

Amendments to the paper copy of the CWG2(2009)

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

The errors are on pages 12, 19, 27, 46, 47 and 99.

The relevant pages of this version of the guide have been updated with the correct text however if you wish to view and/or print a correction supplement for your paper guide please go to www.hmrc.gov.uk/guidance/cwg2-correction.pdf

About this guide

Welcome to *The Employer Further Guide to PAYE and NICs for the tax year 2009–10*. This edition replaces the CWG2(2008).

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 see 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.

This guide reflects the position at the time of writing. **It is not comprehensive and has no legal force.**

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 from the following webpage 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 you can get help from:

- the HMRC website, go to www.hmrc.gov.uk/payee or
- the Employer Helpline by phoning **08457 143 143**.

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 you can get help from:

- the HMRC website, go to www.hmrc.gov.uk/payee or
- the Employer Helpline by phoning **08457 143 143**.

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 from the following webpage

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 on our website at www.hmrc.gov.uk 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 2009–10 tax year starts on 6 April 2009 and ends on 5 April 2010.

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 *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').

Other publications and forms

Throughout the guide references are made to other publications. The publication identifier is shown first followed by the title in italics. For example, CA44 *National Insurance for Company Directors*.

When ordering copies of these publications please give the identifier and the title.

Forms are referred to by using the word 'form' in front of the form letter/number. Please use the full letter/number when ordering.

Online services

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

Online filing does not include using magnetic media for example, CD-ROM, disk and cartridges.

Online filing of Employer Annual Return (P14s and P35)

Employers with 50 or more employees must file their Employer Annual Return online.

Under Government proposals employers with fewer than 50 employees will have to file their 2009–10 Employer Annual Return online by 19 May 2010.

Employers with fewer than 50 employees can receive tax-free payments for taking up online filing before 19 May 2010.

For more information about online filing and the tax-free payment offered go to www.hmrc.gov.uk/paye/onlinefiling.htm

Sending in-year forms online

From April 2009, if you have 50 or more employees you must send employee starter and leaver information and similar pension information online.

And, under Government proposals, all employers, regardless of how many employees they have, must send this information online from 6 April 2011.

The details you must send online are:

- P45 Part 1 – Details of employee leaving
- P45 Part 3 – New employee details
- P46 – Employee without a form P45
- Similar information for people receiving a pension. A new form P46 (Pen) is available for use from April 2009 (*see chapter 2 page 21 of this guide for more information*)
- P46(Expat) – a new form for use from April 2009 and is only to be used where employees have been seconded to work in the UK (*further information is provided in chapter 4*).

If you have fewer than 50 employees you do not have to wait until 2011 before you start sending your in-year information online. We suggest you start sending in-year forms online as soon as you can. That way you will have your software and internal processes in place well before the deadlines and can start getting the benefits of online filing sooner.

For more information about sending in-year information online, go to www.hmrc.gov.uk/inyear

PAYE Online – your filing options

You can send forms and returns online using:

- our PAYE Online for Employers – Internet service. You can choose either
 - our free ‘Online Return and Forms - PAYE’ product (*this is mainly for small employers, or those with only a small number of forms to send*)
 - 3rd party (commercial) payroll software
- Electronic Data Interchange (EDI) (*more suitable for large employers*)
- an agent or payroll bureau who can file on your behalf, using our PAYE Online for Agents service.

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 – available from April 2009 (may be referred to as PENNOT in some 3rd party software products)*
- P46(Expat) – *employee seconded to work in the UK – available from April 2009*
- 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

Introduction

EDI

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

- P45 Part 1, P45 Part 3, P46 – *Employee starter/leaver details*
- P46(Pen) – *Pension starter details – available from April 2009 (may be referred to as PENNOT in some 3rd party software products)*
- P46(Expat) – *employee seconded to work in the UK – available from April 2009*
- 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/new-cis/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 3rd party software developers and provide free technical specifications to help them create products and services suitable for use with HM Revenue & Customs Online Services.

Software products that meet HM Revenue & Customs recognition for the **Internet**, including our own free Online Return and Forms – PAYE product, can be viewed on our website at 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

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

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

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

These are 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 pensions.

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.



Optional Features	2 weekly 4 weekly pay frequencies
	Directors National Insurance
	Contracted-out Pension Deductions



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 and look for "Payroll Software Standard".

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 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 Part 1 of form P45 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 on **08457 646 646**.

Note:

We have introduced a new A4 size version of the form P45 which must be used from April 2009, when the existing A5 size stationery will be withdrawn. The A4 versions contain two extra fields for date of birth and gender which must be completed from April 2009.

Employers using HM Revenue & Customs 'Online Return and Forms – PAYE' product or updated 3rd party software can choose to print out Parts 1A, 2 and 3 of the P45 onto A4 plain paper as an alternative to using HM Revenue & Customs stationery.