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Welcome to the February issue of Employer's Bulletin.

Another selection of topical news items for you in this issue of Employer's Bulletin.

You should have received our letter about deadlines coming up for online filing and electronic payment. I know many of you have already started to use our online services or made plans in these areas. Our articles on pages 11 to 13 give useful information for those who have not yet made the move. In particular we hope the largest employers amongst you are making arrangements to pay electronically from May 2004.

We have the latest update on Tax Credits and the Renewals process, and news from the Pre Budget Report.

Some of you will have already received your new-style form P35, we hope that you find it easier to use. Much of this Bulletin is dedicated to helping you with your end of year tasks. On p17 we remind you that you could save yourself time completing P11Ds by applying for a dispensation and on p16 we give details of our new online Guide to Expenses and Benefits. Both should make the job of dealing with expenses and benefits a little less troublesome.

We've also highlighted some areas that you'll need to be careful with: common mistakes, and difficulties with car and fuel benefits.

With this Bulletin is our 2004 Employer's CD ROM. If you haven't used our CD ROM before give it a try – we had great feedback about last year's and we've added some more calculators as you suggested.

*Don Macarthur
Employer Programme Director*

Online filing – find out what you need to do

To help employers prepare for Online filing we invite you to attend one of the seminars we are jointly arranging with Payroll World.

| | | |
|---------------|---------------------------------|-------------------------------|
| Dates: | March 11Manchester | May 21Manchester |
| | March 18Bristol | June 18London |
| | April 29London | June 24Newcastle |
| | May 12Bristol | |

We have a reminder of the government legislation and the timetable for compulsory online filing in this Bulletin. These seminars have been designed to help all employers decide how best to prepare for this. Each event allows employers attending to discuss their plans informally with Inland Revenue and Payroll World experts. Larger employers will find it useful to send payroll and IT staff together to discuss the best way forward for their business. There is a small fee to attend these events and only a limited number of places at each venue.

For a full programme and details of cost, as well as the booking form, visit:

- www.payrollworld.com or
- email: training@payrollworld.com or
- telephone: 0207 940 4801

 = **Must read article**

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If we are sending you too many packs, CD-ROMs or *Bulletins*, or you have changed address, please contact the Inland Revenue office that you normally deal with and let them know. Thank you.

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Help is at hand
 Contact numbers and online services



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BULLETIN BRIEFING FEBRUARY 2004

Putting it right...

We'd like to say sorry that our last issue of *Bulletin* had a number of mistakes. Corrections are as follows:

National Minimum Wage: p4: the web address is www.tiger.gov.uk

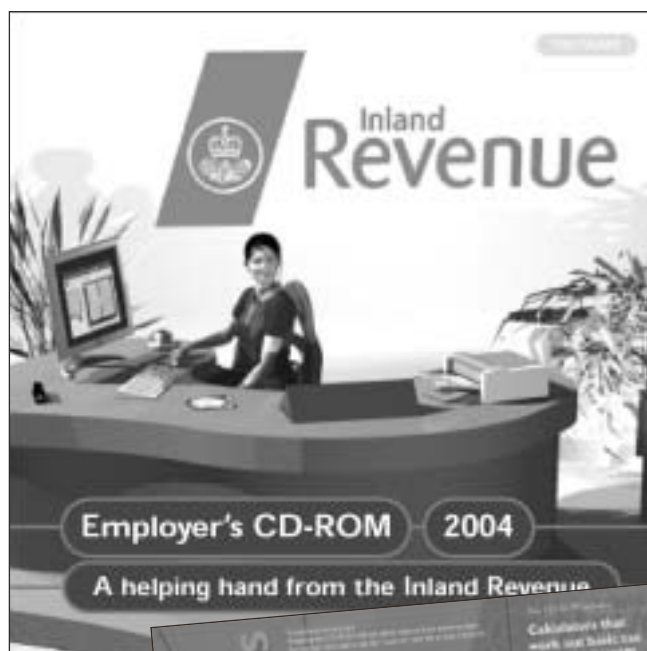
Statutory Sick Pay: p5: the new form SSP1 is now available from the dwp website at www.dwp.gov.uk/lifeevent/benefits/statutory_sick_pay.asp

Electronic Payment: p10: For more information about electronic payment go to www.inlandrevenue.gov.uk/pdfs/ir2010.htm

Key dates for employers: p12: November 19 – the date by which payment for the month/quarter ended 5 November should reach the Accounts Office

Tax credits: p13: You can get a copy of the booklet E6 – Working Tax Credit paid with wages at www.inlandrevenue.gov.uk/leaflets/credit.htm

Married women paying reduced rate NICs: p14: Leaflets CA13 National Insurance contributions for women with reduced elections or CA09 National Insurance contributions for widows or widowers are available from a local Inland Revenue office or from our website at www.inlandrevenue.gov.uk/leaflets/nic.htm



A helping hand

Code change

Are you still using tax code numbers with suffix 'A' or 'H'?

We know that for a number of reasons some employers still have employee tax codes with suffix 'A' or 'H'. These are no longer valid and we will not be able to recognise them from 2004-05. We can identify some of the employees involved ourselves during our day to day work, but there is no guarantee that we will correct them all within the required timescale. So we really need your early help to identify any A and H codes that you are still using. If you have any of these you should request a revised coding from your local office without delay. You will need the employee's name, National Insurance number and current code number.

Look out for your new CD ROM

You should have received your 2004 Employer's CD ROM with this *Bulletin*.

In 2003 we completely changed the style and navigation of the CD ROM and many of you told us that you liked it.

You also made suggestions about other things that would be useful to you. So we've made some more improvements:

- it's easier to find what you need

- the search facility is improved
- the forms database can now hold details of multiple schemes
- there are links to calculators on the IR website e.g. the SMP calculator

We have added:

- a K code tax calculator
- a NICs calculator for contracted out employees
- a Director's Annual Earnings Period check

Award winning website gets a makeover

Over a million people use it every week and many of you gave us feedback on changes you wanted to see. As a result we've made improvements which should make it more responsive, easier to use and more efficient. And with more of you doing business online we wanted to improve accessibility.



So what's changed?

Our new homepage:

- is less cluttered
- has links that are easy to identify
- has information linked to customer groups to take you to the information you want (and they're colour coded too)
- highlights important messages and news
- has direct links to our online services under a new 'do it online' banner

For employers:

- a dedicated area with easy access to information, forms, news and frequently asked questions
- tailored pages for new employers and contractors providing answers to common questions and helping you with your payroll issues
- easy access to employer online services

Navigation throughout the site is improved and should be more intuitive. It has:

- clearer, meaningful links
- an improved search facility
- links to other Government websites
- a more consistent look and style

Online services have been improved:

- you can now register, enrol and activate our online services straight from the homepage. Use the 'Do it Online' links at www.inlandrevenue.gov.uk
- and more changes are planned for April (see p7)

BULLETIN BRIEFING FEBRUARY 2004

No NINo?

We offer a National Insurance Number (NINo.) Tracing service for employers. You can use it:

- by completing form CA6855 (available from the Employer's Orderline on 0845 7 646 646 and
- the Employer's CD ROM)
- via the Internet at www.inlandrevenue.gov.uk/pdfs/emp2002/ca6855.pdf or
- by contacting an Inland Revenue office or
- by preparing a schedule clearly

setting out the information in the order shown on form CA6855 and sending to:

Inland Revenue National Insurance Contributions Office, P46 Section, Room BP1102, Benton Park View, Newcastle Upon Tyne, NE98 1ZZ

Employees on the **MOVE**

We are making efforts to improve the speed with which we process forms P45 and P46.

Here are some tips that will help us keep on top:

- always give your leavers their P45
- send us the IR copy of the P45 quickly
- use the correct employer's PAYE reference number – you can find it on letters from us. It is different from the Collection reference
- complete all boxes and check they're readable on all copies
- send in a P46 immediately if a new employee doesn't have

a P45 and the Lower Earnings Limit is exceeded (always send it in if they have more than one job)

- get a NI number for all new employees (an address really helps too)
- remember to enter "Y" in the appropriate box if the employee is liable to repay a Student Loan
- if you want a faster reply do it online

Help on completing P45s and P46s can be found in Helpbook E13 "Day to day payroll" or at www.inlandrevenue.gov.uk/employers/employee_leaves.htm

Employees from abroad

We have published a statement of good practice and are creating specialist teams to work on the tax affairs of inward expatriate employees (employees from abroad).

Our *Review of Links with Business*, published in November 2001, found that the taxation of expatriate directors and employees caused a disproportionate amount of conflict between the Revenue and large corporates in some cases.

We, supported by multi-national businesses, have published a statement of good practice for handling enquiries into expatriate taxation. It can be found in *Tax Bulletin 65* (June 2003).

Organisational arrangements for this

type of work have been reviewed too. Currently, we have a number of teams across the country doing this work but concentration of the work varies.

After consultation we have decided to create five specialist teams by 31 March 2004.

The plan is these teams will handle – as far as possible – all service and compliance work relating to the relevant employees and related employer work.

A co-ordinating unit will ensure the specialist teams achieve consistency, develop expertise, inform policy and adopt best practice.

As these specialist teams identify their potential customers, they will write to the employers involved.

New style on trial

We are trying out a new style coding notice (P2) on employees and pensioners who are dealt with by our offices in the South West of England.

The way we create tax codes is not changing.

The new P2 will provide a better explanation of what makes up each tax code – the tax allowances and any benefits in kind etc, so there's no need for accompanying notes.

The P6 is unaffected.

News in brief

Changes to PAYE regulations



The rewritten PAYE regulations make a few minor changes to the law, mostly bringing the law into line with practice. They come into effect on 6 April 2004.

Some changes are more likely to affect employers than others:

all versions of Form P60 will, where relevant, require totals of pay and tax from previous and current employments.

Some other changes may have some small effect in practice – for example, for employers who:

- become aware that a system for distributing tips (a tronc) is running or
 - learn of the death of an employee or pensioner, or
 - run an employment agency and have not issued a Form P45 to a worker not paid for 3 months.
- For more about these changes go to www.inlandrevenue.gov.uk.htm and use search.
- For more about the Tax Law Rewrite go to: www.inlandrevenue.gov.uk/rewrite/pay_e_regs.htm

NICs Bill

The National Insurance Contributions and Statutory Payments Bill was introduced into the House of Commons on 27 November 2003. The Bill is about administrative matters rather than liability. More information is available from www.inlandrevenue.gov.uk/nic/nic_bill.htm.

Mariners National Insurance

New Regulations came into force on 13 October 2003 clarifying responsibility for paying employer's National Insurance Contributions for mariners employed by offshore manning companies.

For detailed information go to: www.inlandrevenue.gov.uk/mariners/index.htm

EEC1 booklet – Expenses and Benefits Returns on Magnetic Media

The technical specification for Expenses and Benefits on Magnetic Media, also known as the EB5 (Mag Media) is now only available on the Inland Revenue Website.

Go to www.inlandrevenue.gov.uk/ebu/ebu_paye_ts.htm

Improvements to PAYE online

As a result of customer feedback we will be making further improvements to PAYE Online for Employers from April 2004:

- a single entry point means you will only need one User ID and Password per scheme to access online services using the Internet.
This will give you easier access to the Inland Revenue's PAYE online software (Online Return and Forms –PAYE) and your secure mailbox.
- you will be able to send back Tax Credits Payments Via Employer (PVE) rejections online
- you will be able to choose on screen whether or not you want to receive statutory notices, eg coding

notices, over the Internet to your secure mailbox without having to contact the Online Services Helpdesk.

- you will be able to download PVE and statutory notices and transfer this information as a .csv (comma separated value) file directly into many of your own payroll software applications. You will no longer have to read and input each form manually.

Keep checking www.inlandrevenue.gov.uk/ebu/news for further information or future developments.



Tax Credits – what's

We will be reviewing claimants' income to finalise their 2003–04 tax credits awards from April 2004.

Claimants are currently being paid tax credits based on their 2001–02 income or on an estimate of this year's (2003–04) income.

In April 2004 we will start our renewals process.

This means we will be reviewing claimants' actual income and circumstances, to finalise their 2003–04 tax credits award and set their provisional award for 2004–05.

We will write to everyone who had a tax credits award over the coming weeks explaining the process, so your employees should not need to ask you about it. We will send them their renewal forms between April and June 2004.

Once the review has been completed, you are likely to receive at least one stop or amendment notice for each employee to whom you are paying tax credits.

If you are paying tax credits at 5 April 2004, continue to do so using the most recent daily rate we have told you. Do not stop paying or amend the daily rate unless we tell you to.

Employers who have received tax credits funding during 2003–04

If you need this funding to continue in 2004–05, you will need to renew your funding application (form TC716).

We will send the form to you around the end of March and you must return it to us by 20 May 2004 for funding to continue without a break.

If you have not received one by 19 April, please contact your Accounts Office.

Changes in circumstances

Claimants are responsible for telling us about any changes in their income and circumstances, like reduced working hours.

To report changes of circumstances claimants can:

- tell us online by visiting our website at www.inlandrevenue.gov.uk/taxcredits
- write to us at Inland Revenue, The Tax Credit Office, Preston, PR1 0SB (Great Britain) or Inland Revenue, The Tax Credit Office, Dorchester House, 52–58 Great Victoria Street, Belfast, BT2 7WF (Northern Ireland)
- call the Tax Credits Helpline on 0845 300 3900 (Great Britain) or 0845 603 2000 (Northern Ireland).

Filling in your P35

When you complete your P35 (end of year return), remember to show the total tax credits paid to employees, and the amount of funding received in 2003–04.

Information

If you need information about paying tax credits, call the Employer Helpline on 0845 7 143 143 (textphone 0845 602 1380).

If you have any questions about tax credits funding, call your Accounts Office:
Cumbernauld 0845 602 3518
Shipley 0845 602 3516

P60s

You must provide a form P60 to all employees in employment at 5 April who have been receiving Working Tax Credit, whether or not they have paid tax or NI contributions.

Tax Credit Payment Via Employer (PVE) Notices

For new users of our PAYE Online Service we will now send you tax credits payment via employer (PVE) notices to your secure mailbox. Existing users who want this service should contact the Online Services Helpdesk.

happening in April





Right to reply...



EmployerTalk 2004

Face to face with our experts

Who says EmployerTalk is a major success? **YOU DO!**
EmployerTalk is a chance to speak to IR experts face to face, and to listen to key speakers give IR's latest news and payroll developments.
You can do this in just one morning or afternoon at events across the UK.

By invitation only. Events are free of charge but capacity is limited so book your place early. Details and contacts for each event are given below

The whole event was well thought through. Thank you for a thoroughly positive, helpful and friendly set of presentations **Plymouth**

All in all, a valuable expenditure of my time **Newcastle**

Travelled over 40 miles to get there but it was worth it! **Chorley**

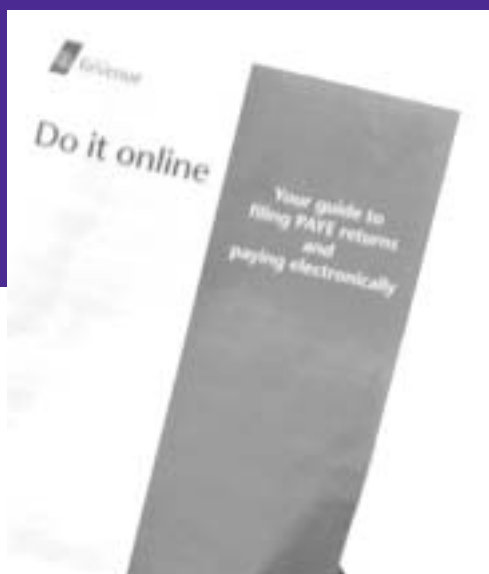
Good balance of information and humour very important **Harrogate**

- Thursday 26 February**
LONDON, Novotel Hammersmith
Colin Thompson ☎: 0207 667 4669
- Tuesday 9 March & Wednesday 10 March**
HARROGATE, Pavilions, Great Yorkshire Showground
Claire Dennis ☎: 0113 272 7664
- Thursday 11 March**
DURHAM, Ramside Hall Hotel
Claire Dennis ☎: 0113 272 7664
- Tuesday 23 March**
MANCHESTER, New Century House
Claire Dennis ☎: 0113 272 7664
- Wednesday 24 March & Thursday 25 March**
CHORLEY, Park Hall Hotel
Claire Dennis ☎: 0113 272 7664
- Tuesday 20 April**
TELFORD, Telford International Centre
Sue Cutler ☎: 0121 535 6576
- Thursday 20 May**
NEWPORT, Celtic Manor
Ted Wise ☎: 02920 326661
- Wednesday 9 June**
BELFAST, Ramada Hotel
Ian Patterson ☎: 02890 939754
- Tuesday 6 July**
TONBRIDGE, The River Centre
Val Barclay ☎: 01622 760321
- Thursday 8 July**
NEWBURY, Racecourse Conference and Event Centre
Steve Pimley ☎: 0118 9011383
- Thursday 2 September**
GLASGOW, Royal Concert Hall
June Reid ☎: 0131 4734187
- Tuesday 21 September**
EXETER, University
Andy Pike ☎: 01392 280 706
- Thursday 7 October**
NOTTINGHAM, East Midlands Conference Centre
Deepa Girithananda ☎: 0115 9741365

BIRMINGHAM – 24 February – CANCELLED
Due to a fire at the National Motorcycle Museum this event is cancelled. **A new event has been arranged for:**
20 April In Telford. See details above.

ELECTRONIC PAYMENT

Switch now; pay later



Later due dates for payment

We are introducing a later due date for electronic payments by employers.

Approved methods of electronic payment are:

- Bank or Building Society Internet Service
- BACS direct credit
- BillPay (debit card over the Internet)
- Bank Giro
- Alliance and Leicester Commercial Bank
- CHAPS
- Paymaster

If you (employers) make electronic payments the due date is 22nd of the month from the first payment due for 2004–05 (in May 2004).

The due date for cheque and cash payments will still be the 19th of the month.

Employers need to ensure that we receive the value of the electronic payment no later than the 22nd.

Employers who pay on time by cheque will be broadly in the same cash flow position on switching to electronic payment.

Paper cheques out for large employers

All large (over 250 employees) employers must pay electronically from 2004–05, and should have received a letter from us telling them about this and online filing last November.

Any large employer who has not received their letter should contact their PAYE office.

The first compulsory electronic

payment will be the one due in May 2004.

Where the value of a large employer's monthly payment is received after the 22nd a surcharge will apply, after a number of warnings.

The surcharge is intended to enforce prompt payment as well as encourage electronic payment.

For more information on how to pay electronically:

- go to www.inlandrevenue.gov.uk/howtopay/pay.html
- contact the Accounts Office at

CUMBERNAULD

e-mail: aoc.directpayments@ir.gsi.gov.uk
or phone: 01236 783717

SHIPLEY

e-mail: bacs.chaps@gtnet.gov.uk
or phone: 01274 539328

Lines are open 8am–5pm.

Pension contribution payments

The changes to due dates highlighted on this page only affect payments to IR.

Employers making pensions contribution payments must continue to make their payments to the scheme's trustees by 19th of the month regardless of the payment method.

ONLINE FILING FEBRUARY 2004

Get switched on... DO IT ONLINE



In November we wrote to every employer in the UK with important information about filing end of year returns (P35 and P14s) online and paying electronically.

The letter said whether our records showed you were a large, medium or small employer (based on the number of employees you had) on 26 October 2003. It also gave details of how to appeal against our decision.

If you haven't had your letter, get in touch with your PAYE office.

Remember you can pay electronically or file online before the law says you have to. To register for online filing, go to www.inlandrevenue.gov.uk/efiling/help/empreg.htm#1

Support for new and small employers

The Inland Revenue's Business Support Teams are doing presentations on how to register, enrol and file online. To find out about events in your area, phone 0845 60 70 143 or go to www.inlandrevenue.gov.uk/bst Or you can send back the tear off slip on the letter you had. Or you can call our Employer's Helpline on 0845 7 143 143. Lines are open Weekdays 8am-8pm and Weekends 8am-5pm.

Support for large employers

The Inland Revenue Electronic Exchange Network is an independent group, made up of employers and other parties like agents and intermediaries, who are interested and experienced in filing online. Either by Electronic Data Interchange or the Internet. They hold regular meetings and provide an opportunity for employers who are new to online filing to discuss the practicalities with those who have already started. For more information contact Anne Murray (anne_m_murray@standardlife.com) on 0131 245 0339.

EARLY BIRDS

Small employers can get up to £825 tax-free from us over five years if you file your end of year returns online early:

| | |
|------------------------------------|-------------|
| File online for 2004-05 and get... | £250 |
| File online for 2005-06 and get... | £250 |
| File online for 2006-07 and get... | £150 |
| File online for 2007-08 and get... | £100 |
| File online for 2008-09 and get... | £ 75 |
| TOTAL | £825 |

For more on the tax-free payments, go to www.inlandrevenue.gov.uk/825

EMPLOYERS MUST FILE ONLINE BY:

| Number of Employees | Which return? | Due by |
|--------------------------------|---------------------|-------------|
| 250 or more (Large) | 2004-05 End of Year | 19 May 2005 |
| Between 50 and 249 (Medium) | 2005-06 End of Year | 19 May 2006 |
| Fewer than 50 (Small) | 2009-10 End of Year | 19 May 2010 |

ONLINE FILING FEBRUARY 2004

Meeting the Quality Standard

If you already use payroll software, you need to check with your provider that the 2004-05 product will enable you to meet our Quality Standard. Any 2004-05 return which fails the Quality Standard will be rejected, with a message advising what the problem is. The return will be treated as "not sent" until a corrected online return is received.

The best advice we can give is ensure your software is ready for the beginning of a new tax year, and don't forget to buy your software upgrades.

If you do not use payroll software, you may wish to use a payroll specialist, like a bureau, to file online on your behalf.

You will find details:

- on the Inland Revenue website (see details below)
- on the Internet - try searching for "payroll software"
- in payroll industry magazines
- in the phone book - try looking under "payroll services"

Buying payroll software

When buying payroll software check in the marketing material which tax year it is for.

For more information about suitable software products for online filing including the Inland Revenue's free "Online Returns and Forms - PAYE" check out:

www.inlandrevenue.gov.uk/efiling/pay/pay_software_fo_rms.htm

2004-05 software products that display the "Inland Revenue Payroll Standard Accreditation" logo will also meet the relevant aspects of the Quality Standard. The Inland Revenue tests these products to ensure that they can

- accurately calculate a range of payroll functions such as PAYE, NICs and Statutory Payments
- from April 2004, produce P14s and P35s in a format that meets the Quality Standard for online filing.

To find out which software products have received Payroll Standard Accreditation, go online at www.inlandrevenue.gov.uk/ebu/acclist.htm

Software Developers

We provide a free test service for software developers and employers who design their own payroll systems. It tests a range of software products for the Internet and Electronic Data Interchange (EDI). The Service has been extended to enable software developers to test whether their 2004-05 online filing products will meet the Quality Standard.

For more information about our testing service go to www.inlandrevenue.gov.uk and select 'practitioner zone' then under quick links select 'Software developers'

Sending the P35 and P14s separately

We have been discussing potential difficulties associated with the filing of P35s and P14s together online, with representatives of Payroll Bureaux and Employers. We accepted that there may be a need to send in the P35 separate from the P14s (a multi-part submission). For example, if a payroll bureau holds all the P14 data.

We have been working on an IT solution and will have one in place for the 2004-05 end of year return.

More information on multi-part submissions can be found in the July 2003 issue of IR Notes for Payroll Software Developers, (Series 10 Number 14) paragraph 1.2 which is available on our website as shown below left.



BULLETIN BRIEFING FEBRUARY 2004

PBRnews

NICS AND CHILDCARE CHANGES

NICs rates & limits from April 2004

All the NICs rates, earnings limits and thresholds (the starting points for paying NICs) for employees and employers NICs will be reflected in the National Insurance Tables for 2004-05.

For details of the rates, limits and thresholds have a look at:

- the booklet PAYE and NICs rates and limits for 2004-05, E12, which is on the Employer's CD-ROM and will be in your Employer's Pack, or
- visit the website at www.inlandrevenue.gov.uk

Childcare

In his Pre Budget Report (PBR) the Chancellor announced that the tax and National Insurance treatment of employer-supported childcare would be reformed from April 2005. The new arrangements are in addition to the existing tax and National Insurance exemption on workplace nurseries.

Draft legislation will be available shortly with a view to inclusion in the Finance Bill 2004. This will be published on the Inland Revenue website: www.inlandrevenue.gov.uk.

Under the proposed reform,

employers will be able to contract with a nursery, childminder or after-school club on behalf of their staff, and the benefit in kind arising from such provision – up to £50 a week – will be tax and National Insurance free. Schemes of this type must be generally accessible to all employees.

If preferred employers can provide childcare vouchers up to £50 a week to their employees, which will be free of tax and National Insurance. Again, to qualify for relief, the arrangements must be generally available to all employees. The vouchers can be used only for registered childcare or approved home-childcare. The exemption is in addition to the childcare element of Working Tax Credit. But families cannot claim help through both schemes for the same costs.

Childcare vouchers above £50 per week will be taxable and liable for Class 1 NICs. Vouchers used for informal childcare will be taxable and liable for Class 1 NICs in full.

More information will be in future issues of the Bulletin. The consultation document on this subject can be found at www.inlandrevenue.gov.uk/consult_new/esc.pdf

Coding notices

Until April 2004 employers who register for PAYE Online (and activate their password) will receive all PAYE notices of coding online to their secure mailbox. If you are one of these employers and want to continue

receiving paper coding notices contact the Online Services Helpdesk on 0845 6055999 Weekdays 8am – 10pm Weekends 10am – 6pm.

See p7 for more about PAYE Online improvements.

Co-ownership of company cars

The Revenue has appealed to the High Court about whether the car benefits legislation applied to a Director who co-owned his company car.

A director owned a 5% share in two successive cars and the company owned the balance.

The case was heard before the Special Commissioner in July 2003 to decide if the car benefits legislation applied here. The Special Commissioner decided that it did not.

The Revenue disagrees and has appealed to the High Court. The appeal was heard on 16 December 2003 but judgement was reserved and was not available at the time of going to print. We will not settle any cases until we have received and had time to consider the High Court's judgement.

Tips & Troncs A NEW BOOK FOR EMPLOYERS

We have recently published a new booklet for employers called **'Tips, Gratuities, Service Charges and Troncs: A guide to Income Tax, National Insurance contributions, National Minimum Wage issues and VAT'**

You can find it on the accompanying 2004 Employer's CD ROM and on the Inland Revenue website.

EMPLOYERS DIARY FEBRUARY 2004

From mid-February 2004

- **February 19**
 - Payment for month ended 5 February should reach the Accounts Office
- **February – by the end**
 - **Expect your:**
 - Updated software/instructions from your provider if you use a payroll package
 - Contracted-out NICs tables (if you operate a pension scheme that is contracted out of SERPS)
 - your P35 for the tax year about to end (2003-04)
 - Order the forms and guidance you will need to finish this tax year (ending 5 April 2004) and start the next.

April 2004

- **April 6**
 - Check you have done everything you need to with the PAYE codes detailed on form P9X
 - Computer payroll users - make sure you have updated your payroll parameters
- **April – Mid to End**
 - You can still register and enrol for PAYE Online. If you've already registered to use PAYE Online, keep an eye out for your user ID – you need to activate the service within 28 days
 - **Expect your:**
 - P11D(b) to enable you to account for any Class 1A NICs due in July
 - payslip to enable you to pay Class 1A NICs in July
- **April 19**
 - Payment for month ended 5 April should reach the Accounts Office
 - Any outstanding 2003-04 PAYE and Class 1 NICs must reach your Accounts Office (Interest will be charged on any payments received after this date)

March 2004

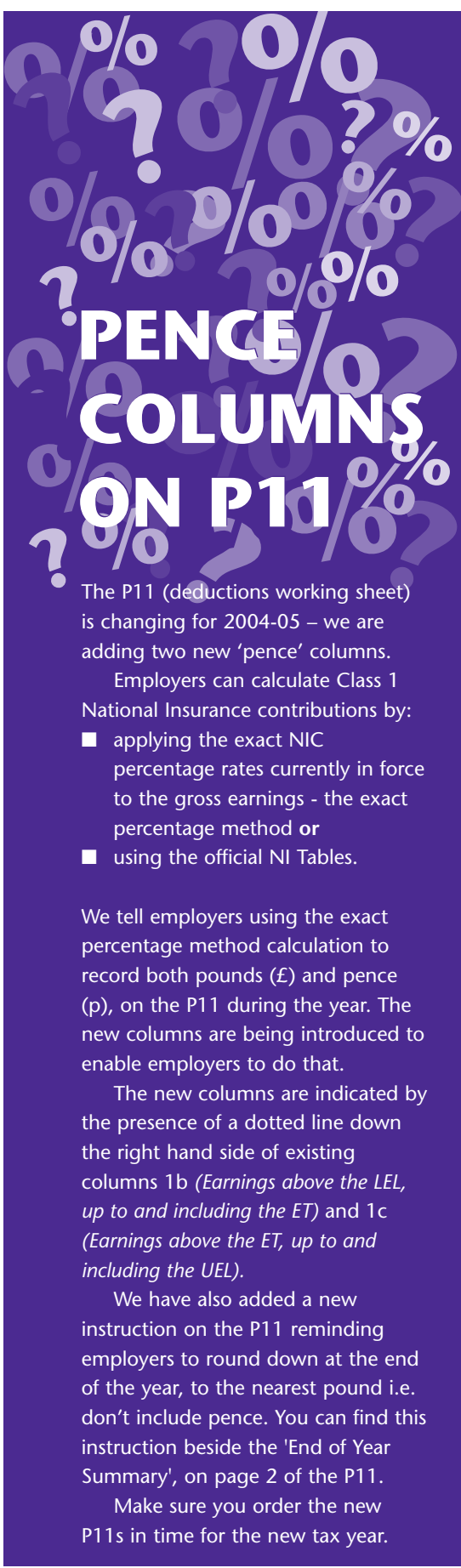
- **March – Early**
 - **Expect** PAYE code changes for the new tax year
- **March 19**
 - Payment for month ended 5 March should reach the Accounts Office
- **March – End**
 - **Expect:**
 - Any last minute PAYE code changes (P9s)
 - your payslip booklet for the new tax year (if you have not chosen to pay electronically)
 - We advise you to:
 - Start preparing for the end of year tasks. Use Employer's Help Book E10.
 - Prepare a P11 (deductions working sheets) for each employee for the new year (2004-05). Use Employer's Help Book E11.

May 2004

- **May 3**
 - Deadline for Forms P46(CAR) for employees whose car or fuel benefit has changed in the quarter ended 5 April
- **May 9**
 - Last chance to register to send in your P35 and P14s online – you'll be cutting it fine.
- **May – Mid**
 - If you need a P11D(b) and have not received one, contact your local Inland Revenue office
- **May 19**
 - Payment for month ended 5 May should reach the Accounts Office
 - Your 2003-04 P14s and P35 must reach your Inland Revenue office (you may be charged a penalty if your return is delivered late)

Budget 2004

- At the time of going to print the date of the Chancellor's budget has not been announced. Exact dates of issue are therefore not yet known, but you can expect:
- updated CD ROM and/or Budget pack
 - PAYE code changes as a result of the Budget
 - Updated software/instructions from your provider if you use a payroll package



PENCE COLUMNS ON P11

The P11 (deductions working sheet) is changing for 2004-05 – we are adding two new ‘pence’ columns.

Employers can calculate Class 1 National Insurance contributions by:

- applying the exact NIC percentage rates currently in force to the gross earnings - the exact percentage method or
- using the official NI Tables.

We tell employers using the exact percentage method calculation to record both pounds (£) and pence (p), on the P11 during the year. The new columns are being introduced to enable employers to do that.

The new columns are indicated by the presence of a dotted line down the right hand side of existing columns 1b (*Earnings above the LEL, up to and including the ET*) and 1c (*Earnings above the ET, up to and including the UEL*).

We have also added a new instruction on the P11 reminding employers to round down at the end of the year, to the nearest pound i.e. don't include pence. You can find this instruction beside the 'End of Year Summary', on page 2 of the P11.

Make sure you order the new P11s in time for the new tax year.

LEAP YEAR

effects on payroll and benefits calculations

2004 is a leap year. If you operate a weekly, fortnightly or four-weekly payroll the leap year may affect you. April 4th joins April 5th in potentially forming an extra pay-day in the tax year. This extra pay-day is known as ‘week 53’ for weekly paid employees, ‘week 54’ for fortnightly paid employees, and ‘week 56’ for four weekly paid employees.

For further help see ‘Payments made in week 53’ in the CWG2 – Employer’s Further Guide to PAYE and NICs (2004).

Leap years can affect the calculation of some benefits too.

Whether you take the number of days as 365 or 366 depends on the type of benefit and what the legislation says. For instance -

- for cars, car fuel and vans provided for private use it is the number of

days in the year. So for 2003–04 it is 366 days. The calculators on the Employers CD ROM reflect this.

- for beneficial loans, calculated according to the alternative precise method, it is also the number of days in the year.
- for other benefits you should use 366 days (for leap years only). Where a time apportionment of a benefit is needed this could be slightly beneficial to employees, but in practice there is no problem, as far as we are concerned, if you use 365 days as in other years.

The leap year rules are for both tax and Class 1A NICs. If you need help on a particular kind of benefit see the article below or contact the Employers Helpline or your Inland Revenue office.

Great benefits in our new guide

We have recently published a new Internet guide about the tax and NICs treatment of expenses and benefits in kind. It’s the first time this tax and NICs guidance has been brought together. It has:

- an A-Z list of common benefits and expenses, whether they’re taxable and NICable and whether a dispensation can be given for them
- a quick and easy guide on how to treat them
- detailed guidance on the treatment of some of the more common types
- links to our internal guidance

You can find it at:
www.inlandrevenue.gov.uk/employers/ebik/index.htm

If you have any comments on it, please write to:
 Phil Snell
 Personal Tax
 Room 165J
 Benton Park View
 Longbenton
 Newcastle upon Tyne
 NE98 1ZZ

The paper booklet 480 “Expenses and Benefits - a tax guide” will still be available.

Fuel need to do this

Are you giving details of the type of fuel/power on your P11Ds? If not, read on.

New company car benefit charge rules were introduced from 6 April 2002. Before then you only had to tell us the type of fuel/power if fuel benefit was provided. We still need to know in those cases but, under the new rules, you also need to tell us the fuel type or power used by all cars registered on or after 1 January 1998.

The fuel type/power used may increase or decrease the car benefit charge. This, in turn, affects the amount of tax the employee is charged for that benefit. The 'Type of fuel or power used' field on the form P11D is completed using a key letter – key letters are shown in the P11D Guide at Section F.

The first P11Ds to be completed under the new rules were those for 2002-03.

| KEY LETTER | FUEL OR POWER TYPE DESCRIPTION |
|------------|--|
| P | Petrol |
| D | Diesel, not approved to Euro IV emissions standard |
| L | Diesel, approved to Euro IV emissions standard |
| E | Electric only |
| H | Hybrid electric |
| B | Gas only or Bi-fuel with approved CO ² emissions figure for gas when first registered (which must be on or after 1 January 2000) |
| C | conversion and all other bi-fuel cars with approved CO ² emissions figure for petrol only when first registered |

Free fuel withdrawn ?

We recognise that the car and car fuel section of the 2003-04 P11D does not, in certain limited circumstances, allow an employer to record all necessary information on the form. It only affects employees for whom:

- more than one car is declared on form P11D and
- free fuel is provided and withdrawn from some (but not all) cars in 2003-04.

The problem arises because only one box is available to record the date of withdrawal of free fuel. Those who are affected should calculate the car fuel benefit separately for each car using the date of withdrawal appropriate for that car.

When you send us the details on paper please:

- use a separate P11D for each car, i.e. do not use the 'Car 2' boxes.
- complete only the main form with the total cash equivalent, together with any other benefits reported.

If using IR Online Services:

- write to us if fuel continues to be provided for any car across the end of the tax year 2003-04 and tell us which car(s) this relates to.

We have told local offices that there may be a discrepancy between the total of the car fuel benefit charges for each car and a total calculated using the single date on the P11D. We plan to amend the 2004-05 version of the P11D.

Cut down on your paperwork

Apply for a dispensation now to save time completing forms P11D or P9D. You may be able to cut down on your paperwork by asking us for a dispensation. It covers both Tax and NICs. If given, it means employers don't need to put certain expenses and benefits on P11Ds and P9Ds, and employees don't need to put them on their tax returns.

A dispensation can be given for expenses or benefits where the employee can claim a full tax

deduction e.g. payments to the employee to cover the cost of business travel.

If we give a dispensation for expenses, we would not normally count them as earnings for Class 1 NICs. If the dispensation is given for employer benefits, we would not normally treat them as liable for Class 1A NICs.

The following do not qualify for dispensations:

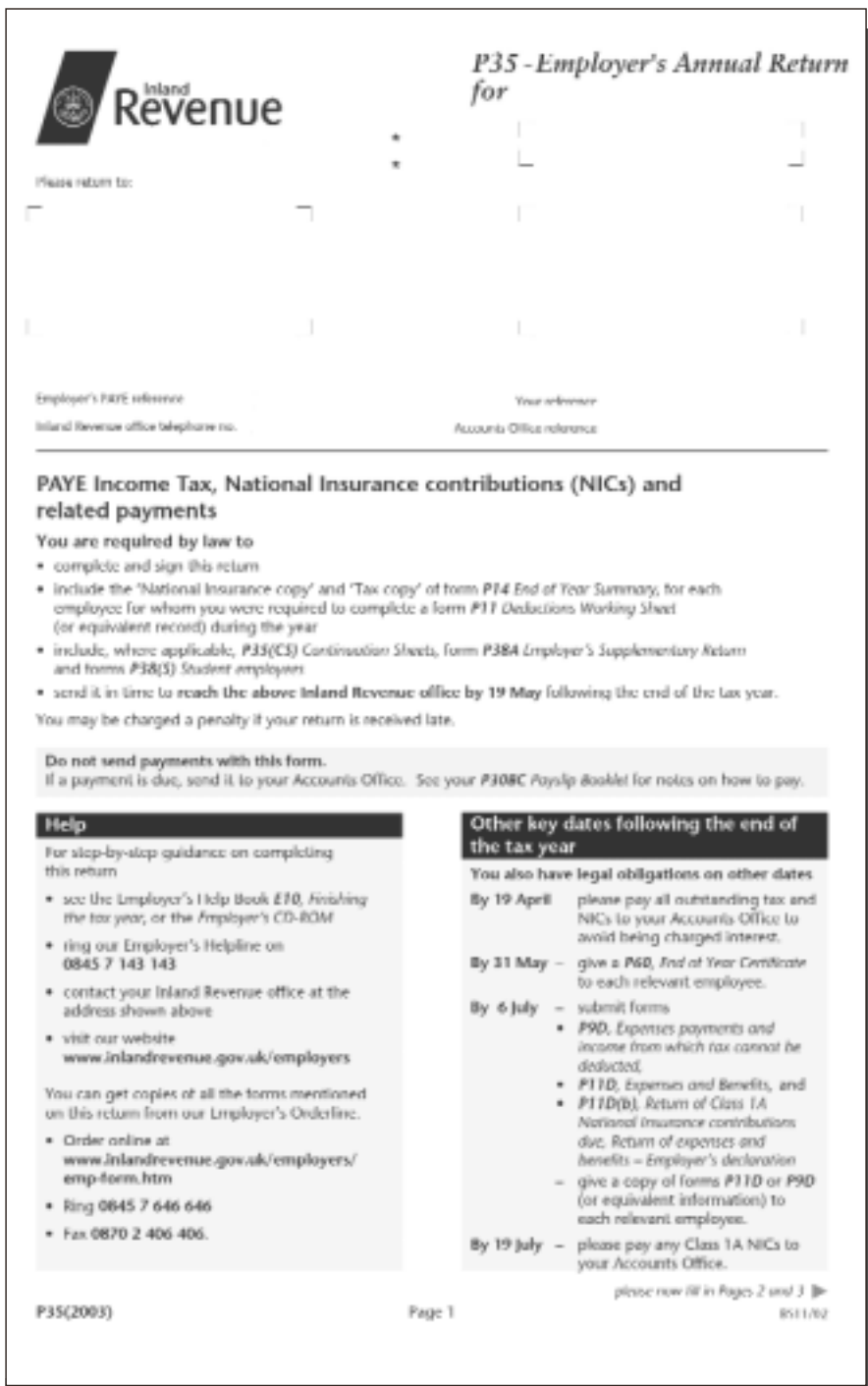
- Company cars and vans that are taxable.

- Private medical insurance.
- Cheap loans.

More information about what a dispensation can cover and an application form can be found in leaflet IR69 "Expenses payments and benefits in kind - How to save yourself work". The new Internet guide (see opposite) also has further information.

END OF YEAR 2004

P35s Out with the old In with the new



We are currently sending out the 2003-04 P35s – employer’s annual returns. We have revamped the form to take into account your comments. You'll notice the form is bigger, less crowded and in a different format from last year's. You should find it more logical.

It also incorporates the following new boxes:

- Statutory Paternity Pay (SPP) recovered;
- NIC compensation on SPP;
- Statutory Adoption Pay (SAP) recovered; and
- NIC compensation on SAP.

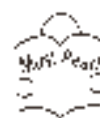
The ‘NIC Rebate claimed’ box has gone. Employers who have contracted-out occupational pension schemes don't need to show NIC rebates separately. The NICs shown should be the amounts due after set-off of the NIC rebates.

Substitute P35s

We have been asked many times whether we will accept substitutes of P35s – the ‘employer’s annual return’. And we have always refused because of difficulties it causes us in processing them. The only P35s we will accept are the actual forms we send to you, unless you send your return online (via the Internet or EDI).

P35 (2004)

GET IT RIGHT FIRST TIME.



You might find it easier to Do It Online - now's a good time to register and enrol for PAYE Online.



If you want to do it on paper here are a few pointers:

- Have you got enough P14s? If not call the Employer's Orderline on 0845 7646646
- Use 2003-04 P14s. Throw out last year's stock now.
- Use Helpbook E10 (2004) Finishing the tax year up to 5 April 2004
- Use the correct NI number on the forms
- Don't forget to enter tax credit funding (see p8 & 9), or SAP and SPP (see opposite)
- Send in all P14s and P35s together.

Expenses and benefits - a reminder

If you pay expenses or benefits to your employees, you need to make a return of any Class 1A National Insurance contributions (NICs) on form P11D(b). If you need to complete a P11D(b) and haven't received one from us by May, contact your Inland Revenue office.

Please remember that returns of Class 1A NICs must no longer be made on forms P14 or P35.

For more information about making returns of Class 1A NICs see the Employer's Guide CWG5 (2004) or www.inlandrevenue.gov.uk/employers or the Employer's CD-ROM, or a paper copy is available from the Employer's Orderline.

YOU CAN GET HELP IF YOU NEED IT:

Book yourself on to a BST End Of Year workshop. Call 0845 6070143 or visit www.inlandrevenue.gov.uk/bst

Or phone the Employers Helpline on 0845 7 143 143. Weekdays 8 till 8, weekends 8 till 5.

Remember - your end of year returns are due by 19 May 2004 but you can send them in from 6 April onwards.

The final payment for 2003-04 is due by 19 April 2004.



Helpline

Helpline (telephone advice) **Orderline** (order your forms and guidance)

Orderline numbers

Calls may be monitored for quality control and training purposes

General payroll matters

for example PAYE, NICs and tax credits

| Been an employer <u>less</u> than 3 years? | Been an employer <u>more</u> than 3 years? |
|--|--|
| <ul style="list-style-type: none"> • Helpline 0845 60 70 143 Mon-Fri 8am-8pm Sat-Sun 8am-5pm • Textphone 0845 602 1380 (for employers who are deaf or hard of hearing) | <ul style="list-style-type: none"> • Helpline 0845 7 143 143 Mon-Fri 8am-8pm Sat-Sun 8am-5pm • Textphone 0845 602 1380 (for employers who are deaf or hard of hearing) |
| <ul style="list-style-type: none"> • Payroll Helpline 0845 915 9146 Mon-Fri 9am-4pm • Orderline 0845 7 646 646 Mon-Fri 8am-8pm, Saturday 10am-1pm • Fax 0870 2 406 406 (Please use your Fax Order Form) • Website www.inlandrevenue.gov.uk/employers/emp-form.htm • most of the forms you'll need can be downloaded from the Employer's CD-ROM | |

Other helplines:

IR Online Services Helpdesk*

Helpline 0845 60 55 999
Mon-Fri 8am-10pm
Sat-Sun 10am-6pm

e-mail

helpdesk@ir-efile.gov.uk

**including technical support for Employer's CD-ROM*

Payroll Standard Helpline

0845 915 9146 Mon-Fri 9am-4pm

Stakeholder Pensions

Helpline 0845 7 143 143
Mon-Fri 8am-8pm
Sat-Sun 8am-5pm

■ Accounts Office Shipley
01274 530750

■ Accounts Office Cumbernauld
01236 736121

• To find the number of your local Inland Revenue office, look in the phone book under 'Inland Revenue'.

Construction Industry scheme (CIS)

Contractors

Helpline 0845 7 33 55 88
Mon-Fri 8am-8pm
Sat-Sun 8am-5pm

Orderline 0845 3000 551
7 days a week 8am-10pm

Sub contractors

Helpline 0845 3000 581
7 days a week 8am-8pm

Orderline 0845 3000 551
7 days a week 8am-10pm

National minimum wage (NMW)

Helpline 0845 6000 678
Mon-Fri 8am-6pm

Orderline 0845 845 0360
7 days a week 24 hours

Employer services

■ To visit the Employer's Website, go to

www.inlandrevenue.gov.uk/employers

Here you will be able to access a wide variety of information for employers, and have access to the Internet version of the Employer's Orderline.



NICs: special topics

Contracted-out Pensions

Helpline & Orderline
0845 9 150 150
Mon-Fri 8am-5pm

Non-residents

Helpline & Orderline
0845 9 154 811
Mon-Fri 8am-5pm