

Budget news and more



Inside

- Changes to tax rates and allowances
- Help for new and small employers
- Tax credits - more advice
- Reform of company car tax
- New share plans and incentives

If you need an answer to a particular problem, get in touch through the contact points shown in the item or call one of the Helplines on the back page.

Comments on the Employer's Bulletin are welcome.

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Welcome to Issue 5, the Budget 2000 edition of the Employer's Bulletin.

It contains a range of issues affecting employers, both Budget related and otherwise. Our aim with the Bulletin is to provide high level, easily read advice, clearly signposted to where more detail and help can be found if needed. In this way, we hope to best meet the varied needs of our 1.5 million employers and agents who receive the Bulletin.

Before the next edition in September, we shall be sounding out more readers for views, in time to bring in any improvements.

Robert Tomlinson – Managing Editor

Changes to rates of tax and allowances

Budget announcement

On 21 March 2000, the Chancellor of the Exchequer in his Budget statement proposed changes to the rates of tax and allowances.

Income tax rates

From 6 April 2000 the rates of tax and bandwidths are:

Starting Rate	10% - up to £1,520
Basic Rate	22% - £1,521 to £28,400
Higher Rate	40% - over £28,400.

New Tax Tables - first pay day on or after 18 May

The new bandwidths are incorporated in the revised *Taxable Pay Tables SR + B to D (May 2000 issue)* enclosed in your Budget Pack. Use the new tables from 18 May 2000.

New codes - first pay day on or after 18 May

The increases in tax allowances announced in the Budget will be reflected in the revised codes to be used from 18 May 2000.

Form P7X enclosed with your Budget Pack gives details of codes to be increased. You should operate the new code numbers from Week 7 (18 May).

PAYE quarterly payments

Budget announcement

From April this year, if your average monthly payments of PAYE and NICs are less than £1,500 – up from the current limit of £1,000 – you can choose to pay quarterly rather than monthly.

You can now include an estimate of the likely level of your tax credit payments when deciding whether to pay quarterly. Find out more on Card 18 of the series '*Employer's quick guide to PAYE and NICs*' CWG1(2000)(2). There's an updated copy of the card in your Budget Pack.

Construction Industry Scheme (CIS)

Reduced rate

The rate of deduction from payments made to subcontractors who do not have a Gross Payment Certificate was reduced to 18% from 6 April 2000. You should apply the new rate to all payments after that date.

Revised CIS24 procedures

We have streamlined the process of handling vouchers for subcontractors with a Gross Payment Certificate, the CIS6.

There's more about vouchers at paragraph 4.11 of the booklet *IR14/15(CIS) 'Construction Industry Scheme'* available from the CIS Orderline 0845 300 0551

From May, but covering payments since April, the subcontractor will keep the middle 'Subcontractor Copy' of the CIS24 voucher. There is no change to the entries that must be made. And you must still complete your two copies in the usual way, getting the top copy to the Inland Revenue CIS Processing Centre within 14 days of the end of the tax month.

For further information or advice call the Construction Industry Scheme Contractor Helpline on 0845 7 33 55 88

Changes for New Deal people

Dealing with NICs

From April 2000 there are changes in the National Insurance contributions (NICs) for people taking part in the New Deal scheme. If you have people working in the Environmental Task Force or the Voluntary Sector option, you must now deduct NICs from their wages and make your employer's contribution. Previously only PAYE tax was due.

New Deal participants in the options identified above who get an allowance from the Employment Service are not affected. The allowances they receive remain free of tax and NICs.

Welfare to work - to find out more about the New Deal

- contact your local Jobcentre
- call 0845 606 2626
- visit www.newdeal.gov.uk

Payroll standard

Seal of approval

On 21 March 2000, the Inland Revenue launched a payroll standard. Within the next few months payroll software providers, payroll bureaux and internet payroll services will be able to have their products or services tested against the standard and accredited. The aim is to have payroll products bearing the standard available by the early autumn.

In the meantime, if you decide to use payroll software to help with the calculation of tax and NICs, you will need to make sure that you obtain from your software provider their software updates as and when they become available.

We will provide you with more information in the September 2000 edition of the Employer's Bulletin.

Consultation on PAYE and NICs rule changes

Problem solving?

We are looking at ways of making life easier for employers.

Within the next few months we will be putting onto our website ideas on how to simplify some of the detailed technical rules on PAYE tax and NICs that are currently causing problems. And we would like your input. To take part in the consultation exercise, look out for further details on our website at www.inlandrevenue.gov.uk

You should see some changes in time for the start of the next tax year in April 2001.

Pension Schemes Earnings Cap

Budget announcement

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 2000-2001, the limit has been increased to £91,800. 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.

Payrolling credits

'An employer's guide to tax credits' is available from the Employer's Orderline on 0845 7 646 646

HELP AND ADVICE

Employers

Employer's Helpline
Mon-Fri 8am to 8pm
Sat and Sun 8am to 5pm
0845 7 143 143

Employees

Working Families' Tax
Credit – WFTC Helpline
0845 609 5000
Mon-Fri 7.30am to 6.30pm

Disabled Person's Tax
Credit – DPTC Helpline
0845 605 5858
Mon-Fri 7.30am to 6.30pm

In Northern Ireland it's
the same number for both
tax credits
0845 609 7000
Mon-Fri 7.30am to 6.30pm

By the time you read this you could already be paying tax credits. But if you are not it might not be long until you do. This is because the Government expects the majority of people qualifying for Working Families' Tax Credit (WFTC) and the Disabled Person's Tax Credit (DPTC) to have their tax credit paid through the payroll.

Look for the order form for the free video offer in your Tax Credit Pack. This came as part of your Employer's Annual Pack during February. The video shows what the new tax credits mean for employers and the booklet 'An employer's guide to tax credits' tells you how the scheme works and what you have to do. And this includes how to organise funds if you do not have enough PAYE, NICs or Student Loan money to cover the payments the Tax Credit Office (TCO) has asked you to make. (Find this on page 14 of the guide.)

If one of your employees is getting a new-style credit the TCO may already have been in touch with you about their application. But we are looking at ways to cut down on the need for these follow-up contacts. And the customer service team at the TCO say it will help keep delays to a minimum if you

- tell your employees to keep their payslips
- always use your business's PAYE reference when you contact the TCO
- check that your PAYE reference is right on any forms from the TCO
- check that your bank account details are correct on any forms that come from the Accounts Office.

Find out more about discounts on credit payments on page 8.

More about tax credits

You must always pay the full amount of tax credit.

Tax credits are **not** earnings for the purposes of

- collecting money owed to you by an employee
- pension contributions
- Attachment of Earnings Orders (AEOs)
- Child Support Agency Deductions from Earnings Orders (CSA DEO).

For further advice on

- AEOs – contact the court or local authority
- CSA DEOs – contact CSA National Enquiry Line on 0845 7 133 133 Mon-Fri 8.00am - 8.00pm Sat 8.30am - 5.00pm

Paying tax credits for the first time

Tax credits

- are paid for seven days a week, with pay
- always start on a Tuesday
- are paid on payroll pay day
- paid on pay day must cover the same pay period as the earnings paid on that day.

So unless your pay period starts on a Tuesday and ends on a Monday, the first and last tax credit payments you make will not be for a complete pay period.

Say you pay your employee on Thursday for the week ended the previous Friday. The first time you pay tax credit to this employee you will pay

- one week's pay - for the week ended the previous Friday **plus**
- four days' tax credit - for Tuesday, Wednesday, Thursday and Friday.

After that, each pay day you will pay

- one week's pay **plus**
- seven days' tax credit covering the whole pay period.

For the pay period which includes the Monday on which your responsibility for paying tax credits ends you will pay

- one week's pay **plus**
- three days' tax credit - for Saturday, Sunday and Monday.

Additional help for mothers who stay at home

Extra credit

Working families are to get extra support through the Working Families' Tax Credit (WFTC) and the Disabled Person's Tax Credit (DPTC) as soon as a child is born.

The changes are not due until May 2001. We expect, at this stage, to be able to use the same forms and procedures that we do now.

There will be more about this in future issues of the Employer's Bulletin.

Employment tax credit - integrated child tax credit

Budget announcement

The Chancellor announced long term changes to tax credits in the recent Budget.

From 2003, employment tax credit will replace elements of the present Working Families' Tax Credit. And a new integrated child credit will draw together individual strands of Government support for children – in Working Families' Tax Credit and Disabled Person's Tax Credit, Income Support and Jobseeker's Allowance, and Children's Tax Credit – into a single payment.

The details still have to be worked out. But future issues of the Employer's Bulletin will tell you how the proposals are progressing.

Internet discounts

Budget announcement

Following February's announcement of £50 one-off discounts for sending in PAYE and VAT returns on the net, the Chancellor is now offering a further discount to small businesses.

Up to £100 off

Small employers sending in their 2000-2001 PAYE P35 and P14s on the net and paying their tax and NICs electronically will get £50 off. This now increases to £100 if you meet these conditions **and** pay out tax credits to one or more of your employees in 2000-2001.

To file over the internet you need to register at our web address from November 2000.

www.inlandrevenue.gov.uk

And small employers who use internet payroll services to file their returns can also receive the PAYE and tax credits discounts.

There will be more details in the September issue of the Employer's Bulletin. And look for news updates on our website www.inlandrevenue.gov.uk

If you want to find out more about e-business solutions for PAYE forms and returns, contact our Electronic Business Unit

Helpline 0870 241 2092

Minicom 01274 534600

Fax 01274 534514

e-mail ebu.ops.ir@gtnet.gov.uk

Charity begins at work

Almost five million people already give to their favourite charity through a Payroll Giving scheme. And the latest research tells us that many more people would think about giving if their employer had a scheme.

Simply organised

Brenda Campbell from the Revenue's Capital and Savings Division tells the Bulletin: 'Payroll Giving is simple and inexpensive to organise. There are no tax forms to fill in and a Payroll Giving agency will help you set up, and then do most of the administration for you.'

Guides for giving

The leaflet '*Payroll Giving - a guide for employers*' answers key questions about the scheme and has a list of approved agencies. It also includes details of promotional organisations willing to visit your workplace to explain the scheme. And your staff can get an introduction to their side of tax-effective giving from our leaflet '*Payroll Giving - a guide for employees*'.

'Now is a good time to start', says Brenda. 'Employees can now give as much as they want and the Government has pledged a 10% top up on all Payroll Giving donations for the next three years.'

Any running costs for the business should be small, but they are tax deductible. And if you match your employees' donations, these will also be allowed as a deduction in the business's accounts.

Businesses: Gift Aid

And it is now easier for you to donate to your chosen charity and get tax relief against your profits. There is no longer any need to deduct and account for income tax on the donation or to fill in a Gift Aid declaration.

For more about Gift Aid, call 0151 472 6036/6037

For more about Payroll Giving, call

- the Employer's Helpline on 0845 7 143 143 or
- our Charitable Giving Helpline on 0151 472 6029/6053
8.30am - 4.30pm

Leaflets available from the Employer's Orderline on 0845 7 646 646

- '*Payroll Giving - a guide for employers*' and
- '*Payroll Giving - a guide for employees*'

Or you can see and order both leaflets on our website at www.inlandrevenue.gov.uk

Budget announcement

From this summer, companies will be able to offer special tax-free shares to employees to give them a stake in the success of the business.

The costs to the company of setting up and running a plan, as well as the value of the shares used, will be tax deductible.

Plan ahead for approval

From April you can send your draft share plan for approval to the Revenue's Share Schemes Unit at the address shown in the box at the bottom of this page.

Plans have to be approved. But they can be flexible, allowing companies to offer three types of shares to their employees:

- **Free shares** worth up to £3,000 each year - these can be performance linked.
- **Partnership shares** of up to £1,500 each year - to be bought by the employee out of pre-tax pay.
- **Matching shares** – up to two shares can be awarded for each partnership share bought.

The free and matching shares have to be kept in the plan for at least three years, unless the employee leaves. And all the shares will be free of tax and National Insurance contributions if they are kept in the plan for five years.

For more information, including examples of plan rules, trust deed and other guidance:

- visit our website at www.inlandrevenue.gov.uk/shareschemes
- contact
Inland Revenue Share Schemes Unit
Room 76
New Wing
Somerset House
Strand
London
WC2R 1LB
- call the Unit on 020 7438 6718, 7231 or 6756
- e-mail eileen.daly@ir.gsi.gov.uk

Enterprise Management Incentives (EMIs)

Budget announcement

To help attract and keep the talented staff they need to grow, small higher-risk companies will be able to offer new improved tax-free share options from this summer.

Options for 15 key employees

The options, called Enterprise Management Incentives and worth up to £100,000, can be used by companies to target up to 15 key employees. There will normally be no income tax or NICs to pay. And if the employee sells the shares for more than they were originally worth, the sliding scale for capital gains tax starts from the date the options are granted. This means that the longer the shares and options are held, the lower the tax bill.

EMIs will come into effect when the Finance Bill becomes law in the summer.

If you don't see the date in the National Press, try our website or contact the Shares Scheme Unit.

The EMI rules have been kept as simple as possible. EMIs don't have to be 'approved' by the Inland Revenue. You simply notify the details of the option to the Revenue's Share Schemes Unit at Room 76, New Wing, Somerset House, Strand, London, WC2R 1LB.

For more information:

- call the Unit on 020 7438 6718, 7231 or 6756
- e-mail eileen.daly@ir.gsi.gov.uk
- visit our website at www.inlandrevenue.gov.uk/shareschemes

What about existing approved share schemes?

Budget announcement

The existing approved profit sharing (APS) scheme has been with us for over twenty years. And while it has been popular with some companies, it has had only a limited appeal for many others.

Profit sharing goes

The new All-Employee Share Plan has been designed with the needs of business firmly in mind. For example, its flexibility will allow companies to reward performance. And companies can also make it a rule that employees have to give up their shares if they leave. Because the new plan is so much better for business it makes sense to phase out the old APS scheme: no more APS schemes will be approved after 5 April 2001. But employers will still be able to award shares under existing schemes up to 5 April 2002.

SAYE and CSOP to stay

The Government's commitment to increase the number of employees owning shares in their company means that the popular SAYE Sharesave Scheme and Company Share Option Plan will continue. These, together with the new share incentives, will provide a world beating package of measures to encourage enterprise and boost employee share ownership.

For more information, use the contact points shown on page 10.

Buying in childcare

Employers who buy in childcare for their employees will not have to pay National Insurance contributions (NICs) on the costs.

The recent Budget announcement covers

- organising places in a commercial nursery
- arranging for a childminder
- providing a workplace nursery
- handing out childcare vouchers.

No cash

But it does not cover extra cash given to your employees to help them meet the costs of their own arrangements or paying childcare bills on behalf of your employees. You - and your employees - will still have to pay NICs on these types of payments.

No change

Nothing has changed for your employees. They will still pay tax on the value of the help you give them with childcare, whether in cash or in kind, if they are earning more than £8,500 a year. But, as long as you don't hand over cash or childcare vouchers, there will be nothing to pay for employees earning less than that. And places in a qualifying workplace nursery remain tax-free for all employees.

There is more information in

- booklet 480(2000) - 'Expenses and benefits - A tax guide'
- booklet CWG5(2000) Issue 1 - 'Class 1A National Insurance contributions on benefits in kind'

They are both available from the Employer's Orderline - call 0845 7 646 646

If you need any help, call the Employer's Helpline on 0845 7 143 143

New exemptions

Two types of benefit became exempt from both tax and employer NICs from 6 April 2000.

Work related – where there are small amounts of private use of items mainly used for work, whether in the workplace or elsewhere. An example might be a fax machine.

Beneficial loans – where all the interest on a beneficial loan qualifies for relief.

Counselling

And regulations will be on the books by the summer to exempt from tax and NICs welfare counselling where this is generally available for employees.

This means none of these items has to go on the form P11D.

Incentive awards

'Class 1A National Insurance contributions on Benefits in Kind' – A preliminary guide for employers to proposed changes for 2000-2001 – CWG5(2000) Issue 1

This booklet was part of the Annual Pack sent out in February. It is available on the Employer's Orderline 0845 7 646 646

There is a change to the National Insurance contributions (NICs) due on non-cash vouchers or other benefits in kind given to employees under incentive award schemes not run by their employer. For example, a car salesman employed by a local garage, but awarded a golfing weekend by a car manufacturer for having the best sales in an area.

From 2000-2001 the responsibility switches from Class1 NICs to Class 1A. And brings this type of incentive award into line with other benefits in kind included in the proposals to extend the range of Class 1A NICs. For the employer it means that the value of the award no longer goes through the payroll.

And following requests from business, the Class 1A will be paid by the supplier of the awards. But for 2000-2001 there are special arrangements which will allow businesses running award schemes the time to get organised. For this first year only, they can choose whether or not to pay Class 1A NICs and the employee's tax bill on the benefits. However, if the supplier of the award doesn't pay then the employer must. And this will include Class 1A NICs on the employee's tax bill, if paid.

From 2001-2002 the employer doesn't have to pay anything; the supplier must pay the Class 1A NICs on the benefits and any associated tax.

Businesses who have agreed Taxed Award Schemes with our Incentive Award Unit will get more detailed information within the next couple of months.

End of year payments

The special end of year arrangements for returning and paying tax due as a result of entering into a Taxed Award Scheme are being expanded to include the return of Class 1A NICs on those non-cash awards from 2000-2001.

Change of address

The name and address of the Inland Revenue unit responsible for dealing with Taxed Award Schemes, for providers of incentive awards, has changed and is now

Inland Revenue
Incentive Award Unit
Manchester Blackfriars
Trinity Bridge House
2 Dearmans Place
Salford
M3 5BH

Phone 0161 261 3269
Fax 0161 261 3357

NICs round-up

Budget announcement

The Chancellor announced a reduction in the level of employer NICs. Tables reflecting the new rate will be issued as normal in the February before they come into effect.

Employers operating contracted-out occupational pension schemes

NIC rebates

Tables not received?

Call 0845 9 150 150
Mon-Fri 8.30am - 5pm

A new guidance sheet on NIC rebates was enclosed with your contracted-out tables, delivered last month. This guidance supersedes that in the April 2000 version of booklet CWG2, the 'Employer's Further Guide to PAYE and NICs'.

The new guidance is also on our website at <http://www.inlandrevenue.gov.uk/nic/coeg>

Attachment of Earnings Order

The effect of this guidance is to increase the employee's net pay. This means if there is an Attachment of Earnings Order it increases the attachable earnings.

There is more about attachable earnings on page 6.

National Minimum Wage (NMW)

New rates

From 1 June 2000

Youth rate, 18-21 years old inclusive, goes up from £3.00 to £3.20 an hour.

From 1 October 2000

Main rate goes up from £3.60 to £3.70 an hour.

Later this year, the Government plans to make some minor changes to the National Minimum Wage regulations including

- how NMW applies to trainees
- how NMW applies to students on sandwich courses
- making the regulations on payment for travelling time clearer.

Any problems, call the National Minimum Wage Helpline on

0845 6000 678

Mon-Fri 8am to 6pm

More about this in the September issue of the Employer's Bulletin. And there are regular updates on the Department of Trade and Industry website at www.dti.gov.uk/er/nmw

CSL: use box 5

'The Employer's Guide to the Collection of Student Loans' is available from the Employer's Orderline. Call 0845 7 646 646

The first Start Notices for the Collection of Student Loans were sent out earlier this month, a little later than intended.

This means the first deductions will be made about the middle of May. However, if your Inland Revenue office has sent you a Start Notice, and your employee then leaves before or after the first deduction is due, you must put a 'Y' in box 5, the Student Loan box, on the P45. This is because the Start Notice is not sent on to any new employer.

If at any time over the next few weeks you are given a P45 with an entry in box 5, the Student Loan box, you must start to collect the loan from the next pay day. The Student Loan Deduction Tables that came in your Employer's Annual Pack tell you what to do.

Payroll software

If you have used our Notes for Payroll Software Developers to update your payroll package for Collection of Student Loans - don't worry. The short delay in sending out the Start Notices does not affect the Student Loan software specifications.

More about the Collection of Student Loans

Scottish Court Orders

Do not make a Student Loan Deduction if you have to apply any of the following:

- Earnings Arrestment
- Current Maintenance Arrestment
- Conjoined Arrestment Order.

Deduction of Earnings Order (DEO)

In Scotland the same rules apply as elsewhere. The Student Loan deduction must be made after the DEO. It must not exceed the protected earnings level shown in the order. The Student Loan must restart once the DEO has been paid.

Other Court Orders

The details are in the 'Employer's Further Guide to PAYE and NICs', booklet CWG2 - available from the Employer's Orderline.

For further advice please call 0845 7 143 143

CSL: new P45s

You can order the new forms from the Employer's Orderline on 0845 7 646 646

For the new tax year 2000-2001 forms P45 have been changed to include an entry, at box 5, for Student Loans. Please make sure you have the correct version of the form P45 and use it from 6 April 2000.

New business gets new service

This month sees the launch of a new payroll service from our helpline for new employers, and from our local Business Support Teams (BSTs).

We know that some employers are likely to need that bit of extra help with payroll. Mostly this will mean those that have only a couple of year's experience of running a payroll or small businesses with just a handful of employees.

Taking time

From April, the New Employer's Helpline team will provide you with detailed help and guidance on payroll - how to do the calculations properly, fill in the forms correctly, send in the money at the right time, and deal with new procedures such as tax credits and student loans.

Ask us to call in

If you decide that you would prefer face to face assistance instead, you can also ask the helpline to arrange a visit from your local BST. The BST will spend up to one day with you taking you through the payroll processes and forms in detail and helping you sort out any difficulties. They can also give you (if you wish) a payroll 'health check', to ensure your payroll systems work properly and that you understand how to use them.

And, of course, the BSTs will continue to run workshops for employers and businesses on a range of tax and National Insurance issues. Look out for local advertising, or (once again) contact the helpline.

Whatever the query - a simple 'what's this about the new P14?' or something more complicated like 'do I pay NICs on a car?' – help is only a phone call away.

Contact the New Employer's Helpline on 0845 60 70 143
Open Monday to Friday 8.00 am to 8.00 pm and
Saturday and Sunday 8.00 am to 5.00pm

New columns and boxes for NICs on P14

There are changes to the NICs columns 1a to 1e on the form P14 (OCR) for 1999-2000. The details to go in these columns are different from last year. There is also a new box for NIC rebates.

New employers who started after April 1999 call 0845 60 70 143

Experienced employers call 0845 7 143 143

Please order the new-style forms from the Employer's Orderline. We can't accept old style-forms for 1999-2000.

Card 21 in the series '*Employer's quick guide to PAYE and NICs*' (CWG1(2000)), part of the Employer's Annual Pack delivered in February, tells you what you must do. But if you need any extra help or advice please call one of our Employer's Helplines, or ask for a visit from your local Business Support Team.

- Q1** *I have not yet received my P35 for the 1999-2000 tax year. What should I do?*
- Form P35 is issued by your nominated Inland Revenue Accounts Office, usually by the end of February each year. Request one now from your PAYE Inland Revenue office. It must be completed and returned to reach them by 19 May 2000. 'Employer's quick guide to PAYE and NICs' (CWG1) cards 19 and 20 provide further information.
- Q2** *Do I need to complete the 'S' boxes on the P14?*
- You must only complete these boxes if you operate a Contracted-Out Money Purchase Occupational Pension Scheme. And only for those employees who are members. It is important that P14s are completed accurately. The 'Employer's quick guide to PAYE and NICs' (CWG1) cards 19 and 21 will help you. A P14 help card is also available from the Employer's Orderline.
- Q3** *From what date do I start using my April 2000 National Insurance Tables?*
- You must use them for the first payment of earnings that you make on or after 6 April 2000.
- Q4** *I have used 1999-2000 National Insurance Tables for my first two pay days in this tax year. What should I do?*
- Draw a line through the entries on your P11, or equivalent, and enter the correct amounts. The original entries must still be legible. You will need to make adjustments for any over or underpayments. The 'Employer's Further Guide to PAYE and NICs' (CWG2) page 17 provides information on this.
- Q5** *From April none of my employees will be paying tax or National Insurance. Their earnings are £75 a week. Do I still need to be registered for a PAYE scheme?*
- Yes. There is a requirement to record earnings which reach or exceed the weekly Lower Earnings Limit (LEL) of £67 for 2000-2001. This is to protect employees' entitlement to benefits and for calculating the average weekly earnings for SSP and SMP. For further information see 'Employer's quick guide to PAYE and NICs' (CWG1) card 2 for LEL, and cards 8 and 11 for P11 recording.
- Q6** *During the tax year 1999-2000 my employee's earnings were £66 a week. No tax or National Insurance was due. Do I need to complete a P35?*
- Yes. As the earnings were exactly the LEL you were required to record this on the P11 or equivalent. You must complete relevant sections on forms P14 and P35. The 'Employer's quick guide to PAYE and NICs' (CWG1) cards 19, 20 and 21 will help you with this.
- Q7** *What is the lower rate of SMP for the 2000-2001 tax year?*
- The new lower rate is £60.20 a week. As there is no daily rate, £60.20 is payable for any week of SMP due from 2 April 2000. This is the Sunday of the week that contains 6 April. CA35/36 SSP/SMP Tables (April 2000) provide further information on rates.
- Q8** *What is the rate of SSP from April 2000?*
- The new weekly rate is £60.20. Daily rates are found in your CA35/36 Tables received with your Annual Pack. Apply your new daily rates for any days of SSP due on or after 6 April 2000.
- Q9** *I have an employee who has an Appropriate Personal Pension. What category of National Insurance do I use?*
- Standard Rate Category A. The 'Employer's quick guide to PAYE and NICs' (CWG1) card 11 provides further information on categories of National Insurance and what tables to use.

IR35: reviewing the situation

If you work through a service company or partnership, you must review your business activities to see if you are affected by the new rules that came into effect from 6 April 2000.

To help you do this all our published guidance is on our website. And this includes over 50 answers to questions raised by employers. If you cannot access the website or find the answer to your question, please get in touch with one of the IR35 contact points below.

And you can write to us if you would like a written opinion about whether your contract falls within the new rules – just send us a copy of the signed contract with a covering letter.

About your contract

If an employee leaves, or your service company ceases to trade, you will need to know how to work out any deemed payment of salary and what to show on the P45. So please get in touch for advice.

Your local Inland Revenue office only has enough information to answer straightforward questions. So for more detailed information and speedy expert advice, use one of our IR35 contact points.

Available from your local Inland Revenue office in May
– A new leaflet
'Supplying Services through a limited company or partnership'

IR35 contact points

- Inland Revenue
IR35
Penhaligon House
Trinity Street
St Austell
Cornwall
PL25 5BA

Fax 0845 302 3535
- IR35 Helpline 0845 303 3535
- visit our website at www.inlandrevenue.gov.uk/ir35
- e-mail IR35@inlandrevenue.gov.uk

Full details of how to e-mail us are explained on our IR35 webpage.

Low cost retirement

With the legislation expected to be on the books by this summer, employers should be able to offer stakeholder pensions to their employees from April 2001. Aimed at people currently making no retirement provisions, the schemes will be low cost and designed primarily for people on moderate incomes, between £10,000 and £20,000.

Choice schemes

Businesses with fewer than five employees can choose whether or not to select a scheme. But by October 2001 most employers with five or more employees, who do not have an occupational pension scheme, must have chosen a stakeholder pension that they can offer to their employees. Employees do not have to join, but if they do their contributions will be paid through the payroll. Any business not obliged to run a scheme can set one up voluntarily.

We'll be in touch

The Government will set minimum standards for the schemes, available from commercial pension providers, to make sure that they are secure and offer value for money.

There will be more about stakeholder pensions published later this year. And businesses that are likely to have to offer a scheme will be contacted direct.

Helplines for stakeholder enquiries

- Employers 0845 7 143 143
- Scheme providers 0845 9 150 150
- Software developers 0845 9 150 150

There is more information on the DSS stakeholder pension website at

www.dss.gov.uk/hq/pubs/stakepen

Stakeholder exemptions – employers

- With fewer than 5 employees.
- With an occupational pension scheme that all staff are eligible to join within a year of starting work.
- Where all employees earn less than the National Insurance Lower Earnings Limit.
- Where a group personal pension is offered to all staff and the employer makes at least a 3% of earnings contribution and there are no exit charges.

The green light

The only change for this year, 2000-2001, is the increase in the scale charges of taxable benefit on free fuel for private motoring. If this means changes in tax code numbers your Inland Revenue office will send you the details.

Miles better

But you do need to think about the changes coming in a couple of years time. The Government's plans to encourage business miles to become environmentally friendly miles will mean a major reform of company car taxation.

Paying for pollution

From April 2002, in an effort to tackle global warming and improve local air quality, the tax charge will be linked to the car's carbon dioxide (CO₂) exhaust emissions. In other words, the polluter pays. The starting point will remain the car's price. But the higher the level of emissions, the larger the percentage of that price charged. And there will be an extra 3% to pay on diesel cars because they worsen local air pollution. Although, as now, the maximum charge for all cars will be 35%. We do not expect most people to see large differences in tax at the start of the new scheme. But the tolerable level of emissions will go down year on year as cars get cleaner. So in the long term the greener the car, the lower the tax.

Simpler records

The new scheme will be simpler and easier to administer. In most cases the tax and Class 1A National Insurance contributions can be worked out at the beginning of the year just by looking at list prices and emissions data. And with the abolition of the environmentally unfriendly system that allowed the largest discount for the highest mileage there will be no need to keep mileage records for tax purposes.

You will find a ready reckoner of CO₂ emissions on page 23.

Car fuel benefit - new scale charges for 2000-2001

<i>Cars having a recognised capacity</i>	<i>Petrol</i>	<i>Diesel</i>
1400cc or less	£1,700	£2,170
1401cc to 2000cc	£2,170	£2,170
more than 2000cc	£3,200	£3,200

Cars not having a recognised cylinder capacity £3,200

Any problems, call the Employer's Helpline on 0845 7 143 143

All of the publications listed opposite are available from the Employer's Orderline, call 0845 7 646 646

The Green Scheme: facts, figures and examples are on page 23 of this Bulletin. But you may also find the following sources of information helpful:

- For a list of CO₂ emissions write to the Vehicle Certification Agency, 1 The Eastgate Office Centre, Bristol, BS5 6XX.
You can phone them on 0117 951 5151 or visit their website at www.roads.detr.gov.uk/vehicle/fuelcon/index.htm
- Visit our website at www.inlandrevenue.gov.uk/cars/
- Visit the Society of Motor Manufacturers and Traders website at www.smmt.co.uk
- Publications you may find useful
 - Leaflet IR172 'Income Tax and company cars'
 - Booklet 480(2000) 'Expenses and benefits - a tax guide'
 - Booklet 490 'Employee travel - A tax and NICs guide for employers'
 - Booklet CWG5(2000) Issue 1 'Class 1A National Insurance contributions on benefits in kind'

New rules

From 6 April 2002, the charge on the benefit of a company car is to be graduated according to carbon dioxide (CO₂) emissions, and the reductions for business mileage (including those for second cars), and older cars will not apply.

'Income Tax and company cars' IR172 on the Employer's Orderline
0845 7 646 646

The starting point is the price of a car, the same as under the old scheme. Leaflet IR172 gives more information about the price of a car for tax purposes.

Reporting starts April 2001

From April next year, employers will be able to provide emission data on forms P46(Car) where a car is changed or first made available to an employee. This will allow us to gradually collect the information we need before the new scheme starts.

Cars with an approved CO₂ emissions figure

The charge will build up from 15% of the car's price, for cars emitting CO₂ at or below a qualifying level, in 1% steps for every additional 5 grams per kilometre (g/km) over that level. The maximum charge will be on 35% of the car's price. The qualifying level will gradually be reduced as cars get more fuel efficient. Details are in the table on the opposite page with some simple examples of how the scheme will work.

Cars with no approved CO₂ emissions figure

Cars without an approved figure of CO₂ emissions will be taxed according to engine size as follows:

<i>Engine size</i>	<i>% of car's price on which tax will be charged</i>
0 - 1,400cc	15%
1,401 - 2,000cc	25%
2,001cc+	35%

Diesel cars

Diesel cars will be subject to a 3% supplement, but this will not take the maximum charge above 35%.

Older cars

Cars registered before 1 January 1998 will also be taxed according to engine size as follows:

<i>Engine size</i>	<i>% of car's price on which tax will be charged</i>
0 - 1,400cc	15%
1,401 - 2,000cc	22%
2,001cc+	32%

Cars with no recognised cylinder capacity

If a car has no approved figure of CO₂ emissions and no cylinder capacity, it will be taxed on 35% of the car's price (or 32% if the car was registered before 1 January 1998), unless it runs solely on electricity, in which case the charge will be on 15% of the car's price.

Ready Reckoner of car benefit charges in the first three years of the reform

Note: The exact CO₂ figure is rounded down to the nearest 5 grams per kilometre (g/km).

CO ₂ emissions in grams per kilometre			Percentage of car's price taxed	Diesel supplements
2002-2003	2003-2004	2004-2005		
165	155	145	15	add 3% if car runs solely on diesel
170	160	150	16	"
175	165	155	17	"
180	170	160	18	"
185	175	165	19	"
190	180	170	20	"
195	185	175	21	"
200	190	180	22	"
205	195	185	23	"
210	200	190	24	"
215	205	195	25	"
220	210	200	26	"
225	215	205	27	"
230	220	210	28	"
235	225	215	29	"
240	230	220	30	"
245	235	225	31	"
250	240	230	32	"
255	245	235	33	add 2% if car runs solely on diesel
260	250	240	34	add 1% if car runs solely on diesel
265	255	245	35	maximum charge so no supplement

Examples of new charge from April 2002

The examples below show how it is proposed to calculate a car benefit charge in 2002-2003.

Example 1

Car with a petrol engine registered on 1 March 2000 with a list price of £15,000 and an approved CO₂ emission factor of 197g/km (rounded to 195g/km).

Car benefit charge for 2002-2003 is:

List price £15,000 x 21% = **£3,150**

Example 2

Car with a diesel engine registered on 1 September 1999 with a list price of £15,000 and an approved CO₂ emission factor of 240g/km

Car benefit charge for 2002-2003 is:

List price £15,000 x 33%* = **£4,950 ***

*includes 3% diesel supplement

Example 3

Car registered on 3 October 1997 with a list price of £17,500 and an 1800cc petrol engine

Car benefit charge for 2002-2003 is:

List price £17,500 x 22% = **£3,850**

Helplines - employers

New Employer	0845 60 70 143	Mon-Fri Sat-Sun	8am - 8pm 8am - 5pm
Employer's	0845 7 143 143	Mon-Fri Sat-Sun Mon-Fri	8am - 8pm 8am - 5pm 8.30am - 5pm NICs and basic VAT
<i>Telephone</i>	0845 602 1380		
Construction Industry Scheme (Contractors)	0845 7 33 55 88	Mon-Fri	8.30am - 5pm
Subcontractors	0845 300 0581	7 days a week	8am - 10pm
National Minimum Wage	0845 6000 678	Mon-Fri	8am - 6pm
NIC - Contracted-out Employments Group (COEG)	0845 9 150 150	Mon-Fri	8.30am - 5.00pm
NIC - International Services	0845 9 154 811	Mon-Thur Friday	8am - 4.30pm 8am - 4pm
Stakeholder pensions - Employers	0845 7 143 143	Mon-Fri Sat-Sun	8am - 8pm 8am - 5pm
Scheme providers	0845 9 150 150	Mon-Fri	8.30am - 5.00pm
Software developers	0845 9 150 150	Mon-Fri	8.30am - 5.00pm
Electronic Business Unit	0870 241 2092		
	e-mail		ebu.ops.ir@gtnet.gov.uk
Payroll Standard Unit	0845 915 9146	Mon-Fri	9am - 4pm

Helplines - employees

New codes Helpline (Personal Allowances)	0845 300 1036	7 days a week April to 12 May only	8am - 10pm
Orderlines - stationery			
Construction Industry Scheme	0845 300 0551	7 days a week	8am - 10pm
Employer's	0845 7 646 646	Mon-Fri Saturday	8am - 8pm 10am - 1pm
National Minimum Wage	0845 845 0360	Mon-Fri	8am - 6pm
NIC - Contracted-out Employments Group (COEG)	0845 9 150 150	Mon-Fri	8.30am - 5pm
NIC - International Services	0845 9 154 811	Mon-Thur Friday	8am - 4.30pm 8am - 4pm
Other useful numbers:	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'.



Visit the Inland Revenue website at www.inlandrevenue.gov.uk
This month sees a 'Help for Employers' section on our website including:

- a wide variety of information for employers, and
 - access to the internet version of Employer's Orderline.
- If you wish to suggest any improvements to this section, there's an online comment form on the home page of the website.

