

## About this guide

Welcome to the *Employer Further Guide to PAYE and NICs* for the tax year 2011–12. This edition replaces the CWG2(2010).

Throughout this guide PAYE means Pay As You Earn and NICs stands for National Insurance contributions.

For information about the day-to-day tasks in operating PAYE and paying NICs please go to [www.businesslink.gov.uk/payee](http://www.businesslink.gov.uk/payee) or refer to the Employer Helpbooks.

This guide gives more detailed information and covers some less common situations. New or amended material is sidlined in green.

Please remember that you may be asked to produce evidence of how you have worked out PAYE and NICs. It is important that you keep records either in paper form or on a computer. In either case, these records must be made available to HM Revenue & Customs on request.

There are legal requirements that mean employers must comply with their obligations. At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met.

It will be updated annually and was last updated December 2010.

The operation of PAYE is based on the Income Tax (Pay As You Earn) Regulations 2003 and the payment of National Insurance contributions is based on the:

- Social Security Contributions and Benefits Act 1992
- Social Security Administration Act 1992
- Social Security (Contributions) Regulations 2001, as amended
- Social Security (Categorisation of Earners) Regulations 1978, as amended.

You can find links to some of this legislation at [www.hmrc.gov.uk/menus/legalmenu.htm](http://www.hmrc.gov.uk/menus/legalmenu.htm)

Please note that the legislation provided from this link is not updated with subsequent amendments.

If you cannot find the information you need further help is available from:

- [www.businesslink.gov.uk/payee](http://www.businesslink.gov.uk/payee) or
- the Employer Helpline.

## *Employers in Northern Ireland*

When reading this guide please note that references to Department for Work and Pensions should be read as Department for Social Development.

If you cannot find the information you need in this guide further help is available from:

- [www.businesslink.gov.uk/payee](http://www.businesslink.gov.uk/payee) or
- the Employer Helpline.

The operation of PAYE is based on the Income Tax (Pay As You Earn) Regulations 2003 and the payment of NICs is based on the:

- Social Security Contributions and Benefits (Northern Ireland) Act 1992
- Social Security Administration (Northern Ireland) Act 1992
- Social Security (Categorisation of Earners) Regulations (Northern Ireland) 1978, as amended.

You can find links to some of the legislation at [www.hmrc.gov.uk/menus/legalmenu.htm](http://www.hmrc.gov.uk/menus/legalmenu.htm)

The link for 'Social Security Legislation for Northern Ireland' will take you to the Department for Social Development in Northern Ireland's website.

## *If you are unhappy with our service*

If you are unhappy with our service, usually a phone call to the person or office you have been dealing with will allow us to put things right quickly. Their number will be on any papers they have sent.

However, if you are still unhappy, or you would like to deal with someone else, then you may want to complain. Please see our factsheet 'Complaints and putting things right' which is available at [www.hmrc.gov.uk/complaints-appeals/how-to-complain.htm](http://www.hmrc.gov.uk/complaints-appeals/how-to-complain.htm) or contact the Complaints Manager at the office you have been dealing with.

## Terms used in this guide

### *Form P11*

Throughout this guide the term 'form P11' means both the official form and any substitute deductions working sheet used to record NICs and tax deducted from an individual employee. Form P11 can be a computer record as well as a paper one.

### *Gross pay*

The amount the employee is due to receive before any deductions are made. What counts as gross pay for PAYE and NICs purposes is defined in more detail in Chapter 5.

### *Income tax year (tax year)*

A tax year is a period starting on 6 April in one year and ending on 5 April in the following year. For example, the 2011–12 tax year starts on 6 April 2011 and ends on 5 April 2012.

### *Income tax weeks (tax weeks)*

Tax weeks are periods of seven days which follow on from each other starting on 6 April each year. The first tax week is 6 to 12 April inclusive, the second tax week 13 to 19 April inclusive, and so on.

The odd day or days at the end of the last complete tax week in the year, (5 April or in leap years, 4 and 5 April) are treated as a whole tax week, that is tax week 53.

### *Income tax months (tax months)*

Income tax months are periods following on from each other in an income tax year. They start on the 6th of one month and finish on the 5th of the following month. The first income tax month is 6 April to 5 May inclusive, the second income tax month is 6 May to 5 June inclusive, and so on.

For details of relevant dates within a tax year see the Employer Helpbook E13(2011) *Day-to-day payroll*.

### *Pay interval*

The period of time between one payment and the next. Pay intervals can be:

- 'regular', that is every week, month and so on, or
- 'irregular', that is with no fixed period of time between. For example, an employee is paid after working for 10 days, then again after a further 25 days and again after a further 40 days.

### *Recorded gender*

This refers to the gender which a transsexual person was registered with at birth.

### *Acquired gender*

This refers to the gender which a transsexual person presents to the world, it is not the gender that they were registered with at birth.

### *Full Gender Recognition Certificate*

A certificate issued by the Gender Recognition Panel that shows a person has satisfied the criteria for legal recognition in their acquired gender. From the date of issue the person is recognised in their acquired gender and will benefit from any rights and responsibilities that are associated with that acquired gender.

### *Interim Gender Recognition Certificate*

A certificate issued by the Gender Recognition Panel that shows a person has met the criteria to be recognised in their acquired gender subject to them annulling their marriage. A full Gender Recognition Certificate will be issued following the annulment of the marriage.

### *Transsexual female*

A person who at birth was recorded as male but chooses to live as a female, should be referred to in female terms ('she', 'her', 'Ms').

### *Transsexual male*

A person who at birth was recorded as female but chooses to live as a male, should be referred to in male terms ('he', 'him', 'Mr').

## Online filing

Using online services speeds up processing, provides a secure method of transmission and can cut down on storage space, post and administration.

Almost all employers are required to file the following forms/returns online.

- Employee starter and leaver forms and similar pension information
  - P45 Part 1 – *Details of employee leaving*
  - P45 Part 3 – *New employee details*
  - P46 – *Employee without a form P45*
  - P46(Pen) – *Pension starter details (may be referred to as PENNOT in some commercial software products) see chapter 2 page 21 of this guide for more information*
  - P46(Expat) – *a form only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer (further information is provided in Chapter 4).*
- Employer Annual Return (P35 and P14s).

There are very few exceptions. For further information about the exceptions go to

[www.businesslink.gov.uk/payepaperfiling](http://www.businesslink.gov.uk/payepaperfiling)

For more information about online filing go to

[www.businesslink.gov.uk/usingpayeonline](http://www.businesslink.gov.uk/usingpayeonline)

For more information about sending starter and leaver information online, go to

[www.businesslink.gov.uk/inyear](http://www.businesslink.gov.uk/inyear)

*PAYE Online – your filing options*

You can send forms and returns online using:

- our PAYE Online for Employers – Internet service, choosing either
  - our free ‘Online Return and Forms - PAYE’ product (*this is designed for small employers who have up to and including 49 employees and do not send large numbers of forms to us*)
  - 3<sup>rd</sup> party (commercial) payroll software
- Electronic Data Interchange (EDI) – more suitable for large employers who typically have employee numbers in the thousands and/or a very high staff turnover
- an agent or payroll bureau who can file online on your behalf, using our PAYE Online for Agents service.

*PAYE Online – Direct Debit payment.*

When you register for PAYE Online for Employers you are given instant access to the Direct Debit Online service. This allows you to set up a Direct Debit Instruction which you can use to pay your monthly or quarterly PAYE and NICs payments.

*Internet*

Forms and returns that can be **sent** over the Internet are:

- P35, P38A – *Employer Annual Return/Supplementary Statement*
- P14 – *End of Year Summary*
- P11D – *Return of expenses and benefits*
- CIS300(*Contractors Monthly Return*)
- P11D(b) – *Return of Class 1A National Insurance contributions, Return of expenses and benefits: Employer declaration*
- P9D – *Expenses and benefits form*
- P46(Car) – *Notification of car made available for private use*
- P45 Part 1, P45 Part 3, P46 – *Employee starter/leaver details*
- P46(Pen) – *Pension starter details (may be referred to as PENNOT in some commercial software products)*
- P46(Expat) – *a form only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer (further information is provided in Chapter 4)*
- WNU – *Works Number Update*
- P12 – *Employer Annual Deduction Card (Simplified deduction scheme)*
- P37 - *Employer Annual Return (Simplified deduction scheme).*

Forms and notices you can **receive** over the Internet are:

- P6 – *Employer coding notification*
- P6(B) – *Employer coding notification (budget)*
- P9 – *Annual coding notification*
- SL1 – *Student Loan start notice*
- SL2 – *Student Loan stop notice*
- P11D(b) *Notification*
- P35 *Notification*
- P37 *Notification*
- Reminders AR1N, AR1MN, AR2N, AR2MN and AR6.
- Incentive Letter notification.

## EDI

Forms and returns that can be exchanged online using EDI are:

- P45 Part 1 – *Details of employee leaving*
- P45 Part 3 – *New employee details*
- P46 – *Employee without a form P45*
- P46(Pen) – *Pension starter details (may be referred to as PENNOT in some commercial software products)*
- P46(Expat) – *a form only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer (further information is provided in Chapter 4)*
- WNU – *Works Number Update*
- P11Ds – *Expenses and Benefit Returns*
- P11D(b) – *Return of Class 1A National Insurance contributions, Return of expenses and benefits: Employer declaration*
- P14 – *End of Year Summary*
- P35/P38A – *Employer Annual Return and supplementary statement*
- P46(Car) – *Notification of car made available for private use*
- P6, P6B, P9 – *Coding notifications*
- SL1/SL2 – *Collection of Student Loans - start/stop notices*

Companies involved in the Construction Industry Scheme can file monthly returns (CIS300) and carry out verifications of subcontractors over the Internet or using EDI. For more information go to [www.hmrc.gov.uk/cis/returns/cis-online.htm](http://www.hmrc.gov.uk/cis/returns/cis-online.htm)

## Commercially available or privately produced payrolls

The notes below tell you how to get information to enable you to use and run a computerised payroll.

### Commercially produced programs

We work closely with commercial software developers and provide free technical specifications to help them create products and services suitable for use with HM Revenue & Customs Online Services.

HMRC will accept forms and returns sent using any of the commercial software products listed on our website at

[www.hmrc.gov.uk/efiling/payee/payee\\_software\\_forms.htm](http://www.hmrc.gov.uk/efiling/payee/payee_software_forms.htm)

A list of **EDI enabled** software products can also be viewed at

[www.hmrc.gov.uk/ebu/edi/edi-software.htm](http://www.hmrc.gov.uk/ebu/edi/edi-software.htm)

Also available are specifications for the Quality Standard which can be viewed at

[www.hmrc.gov.uk/ebu/qual\\_stand.htm](http://www.hmrc.gov.uk/ebu/qual_stand.htm)

### Privately produced programs

If you design and operate your own computer program there are special notes to help you. Our Notes for Payroll Software Developers are published on a regular basis throughout the year and contain information to help you keep your computerised payroll systems up to date with changing legislation. The notes are available on our website at [www.hmrc.gov.uk/comp](http://www.hmrc.gov.uk/comp)

If you would like to receive notification by email about future releases of the notes to our website, please send your request, including your name and email address to [hmrcnotes@replyservice.co.uk](mailto:hmrcnotes@replyservice.co.uk)

or you can write to:

Notes for Payroll Software Developers  
PO Box 17289  
Edinburgh  
EH12 1WY

## HMRC Payroll Standard and Pensioner Payroll Standard

We have two separate accreditation schemes for commercial payroll software. The Payroll Standard is for full payroll software and the Pensioner Payroll Standard is for software that can pay out pension recipients.

If a payroll software product displays the HMRC Payroll Standard logo or Pensioner Payroll Standard logo it means that the product has been tested and meets the requirements listed in these documents.



The logos help employers and pension payers identify payroll software products which have the essential features necessary to calculate PAYE, NICs, statutory payments and perform a range of other payroll functions.

To view the Payroll Standard, Pensioner Payroll Standard and a list of accredited products and their suppliers go to [www.hmrc.gov.uk/ebu/psu.htm](http://www.hmrc.gov.uk/ebu/psu.htm)

We can only tell you whether or not a payroll software product has met the Payroll Standard or Pensioner Payroll Standard. If you need further help in choosing a payroll software product, information is available from leading professional bodies within the payroll and computing industries. Alternatively, your accountant or financial adviser may be able to help you.

## Substitute end of year forms P14 and P60

We must approve all substitute end of year forms P14 or P60, paper or electronic, before you use them.

Substitute forms P14 and P60 provided by a supplier of business stationery or by a computer bureau will normally have been approved by HM Revenue & Customs for general use and bear a unique imprint agreed between HM Revenue & Customs and the supplier or manufacturer.

To obtain agreement to use a commercially available form, send a specimen to your HM Revenue & Customs office.

Employers wishing to design their own forms P14 or P60 must follow the RD1, *Specification for Employer PAYE End of Year Substitute Forms P14 and P60* and then send their design for approval to:

Customer Information Team  
1st Floor  
New Wing  
Somerset House  
Strand  
London  
WC2R 1LB

## Form P45 for use on computer printers

We supply four versions of the P45 for computer use:

- form P45 (Continuous) – suitable for completion by impact printer
- form P45 (Continuous)(E) – suitable for completion by impact printer. For use by employers who submit P45 Part 1 online
- form P45 (Laser-Continuous) – suitable for completion by high speed laser printers
- form P45 (Laser-Sheet) – suitable for completion by cut-sheet laser printers.

The forms can be obtained from the Employer Orderline.