

About this supplement

We have discovered a small number of errors in the paper edition of the CWG2(2009) *Employer Further Guide to PAYE and NICs*.

You can use this supplement to correct errors on pages 12, 19, 27, 46, 47 and 99.

To ensure that you follow the correct guidance we suggest that you note each page of your CWG2(2009) affected by this supplement.

All of the information in this supplement is included in a revised copy of the CWG2 *Employer Further Guide to PAYE and NICs* which you can find on our website at

www.hmrc.gov.uk/guidance/cwg2.pdf

Page 12

The following replaces the guidance under the heading

Operation of PAYE and Class 1 NICs when the regular date for payment is a non-banking day

When a regular pay day falls on a non-banking day (Saturday, Sunday or Bank holiday) and because of this the payment is made on the:

- last working day before the regular pay day, or
- the next working day after the regular pay day.

For PAYE purposes the payment may be treated as having been made on the regular pay day.

For NICs purposes the payment **must** be treated as if it had been made at its regular time, if the actual and regular payment days are in the same tax year. The payment **may** also be treated as having been made at its regular time when the payment dates cross a tax year.

Example – regular pay day and actual pay day cross a tax month

Pay due on Saturday 6 June 2009 (tax month 3) but paid on Friday 5 June 2009 (tax month 2)

may be treated for PAYE purposes as being paid on 6 June 2009. For NICs purposes the payment **must** be treated as having been paid on 6 June 2009.

Example – regular pay day and actual pay day cross a tax year

Pay due on Sunday 6 April 2008 (tax year 2008–09) but paid on Friday 4 April 2008 (tax year 2007–08) **may** be treated for both PAYE and NICs purposes as being paid on 6 April 2008.

(See page 37 for further NICs information and examples)

Page 19 (left hand column)

The following replaces the last paragraph under the heading

Different Employer PAYE references for separate groups of your employees

If you wish to make an election ask us for a form P350 *Election – Employer Annual Return* which gives further information and incorporates an election for you to complete.

The following replaces the first paragraph under the heading

Completing your Employer Annual Return

You must make a full and complete Employer Annual Return by 19 May consisting of the P14s and one P35 for each PAYE reference, either as a complete submission or in parts (providing your software allows you to fill in parts).

You will avoid the penalties for late filing and for non-online filing, (if you are required to file your Return online) if you send your complete Return online by 19 May. Take care to ensure your Return is accurate and complete. There are also penalties for careless and deliberate inaccuracies.

Page 19 (right hand column)

The following replaces the third paragraph under the heading

15 Making amendments

You must give your employee details of the amendment. You can give them a letter showing the amendment or a new P60 marked 'REPLACEMENT'.

Page 27

The following replaces the email address under the heading

37 Taxed Award Schemes

Email incentive.awards@hmrc.gsi.gov.uk

Pages 46 & 47

We have reproduced pages 46 and 47 overleaf and suggest that you insert them into your paper copy of the CWG2(2009) *Employer Further Guide to PAYE and NICs*.

This example tells you how to work out NICs and fill in forms P11 and P14 when earnings from more than one job are added together, and the employee:

- **does not** have an APP or APPSHP arrangement, and
- NICs are due at the contracted-out rate in some jobs, and
- the not contracted-out rate in others.

Work out NICs on the total earnings based on the **shortest** earnings period of the contracted-out employment(s).

For example, if a person has two jobs, one of which is **weekly paid not contracted-out** employment, and the other **monthly paid contracted-out** employment, and the employee **does not** have an APP or APPSHP arrangement, NICs are worked out using a monthly earnings period.

Example 4

Contracted-out earnings exceed the Upper Accrual Point (£3,337 monthly) but do not reach the Upper Earnings Limit (£3,656 monthly)

The employee is a member of their employer's COMPSHP.
The employee's earnings are:

- £3,500 a month from the contracted-out job (Table letter F)
 - £156 (£39 p/w x 4 weeks) a month from the not contracted-out job (Table letter A)
- £3,656** a month total earnings from both jobs

The earnings period is monthly and NICs are due as follows:

Employee's contributions are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Accrual Point (£3,337)
- the appropriate not contracted-out rate on the contracted-out earnings above the Upper Accrual Point
- the appropriate not contracted-out rate on the not contracted-out earnings until the total earnings reaches the Upper Earnings Limit.

Employee's contributions

£3,337 (UAP) – £476 (ET) = £2,861
£2,861 x 9.4% = **£268.93**

£3,500 – £3,337 (UAP) = £163
£163 x 11% = **£17.93**
£39 x 4 = £156
£156 x 11% = **£17.16**

Employee's NIC rebate

£476 (ET) – £412 (LEL) = £64
£64 x 1.6% = **£1.02**

Net employee's NICs due = Table letter F £286.86 – £1.02 = **£285.84**
Table letter A = **£17.16**

Employer's contributions are due at:

- the appropriate contracted-out percentage rate on the contracted-out earnings above the Earnings Threshold (£476) up to and including the Upper Accrual Point (£3,337).
- the appropriate not contracted-out percentage rate on the balance of total earnings.

Employer's contribution

£3,337 (UAP) – £476 (ET) = £2,861
£2,861 x 11.4% = **£326.15**

£3,500 – £3,337 (UAP) = £163
£163 x 12.8% = **£20.86**
£39 x 4 = £156
£156 x 12.8% = **£19.97**

Employer's NIC rebate

£476 (ET) – £412 (LEL) = £64
£64 x 1.4% = **£0.90**

Net employer's NICs due = Table letter F £347.01 – £0.90 = **£346.11**
Table letter A = **£19.97**

Total employee's and employer's NICs due = Table letter F £285.84 + £346.11 = **£631.95**
Table letter A £17.16 + £19.97 = **£37.13**

Recording NICs

Complete one form P11 for the contracted-out earnings and NICs (after off-setting the NIC rebate) and another for the not contracted-out earnings and NICs. The sharing out of earnings is for NICs purposes only. If PAYE is worked out on the total payment, and recorded on one form P11, note the second P11 'NI' in the tax code space. You must tell us the first time you use the two P11 forms for the same employee.

The employee will have two forms P11: one will show the contracted-out earnings and NICs payable (after setting-off the NIC rebate),

National Insurance contributions						Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.										
Earnings details						Contribution details										
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET		Earnings above the ET, up to and including the UAP		Earnings above the UAP, up to and including the UEL		Total of employee's and employer's contributions - <i>mark minus amounts 'R'</i>		Employee's contributions due on all earnings above the ET						
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	412		64	00		2,861	00		163	00		631	95		285	84

and the other will show the not contracted-out earnings and NICs.

National Insurance contributions						Note: LEL = Lower Earnings Limit; ET = Earnings Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit.										
Earnings details						Contribution details										
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET		Earnings above the ET, up to and including the UAP		Earnings above the UAP, up to and including the UEL		Total of employee's and employer's contributions - <i>mark minus amounts 'R'</i>		Employee's contributions due on all earnings above the ET						
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p
	0		0	00		0	00		156	00		37	13		17	16

At the end of the tax year, complete a form P14 *End of Year Summary*, recording details under the appropriate contribution Table letters in the same order in which they were worked out.

Assuming the level of earnings remained unchanged throughout the year, the P14 *End of Year Summary*, would show:

National Insurance contributions																
Earnings details						Contribution details										
Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL, up to and including the ET		Earnings above the ET, up to and including the UAP		Earnings above the UAP, up to and including the UEL		Total of employee's and employer's contributions - <i>mark minus amounts 'R'</i>		Employee's contributions due on all earnings above the ET						
1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p

The following replaces the example under the heading

154 Pay due under a protective award

Example

An employee is made redundant on 31 October. The employer pays their wages up to 30 November. A tribunal decides:

- the protected period is 31 October to 31 December (62 days)
- the employer must pay the employee their wages for the period 1 December to 31 December (31 days).

Assess the amount of NICs due on the wages paid for the period 1 November to 31 December using a 62-day earnings period, as this is the longer period of:

- the protected period (62 days)
- that part of the protected period in respect of which the payment is made (31 days), or
- a week (7 days).

For guidance on how to work out the NICs using this 62-day earnings period, see the middle row on page 10 of this guide.