnetic media for PAYE coding?

If we send you annual coding or Budget recoding notifications by magnetic media, please note that from now on we won't be sending you a paper copy (list or P6/P9). You must keep the magnetic tape or cartridge as evidence of the coding changes.

What's new for PAYE tax from 6 April 1999?

New PAYE code suffixes for 1999-2000 – saves up to 2 million coding notices!

At the moment we use the letters L, H, P, V, T as suffixes to PAYE codes. For 1999-2000 onwards there will be **three new suffixes - A, J and Y**. You may come across these for the first time on forms P9 for 1999-2000 in March 1999.

All these had a T suffix up to now and we had to send out individual notices when they changed. We expect these new suffixes to cut the number of coding notices by up to two million.

Pay Adjustment Tables – Tables A 1993

Sorry. We have just discovered that there is an error in these tables. This will have only a small effect and puts itself right on the next pay day.

It would be helpful if you could amend the tables as follows:

- Week 17, Code 431, amend the 'total pay adjustment to date' to £1412.02

Again, our apologies for this. Later prints will be correct.

Changes to H and L suffix codes for 1999-2000

Unless you get a P9 from us by 5 April 1999, you should amend H and L codes for 1999-2000 by following the guidance on the form P9X(1999) in this pack.

Reminder – forms P60

A number of employers, particularly large employers, are incorrectly providing forms P60 to employees who left during the year. You should scrap the form P60 in respect of those employees no longer working for you at 5 April.

Additionally, could you note that duplicate or replacement forms P60 should not be issued by you.

What's new for NICs from 6 April 1999?

Major changes to Class 1 National Insurance Contributions

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Change to Class 1A NICs on car and fuel benefits

From 6 April 1999, you have to pay Class 1A NICs even if the car benefit is the only payment of earnings you make to the employee in the year.

Full details are in *CA33 Employer's Manual on Class 1A NICs on Cars and Fuel*, which you can get from the Employers' Orderline.

Introduction of Class 1B NICs

If you enter into a PAYE Settlement Agreement (PSA), you have to pay a new class of NICs – Class 1B – on that settlement.

Details are in the *CWG2 Employer's Further Guide to PAYE and NICs*, which you can get from the Employers' Orderline.

NICs liability if you provide non-cash vouchers to employees

From 6 April 1999 there is a Class 1 NICs liability if you provide non-cash vouchers to employees – for example, retail vouchers.

Details are in *CWG2 Employer's Further Guide to PAYE and NICs* which you can get from the Employers' Orderline.

Directors liable for company's contributions

From 6 April 1999 where a company has failed to pay NICs on time and the failure appears to be attributable to fraud or neglect by one or more individuals who were officers of the company (culpable officers), the outstanding NICs may be sought from the culpable officers.

Appeals system for NICs

During the year beginning 6 April 1999, new arrangements will be introduced so that most NICs, SSP and SMP appeals can be heard by the Appeal Commissioners in the same way as tax appeals.

Details are to be included in a revised leaflet *IR37 Appeals*, which will be available from Inland Revenue offices later in the year.

Change to NICs on share options

At the moment, NICs liability arises on the grant of the option where shares are provided through an option. From 6 April 1999, the liability will arise when the option is exercised.

Details are in *CWG2 Employer's Further Guide to PAYE and NICs* which you can get from the Employers' Orderline.

New arrangements for the payment on account of directors' NICs

You may wish to take advantage of new arrangements from 6 April 1999 which will allow for the payment on account of NICs for directors who are paid regularly during a tax year.

Details are in the *CA44 Employer's Manual on NICs for company directors*, which you can get from the Employers' Orderline.

What else might affect you from 6 April 1999?

Inland Revenue authorised mileage rates

The rates for 1999-2000 have been kept the same as for 1998-1999.

Even if you think this doesn't apply to you, read on - you may be able to save yourself (and your employees) work.

These rates provide an easy guide to the levels of mileage allowances that employers can pay for business travel and which will be free of income tax to employees. If you don't use these rates but pay your employees for business travel, ask your tax office for booklet *IR125 Using your own car for work*.

Changes to Statutory Sick Pay rules

There are changes to the rules for linking periods.

Full details are in *CA30 Employer's Manual on SSP* which is available from the Employers' Orderline.

New Construction Industry Scheme

Contractors – don't forget the new scheme starts on 1 August 1999. We will send you an explanatory Contractor's Pack in March/April. And your new voucher stationery will follow in June/July.

In the meantime, if you need more information;

- phone the CIS Orderline on 0845 3000 551 for new leaflet *IR14/15(CIS) Construction Industry Scheme*, or
- make a site visit to [www/inlandrevenue.gov.uk/cis/](http://www.inlandrevenue.gov.uk/cis/) (hard hats not required).

National Minimum Wage (NMW)

NMW will become law on 1 April this year. The Inland Revenue will be enforcing it.

Every employer has to know about it.

From 1 April

- you have to pay at least the minimum wage to all workers
- workers means the same as in standard employment law, plus agency and home workers. (This is not the same definition as for PAYE/NICs)
- the NMW does not apply to workers under 18, nor to some apprentices over 18

- you have to keep records which are adequate for the NMW (and may be more than you have to keep for PAYE and NICs).

What are the rates of NMW?

- £3.00 per hour for workers aged 18 to 21 (inclusive)
- £3.20 per hour for workers over 21 who are in the first six months of their job with you and receiving accredited training
- £3.60 an hour for other workers.

If you need more information

Please contact the NMW information line on 0845 8450 360. Or visit the *Department of Trade and Industry website* on www.dti.gov.uk/IR/nmw

Year 2000

'The Year 2000 problem'

The problem is the way that computer systems handle dates. For example, when the date flips over from 1999 to 2000 some systems will see that as 99 to 00 and it could crash or do wrong calculations.

Will your computer tell you the right tax, NICs, VAT to pay?

Make sure your computer will be ready so you

- know in good time what you need to pay
- pay by the normal due dates and avoid penalties, interest and surcharges.

Ask your supplier for advice on how to prepare your computer.

Business travel

Remember that **the tax rules for employee travel and subsistence expenses changed from 6 April 1998**. From then, employees are entitled to tax relief for the full cost of their business travel.

You and your employees are affected by the new rules. If you don't already have one, get a copy of our booklet *490 Employee Travel – a Tax and NICs Guide for Employers'* from the Employer's Orderline.

Are you thinking about applying for a 'Dispensation'?

Having a dispensation can save you work and reduce your administrative costs. Ask your Tax Office for leaflet *IR69 Expenses payments and benefits in kind*.

Changes from 6 April 2000

Working Families Tax Credit and Disabled Persons Tax Credit

The Inland Revenue, Department of Social Security and Benefits Agency are looking closely at all aspects of the new tax credits and are consulting employer groups, payroll bodies and software suppliers. This is still going on, but we are able to give you this outline of how the system will affect employers.

What will the Inland Revenue do?

Applicants for tax credits will apply to the Tax Credit Office of the Inland Revenue. If the application is successful, a tax credit is awarded for a period of 26 weeks.

We will notify employers of when to start paying a tax credit and will give them time to adjust their payroll. The notification will tell the employer how much tax credit to pay and when to stop.

We will be responsible for making direct payment to the recipient when the employer is not paying the tax credit – such as at the beginning of an award or where the employee has left the employer.

We will be providing full, easy-to-use guidance, for employers.

What will employers do?

From 6 April 2000, an employer who has received a notification will add the amount of the tax credit to the employee's net wages for each pay period. The tax credits will not be paid through PAYE tax codes.

Employers will continue to pay the tax credits until the end of the 26-week award unless notified by the Inland Revenue to stop paying sooner. A recipient who changes jobs or leaves employment will be responsible for letting the Revenue know of these changes.

Employers will make additional records for relevant employees. They will record the tax credit payments on the employee's payslip and a number of Inland Revenue forms. We will let you have more details nearer the time.

Employers will 'net off' the payments against their PAYE tax and NICs receipts. Where the PAYE tax and NICs is not enough to cover the payments of tax credits, employers will be able to get funding from the Inland Revenue.

We will let you know more about the new system when further decisions have been made.

The Inland Revenue, Department for Education and Employment, and the Student Loans Company are consulting employer groups, payroll bodies and software suppliers about how the repayment of student loans will work in practice. This is still going on, but we are able to give you this outline of how the system will affect employers.

You will be affected only if you have an employee who is liable to repay their student loan while working for you. And it's only for loans taken out after August 1998 so you may not see it for some time.

The Government will shortly make regulations allowing the Student Loan Company and the Inland Revenue to jointly administer the repayment of these loans through the systems for collecting tax and NICs. The first repayments through these systems will be in April 2000.

What will the Inland Revenue do?

We will let you know if you have an employee from whom you need to deduct student loan repayments.

We will give you clear guidance on what to do, which will include a table to help with the calculation you need to do.

When repayments of a loan are first due to begin, or where there is a change of employment without a P45, we will notify employers.

When repayments are to stop we will notify employers.

For new employees already repaying, employers will normally pick this up from a P45.

What will employers do?

From 6 April 2000, employers will deduct student loans repayments from relevant employees – along with PAYE tax and NICs. The deductions of loan repayments will be on a pay period by pay period basis, like NICs. In other words, they are non-cumulative.

Employers will work out the amount of the repayment. Initially, the calculation of the repayment will be 9% of NICs liable pay above £10,000 a year (or the weekly/monthly equivalent of £10,000).

Employers will record the amount of the loan repayment deducted on

- the employee's payslip
- the form P11 Deductions Working Sheet (or equivalent)
- the P14/P60 and P35.

Employers will pay the amount of the student loan repayments deducted to the Inland Revenue along with PAYE tax and NICs remittances.

For the moment employers are not required to take any action. We'll keep you informed, and provide guidance in advance of the commencement of the first collections in April 2000.

A devolved Scottish Parliament will have the power to vary the basic rate of income tax for 'Scottish' taxpayers by up to plus or minus three pence in the £, in half-penny stages.

The Inland Revenue and Scottish Office are consulting employer groups, payroll bodies and software suppliers about how the Scottish Variable Rate will work in practice. This is still going on, but we are able to give you this outline of how the system will affect employers.

Many employers outside Scotland will seldom if ever have to operate the SVR.

Your employees will be 'Scottish taxpayers' where they are resident in the UK and where in any tax year

- 50% of the days they spend in the UK are spent in Scotland, or
- they have their principal UK home in Scotland.

What will the Inland Revenue do?

We will decide whether or not an employee is liable to SVR. We plan to do this for the first time in autumn 1999. If they are 'Scottish', we will tell them. And we will advise them to telephone the new Inland Revenue Call Centre if they have any questions. If you get queries from your employees, you might like to refer them to the Call Centre (we'll give you the number nearer the time).

We will tell the employer which employees are 'Scottish' by putting an 'S' identifier in front of the code number that we send you.

The earliest this could apply would be for 2000-2001 and the P9s we will send in February 2000, as part of the normal annual coding changes. But this will depend on decisions to be made by the Scottish Executive of the Scottish Parliament at that time.

Employers will know that an employee is not liable to SVR if a P6 or P9 does not have the 'S' identifier on it. So for many employers outside Scotland, nothing will change.

How will this affect employers?

If and when the basic rate of income tax is varied and you have 'Scottish' employees, you will

- need to record the 'S' on the form P11 Deductions Working Sheet (or equivalent), P45, P14/P60
- have to deduct tax charged at the SVR in exactly the same way as other PAYE tax
- account for the tax in the normal way
- not have to make any decisions about which employees are 'Scottish taxpayers'
- not need to do any additional accounting.

If you employ staff who live in Scotland, you may like to remind them to tell their tax office if they change their address.

Employers' Bulletin

The main aim of this bulletin is to make it easy for you to know about changes which affect you. Please let us know what you think about this bulletin by faxing us on **0171 438 6194**.

Do you have a computer? Read on.....

Employers_____

do it electronically!

If you have the computer - We have the magnetic media.
We can get together and modernise your payroll.

Tax Codes

Get wise - Get wired. Get your annual and budget PAYE code notices on open reel tape or data cartridge.

Ask your PAYE Tax Office for booklet MTI and find out how to make the match.

Expenses and benefits - the P11Ds

Talk to us. We want you to send your returns on floppy disk, open reel tape or data cartridge instead of paper. We can help you sort the software – buy in or DIY.

Let us know what you need and we'll get back to you during the next working day.

Call our Business Support Team on 01274 539634

Fax 01274 539303

Or you can call the Employer's Orderline (0845 7 646 646) for our EEC1 Booklet *Expenses and Benefits Returns on Magnetic Media*.

Hundreds or a handful, the advantages are the same

- you don't have to track and post piles of paper
- we can speed up our processing

and

- we provide a faster turn round time on getting out any tax code changes needed for your employees.

Optional extras include

Taxable Expenses Payments

Fixed Profit Car Scheme

Car Allowance Enhanced Reporting Scheme

After you join up, our Business Support Team will keep you up to date on the latest developments and tell you how to get the best out of the system.