

Introduction

There has been an increase to the basic Personal Allowance of £600 for 2008–09 and a £1,200 reduction in the Basic Rate limit. This guidance tells you what you have to do to get ready and when to make the change to suffix L codes. Any changes required to other codes will be dated **24 August** and issued on:

- individual P6s if you receive information from HMRC online
- individual forms P6(T) if you receive tax code notices on paper, or
- a paper list of tax codes.

What you have to do before 7 September 2008

First – apply as soon as possible tax code changes dated **23 August or earlier** that we send to you on forms P6(T), or online equivalent.

Then – after the last payday before 7 September:

- if you are using a payroll software package make sure that you have an updated program from your supplier incorporating the September 2008 changes in advance of the date you need them to apply
- if you are using the Employer CD-ROM to calculate tax deductions make sure you follow the instructions on the Employer CD-ROM 2008 Revised (August) Edition to install the updated P11 Calculator
- make sure that you change tax codes for your employees in line with the instructions below ready for use on the next payday, but **do not** operate them before 7 September.

If you take on a new employee before 7 September, refer to part 5 of the Employer Helpbook, E13(2008), *Day-to-day payroll*.

Finally – put to one side any P11 *Deductions Working Sheets* for employees leaving before 7 September (even if the last wages payment will be made on or after 7 September). If you make a payment on or after 7 September use the existing tax code, do not make any changes detailed below.

What you must do on the first payday on or after 7 September 2008

Review your employees' code numbers as detailed below. Any change required is dependent on the suffix or prefix of the code that you are currently using.

You must enter the correct tax code in box K of the P11 *Deductions Working Sheet* (or equivalent record).

Apply any updated tax codes received from HMRC which are dated **24 August**, from the first payday on or after 7 September. After 24 August no further tax code notices will be sent until 14 September. Use any tax codes received on or after 14 September from the next payday.

Codes with a suffix L

Where you do not receive any other notification about changes to codes with a suffix L **then increase any suffix L code by 60** and use this on the first payday on or after 7 September, for example old code 543L becomes 603L.

If you receive a P6(T) or equivalent notification dated 24 August **do not add 60** to the code but copy the new tax code from the notification on to the P11 and use it from the next payday on or after 7 September.

Codes with a suffix T or prefix K

Where the code with a suffix T or prefix K needs to be changed you will receive a tax code notification from HMRC. When you receive a tax code notification from HMRC, dated **24 August**, copy the new tax code on to the P11 and use it from the next payday on or after 7 September. If you do not receive an updated tax code notification continue to use the existing tax code.

BR, D0 and NT codes

BR (Basic Rate), D0 (Higher Rate) and NT (No Tax) codes are not affected by this change.

Codes with a suffix P, V or Y

Do not change any code with a suffix P, V or Y. These codes will not be changed at this time. However, if you receive a tax code notification from HMRC copy the new tax code on to the P11 and use it from the next payday.

Codes with a suffix A or H

Suffix codes A and H are no longer used. Please contact your HMRC office immediately if you have any of these codes.

New thresholds to apply on or after 7 September:

- the new threshold (starting point) for PAYE is **£116** per week (**£503** per month)
- the new emergency code is **603L**.

If you take on a new employee on or after 7 September, refer to part 5 of the Employer Helpbook, E13(2008) *Day-to-day payroll* on the Employer CD-ROM 2008 Revised (August) Edition or HMRC website. If you are using a printed version of the E13(2008) please follow the instructions on the E13(2008) Supplement.

National Insurance

These changes to the Personal Allowance have no effect on the current National Insurance thresholds or limits.

Revised guidance

Use:

- Employer Helpbook, E12(2008)(3) *PAYE and NICs rates and limits for 2008–09 from 7 September 2008*
- **new Taxable Pay Tables** either
 - *Calculator Tables (September 2008)*, or
 - *Tables B to D (September 2008)*.

Revised forms and tables are available:

- on the Employer CD-ROM 2008 Revised (August) Edition
- on the HMRC website, or
- from the Employer Orderline (copies will be available from 13 August).

Destroy:

- the earlier version of the Employer Helpbook, E12(2008)(2)
- Taxable Pay Tables
 - *Calculator Tables (May 2008)*, **and**
 - *Tables B to D (May 2008)*.

Continue to use

Pay Adjustment Tables - Tables A (1993 issue).

Payroll software

If you do your own re-programming the technical details for 2008–09 are in the November 2007, March and June 2008 issues of our *Notes for Payroll Software Developers*.

These Notes are available on our website at www.hmrc.gov.uk

If you would like to receive notification about future releases of the Notes to our website, please send your request, including your name and address, by email to

hmrcnotes@replyservice.co.uk

or you can write to:

Notes for Payroll Software Developers

PO Box 17289

Edinburgh

EH12 1WY