

Day-to-day payroll

**Use from
6 April 2002 to
5 April 2003**

Help

We can help you

By telephone

(Calls may be recorded for quality and training purposes.)

- New employers (*less than 3 years*) **0845 60 70 143**
open Mon – Fri, 8am-8pm and Sat – Sun, 8am-5pm.
- More experienced employers **0845 7 143 143**
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- Deaf or hard of hearing employers *Textphone* **0845 602 1380**

For a list of helplines and opening hours, see your *Employer's Bulletin*.

In person

We have specially trained Business Support Teams covering all parts of the country to help you understand

- what records to keep
- what returns to make
- when to send us information.

The Business Support Teams can arrange a one-to-one visit at your business address to sort out your payroll needs. They also offer a range of workshops on specific subjects designed with busy employers in mind.

For more details, and to book a one-to-one visit or a workshop, contact your local Business Support Team by

- logging on to our website at www.inlandrevenue.gov.uk/bst/index.htm or
- calling the New Employer's Helpline on **0845 60 70 143** and ask for details of your local Business Support Team.

At your local Inland Revenue office

Your local Inland Revenue office can also help you. To contact them, look under 'Inland Revenue' in your phone book. Write the telephone number below for future use.

Please tell us your reference, which you can find on all correspondence from your Inland Revenue office.

If your enquiry is about one of your employees, please also tell us their National Insurance number.

By Internet

Log on to the employer's website at www.inlandrevenue.gov.uk and click on 'Employers'.

Further guidance

Employer's Help Books

We have a new range of Employer's Help Books.

Included in your *Employer's Pack* is

- *Finishing the tax year up to 5 April 2002, E10*
- *Starting the tax year from 6 April 2002, E11*
- *Day-to-day payroll, E13*
- *What to do if your employee is sick, E14*

Available on your Employer's CD-ROM, the Internet and from the Employer's Orderline is

- *What to do if your employee is pregnant, E15*

These Help Books are for guidance only.

They are not comprehensive and have no legal force.

We also have a number of other booklets that give further guidance, for example

- *Employer's Further Guide to PAYE and NICs, CWG2(2002)*
- *Class 1A NICs on benefits in kind, CWG5(2002)*
- *Expenses and Benefits – a tax guide, 480(2002)*

You can also view these booklets, and other forms and guidance on

- the Internet – log on at www.inlandrevenue.gov.uk and click on 'Employers'
- the Employer's CD-ROM in your Employer's Pack.

Or you can get a copy from the Employer's Orderline. Check the *Order Form* in your *Employer's Pack* for a full list of what is available and how to order.

Forms and guidance in Braille, large print or audio

We have a range of services for people with disabilities, including leaflets in Braille, audio and large print. For details, please ask at your local Inland Revenue office or Enquiry Centre.

Yr Iaith Gymraeg/Welsh language

Ffoniwch **0845 7 660 830** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

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Day-to-day payroll

This Help Book helps you to

- work out how much tax and National Insurance contributions (NICs) you need to deduct when you make a payment of wages or salary to an employee, unless the employee is a director – for help on working out NICs for a director, see booklet *National Insurance for company directors, CA44*
- fill in a *Deductions Working Sheet, P11*
- pay over tax and NICs to the Inland Revenue
- fill in a *Deductions Working Sheet, P11* if you take on a new employee
- take the right action when an employee leaves
- change an employee's tax code
- identify the right rate of NICs if there is a change in an employee's circumstances
- start or stop paying tax credits
- make Student Loan Deductions.

If your employee is sick, see the Employer's Help Book *What to do if your employee is sick, E14* – included in your Employer's Pack.

For help on what to do if your employee tells you she is pregnant, see the Employer's Help Book *What to do if your employee is pregnant, E15* – available from the Employer's Orderline.

Part 1 Working out and recording PAYE on form P11

Tax codes and how to use them

An employee's tax code reflects the tax allowances due against that employee's pay.

You work out the PAYE due by using the employee's tax code and the Tax Tables to find out how much to deduct from, or refund to, that employee on each pay day.

Codes issued by the Inland Revenue

The code your Inland Revenue office issues to you for an employee may be any one of the following

- a code of one or more numbers followed by the letter A, H, L, P, T, V or Y – this is known as a **suffix code**
 - examples are 461L, 815V, 579P, 0T. The letter shows how the code should be adjusted to take account of any Budget changes
- a code starting with either the letter
 - D followed by a number, for example D0; this is known as a **D code** and means that the whole of the employee's pay and so on should be taxed at the higher rate, or
 - K followed by one to four numbers, for example K104; this is known as a **K code** and enables additional tax, in respect of benefits and so on, to be deducted
- a code which is letters only, **BR** or **NT**
 - **BR** means that tax will be deducted at the basic rate with no tax-free allowances
 - **NT** means that no tax is to be deducted.
Do not refund any tax deducted from an employee before the issue of an NT code, unless your Inland Revenue office tells you to.

Never alter an employee's tax code unless your Inland Revenue office tells you to do so.

Pay Adjustment Tables, Tables A

Use these tables in all cases where an employee has a suffix code or K code. With them you will be able to work out the employee's 'Total pay adjustment to date' on any pay day.

The 'Total pay adjustment to date' figure represents

- **in suffix code cases**, the total pay an employee may have free of tax – known as Free Pay
- **in K code cases**, the total pay to be added to an employee's pay – known as Additional Pay.

To use the tables you need to know the

- employee's tax code, and
- tax week/month number covering the date of payment – see the chart on page 21.

Taxable Pay Tables, Tables SR + B to D

Use these tables to work out the employee's 'Total tax due to date' on any pay day.

For suffix code and K code cases, you need to

- know the employee's 'Total taxable pay to date' figure
- look at the chart in *Tax Tables SR + B to D* to find out which Table to use.

The employee's 'Total taxable pay to date' figure is

- suffix code cases, the total pay to date **minus** the Free Pay according to *Pay Adjustment Tables, Tables A*
- K code cases, the total pay to date **plus** the Additional Pay according to *Pay Adjustment Tables, Tables A*.

Use these tables to work out the employee's 'Total tax due to date' on any pay day.

For

- code BR cases, use *Table B* Tax at 22% on pages 8 and 9 of *Tax Tables SR + B to D* – **code BR means there are no tax-free allowances**
- D code cases, use *Table D* Tax at 40% on page 11 of *Tax Tables SR + B to D* on a week 1 or month 1 basis.

When to use a code on a week 1/month 1 basis

You normally work out PAYE on a cumulative basis.

This means you need to take into account an employee's previous pay and tax figures in the tax year to find out the tax to deduct from their pay.

Occasionally, you may have to make deductions in a non-cumulative way. This is called a week 1 or month 1 basis.

You should use a code on a week 1/month 1 basis when

- your Inland Revenue office either
 - tells you to use a D code, or
 - adds a week 1/month 1 marking to any other code they tell you to use
- you have a new employee and the flowchart on page 23 of this Help Book tells you to use the emergency code on a week 1/month 1 basis
- a weekly pay day falls on 5 April or, *in a leap year*, on 4 or 5 April.

How to use a code on a week 1/month 1 basis

Use the *Pay Adjustment Tables, Tables A*, for an employee on a week 1/month 1 code, paid weekly or monthly, and

- treat each payment you make to the employee separately, *you should ignore their previous pay and tax details*
- regardless of when the pay date is, turn to the page in the tables for week 1 or month 1 to work out the employee's 'Pay adjustment to date' figure
- use the guidance on pages 5 to 8 of this Help Book, appropriate to the code, to make the entries on form P11, or equivalent record.

Calculating the total pay adjustment to date

The 'total pay adjustment to date' figure represents

- in suffix code cases, the Free Pay you deduct from an employee's total gross pay to date
- in K code cases, the Additional Pay you add to an employee's total gross pay to date.

The charts on page 21 of this Help Book show the periods covered by each tax week or month.

When you have found which week or month number is appropriate for the pay date, turn to the page in the *Pay Adjustment Tables, Tables A*, for that particular week or month number.

If a pay date is 1 December, for example, the table shows the week number is 35, the month number is 8.

All the examples which follow use Week 35 to illustrate the procedures.

Examples

Employee's code is 500 or less

If the employee's code is 500 or less, look up the employee's code in the *Pay Adjustment Tables, Tables A*, column headed 'Code'.

The 'Total pay adjustment to date' figure is immediately to the right.

Week 35 – code 320

The 'Total pay adjustment to date' figure at week 35 for an employee on code 320 is **£2,160.20**.

Employee's code is 501 or more and does not divide exactly by 500

- 1 Split the code into units of 500 and the leftover balance.
- 2 Look up the leftover balance figure in the *Pay Adjustment Tables, Tables A*, column headed 'Code'.
The 'Total pay adjustment to date' for the leftover balance is immediately to the right.
- 3 Multiply the number of units of 500 by the figure given in the box marked * at the foot of the tax table page.
- 4 Add the amounts at steps 2 and 3 above together to find out the 'Total pay adjustment to date' figure.

Week 35 – code 1567

- 1 Code 1567 is split into 3 units of 500 and a leftover balance of 67.
- 2 The 'Total pay adjustment to date' figure at week 35 for a leftover balance figure of 67 is £457.10.
- 3 The 'Total pay adjustment to date' figure for 3 units of 500 at week 35 is $3 \times £3,365.60 = £10,096.80$.
- 4 This means that the 'Total pay adjustment to date' figure at week 35 for an employee on code 1567 is **£457.10 + £10,096.80 = £10,553.90**.

Employee's code is 501 or more and divides exactly by 500

- 1 Split the code into units of 500 and treat the last one as the leftover balance.
- 2 Look up the leftover balance figure in the *Pay Adjustment Tables, Tables A*, column headed 'Code'.
The 'Total pay adjustment to date' for the leftover balance figure is immediately to the right.
- 3 Multiply the number of other units of 500 by the figure given in the box marked * at the foot of the tax table page.
- 4 Add the amounts at steps 2 and 3 above together to find out the 'Total pay adjustment to date' figure.

Week 35 – code 1500

- 1 Code 1500 is split into 2 units of 500 with 1 unit of 500 left over.
- 2 The 'Total pay adjustment to date' figure at week 35 for the leftover unit of 500 is £3,371.55.
- 3 The 'Total pay adjustment to date' figure for 2 units of 500 at week 35 is $2 \times £3,365.60 = £6,731.20$.
- 4 This means that the 'Total pay adjustment to date' figure at week 35 for an employee on code 1500 is **£3,371.55 + £6,731.20 = £10,102.75**.

Filling in the 'PAYE Income Tax and Tax Credits' section on form P11

This section explains how to complete columns 2 to 9, the *PAYE Income Tax and Tax Credits* section of the form P11.

PAYE Income Tax and Tax Credits																																					
Month no	Week no	Pay in the week or month including Statutory Sick Pay/ Statutory Maternity Pay			K codes only			K codes only			Tax Credits																										
		2	£	p	3	£	p	4a	£	p		4b	£	p	5	£	p	6	£	p	6a	£	p	6b	£	p	7	£	p	8	£	p	9	£	p		
	1																																				
	2																																				
	3																																				

Column 2 is used to record the employee's gross pay for tax purposes.

Gross pay includes such things as overtime, bonus, commission, Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) *minus* any **authorised deductions** under the 'net pay arrangements' for superannuation contributions, payroll giving schemes or profit-related pay. For further details see the *Employer's Further Guide to PAYE and NICs, CWG2*, under 'gross pay'.

What you record in columns 3–8 depends on the type of the employee's code.

The entries to be made for each type of code are described below and on pages 6 to 8.

Suffix code cases - cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Enter the 'Total pay adjustment to date' figure from the <i>Pay Adjustment Tables, Tables A</i> . This is the figure you enter for 'Total free pay to date'.
Column 5	Take away the amount recorded in column 4a from the amount in column 3 to give the 'Total taxable pay to date'. Leave blank if the figure in column 4a is equal to or more than the figure in column 3.
Column 6	Look up in the <i>Taxable Pay Tables, Tables SR + B to D</i> , the amount shown in column 5 to find out the 'Total tax due to date'. If you have made no entry in column 5 enter 'Nil'.
Column 7	Take the previous amount in column 6 and the amount you now enter in column 6. Take the lower amount away from the higher amount to give the 'tax deducted or refunded in the week or month'. If the amount you now enter is the higher amount, the difference is the tax to deduct from the employee. If the previous amount is the higher amount, the difference is the tax to refund and include in the payment you make to the employee. Mark any refund entry 'R'.

Suffix code cases - week 1/month 1 basis	
Column 3	Leave blank.
Column 4a	Enter the 'Total pay adjustment to date' figure from week 1 or month 1 of the <i>Pay Adjustment Tables, Tables A</i> . This is the figure you enter for 'Total free pay to date'.
Column 5	Take away the amount recorded in column 4a from the amount in column 2 to give the 'Total taxable pay to date'. Leave blank if the figure in column 4a is more than the figure in column 2.
Column 6	Leave blank.
Column 7	Look up in <i>Tables SR + B to D</i> the amount shown in column 5 to find the amount of tax to deduct. If there is no figure in column 5, no tax is due.

D Code cases	
Column 3	Leave blank.
Column 4a	Enter 'Nil'.
Column 5	Copy the figure from column 2.
Column 6	Leave blank.
Column 7	Look up in Table D at page 11 of <i>Tables SR + B to D</i> the amount shown in column 5 to find the amount of tax to deduct.

Code BR cases - cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Enter 'Nil'.
Column 5	Copy the figure from column 3.
Column 6	Look up in Table B Tax at 22% on pages 8 and 9 of <i>Tables SR + B to D</i> the amount shown in column 3 to find the 'Total tax due to date'.
Column 7	<p>Take the previous amount in column 6 and the amount you now enter in column 6. Take the lower amount away from the higher amount to give the 'tax deducted or refunded in the week or month'.</p> <p>If the amount you now enter is the higher amount, the difference is the tax to deduct from the employee. If the previous amount is the higher amount, the difference is the tax to refund and include in the payment you make to the employee. Mark any refund entry 'R'.</p>

Code BR cases - week 1/month 1 basis	
Column 3	Leave blank.
Column 4a	Enter 'Nil'.
Column 5	Copy the figure from column 2.
Column 6	Leave blank.
Column 7	Look up in Table B Tax at 22% on pages 8 and 9 of <i>Tables SR + B to D</i> the amount shown in column 2 to find the amount of tax to deduct.

Code NT cases	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Leave blank.
Column 7	Leave blank.

K code cases - cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Leave blank.
Column 4b	Enter the 'Total pay adjustment to date' figure from the <i>Pay Adjustment Tables, Tables A</i> . This is the figure you enter for 'Total additional pay to date'.
Column 5	Add the amount recorded in column 4b to the amount in column 3 to give the 'Total taxable pay to date'.
Column 6	Look up the <i>Taxable Pay Tables, Tables SR + B to D</i> , to find out the 'Total tax due to date'.
Column 6a	<p>For the first pay day after 5 April copy the amount in column 6. For other pay days</p> <ul style="list-style-type: none"> • take the figure in column 6 and compare it with the amount in column 6 for the previous pay day • take the lower amount away from the higher amount and <p>– if the amount in column 6 for the previous pay day is the lower amount, add to the result any entry in column 8 for the previous pay day. Enter the figure obtained as the <i>Tax due at end of current period</i>.</p> <p>– if the amount in column 6 for the previous pay day is the higher amount, take away from the result any entry in column 8 for the previous pay day. Enter the figure obtained in column 6a. The amount you have just entered in column 6a is the tax to refund for this week/month and should be marked 'R'.</p> <p><i>The exception to this is where the amount in column 8 for the previous pay day is greater than the difference between the higher and lower amounts in column 6, when a tax deduction is then appropriate.</i></p>
Column 6b	Enter 50% of the 'Pay in the week or month'. This is the 'Regulatory limit'.
Column 7	The amount of 'Tax deducted' you enter in this column is the lower of the figures you have entered in column 6a and 6b, unless the figure you have just entered in column 6a shows that a tax refund is due. If a refund is due, copy the amount from column 6a and mark it 'R'.
Column 8	If the amounts in columns 6b and 7 are the same, take away the amount in column 6b from the amount in column 6a to give the 'Tax not deducted owing to the Regulatory limit'. Leave blank if they are not the same.

K code cases - week 1/month 1 basis	
Column 3	Leave blank.
Column 4a	Leave blank.
Column 4b	Enter the 'Total pay adjustment to date' figure from week 1 or month 1 of the <i>Pay Adjustment Tables, Tables A</i> . This is the figure you enter for 'Total additional pay to date'.
Column 5	Add the amount recorded in column 4b to the amount in column 2 to give the 'Total taxable pay to date'.
Column 6	Leave blank.
Column 6a	Look up in <i>Tables SR + B to D</i> the amount in column 5 to find the 'Tax due at end of current period'.
Column 6b	Enter 50% of the 'Pay in the week or month'. This is the 'Regulatory limit'.
Column 7	Copy the lower of the figures you have just entered in columns 6a or 6b.
Column 8	Leave blank.

Column 9 - Tax credits

Record the amount of tax credits paid to the employee in this column at the appropriate week or month.

If, exceptionally, you have not been required to prepare form *P11*, or an equivalent record, for the employee for PAYE and NICs purposes, you should prepare one so that you can record the tax credits.

There is no need to record pay on the form *P11* if it is being prepared solely for tax credit purposes.

For further information about tax credits, see Part 8 of this Help Book.

Unusual circumstances

The *Employer's Further Guide to PAYE and NICs, CWG2*, under 'pay intervals', gives information about what you should do if

- there is more than one pay day in any tax week or month
- regular pay days are at other than weekly or monthly intervals
- an employee changes from being weekly to monthly paid or monthly to weekly paid
- you change your employee's pay day but keep the same pay interval
- you make payments in addition to normal pay on a day that is not the regular pay day.

Ask your Inland Revenue office for information about what you should do in any other unusual circumstances.

Part 2 Working out and recording NICs on form P11

How Class 1 NICs are made up

Class 1 NICs are made up of two elements

- **Employee's contribution** (also known as the primary contribution) which you are liable to pay in the first instance but which can be deducted from your employee's pay
and
- **Employer's contribution** (also known as the secondary contribution) which you are liable to pay.

Employee's contribution

An employee is liable to pay an employee's contribution if they

- are aged 16 or over and under State Pension age (60 for women, 65 for men)
- earn more than the Earnings Threshold (ET).

An employee's contribution is payable only on those earnings which are above the ET, up to and including the Upper Earnings Limit (UEL).

For exceptions to this rule see Part 7 'Changes that may affect an employee's NICs' in this Help Book and the *Employer's Further Guide to PAYE and NICs, CWG2*, under 'State Pension age'.

Employer's contribution

You are liable to pay an employer's contribution on **all** of each employee's earnings above the ET if the employee

- is aged 16 or over and
- earns more than the ET.

There is no UEL for paying an employer's contribution and they are payable even if the employee is over State Pension age or otherwise excepted from paying their employee's contribution.

How to work out NICs

To work out NICs you must first decide

- the correct earnings period
- the amount of gross pay due to the employee within that earnings period, and
- the contribution Table letter.

Earnings period

You must work out NICs on a payment by payment basis. The contributions are worked out as a percentage of an employee's gross pay above the ET, based on the period of time for which the earnings are paid. This interval is known as the **earnings period**.

If you pay an employee weekly, the earnings period is one week.

If you pay an employee monthly, the earnings period is one month.

For more information about earnings periods, see the *Employer's Further Guide to PAYE and NICs, CWG2*, under 'pay intervals'.

Gross pay

The gross pay used to work out NICs is known as **earnings**. Gross pay is the amount due to the employee **before** any deductions.

Gross pay includes such things as

- salaries
- wages
- overtime
- bonus payments, commission and so on.

For further details of what should be included as gross pay, see the *Employer's Further Guide to PAYE and NICs, CWG2*, 'Chapter 5'.

Contribution category letter

There are a number of different categories of NICs and it is important to know which one is payable for each employee.

Each category is allocated a contribution category letter. This letter corresponds with the letters shown in the National Insurance Tables and is referred to as a **contribution Table letter**.

To identify which contribution Table letter to use see the flow chart at the beginning of the NI Tables included in your Employer's Pack.

Methods of working out NICs

There are two methods of working out NICs. You can either use the NI Tables provided or the exact percentage method.

The same earnings limits and rates are used in both methods. You will find these either in the booklet *PAYE and NICs rates and limits 2002-2003, E12*, or in the NI Tables provided in your Employer's Pack.

If you work out NICs for directors, you should refer to the booklet *National Insurance for Company Directors, CA44*.

NI Tables

You must use the correct NI Tables to work out the NICs due on your employee's earnings. The NICs are worked out using whole pounds only.

In the NI Tables, earnings are based on steps of £1 (weekly) and £4 (monthly) between the Lower Earnings Limit (LEL) and Upper Earnings Limit (UEL). NICs are worked out on the mid-point of each step, except for those earnings at the LEL, Earnings Threshold (ET) and UEL when the NICs are worked out on the exact amounts. For example, in the weekly table, NICs for earnings of between £90 and £90.99 are worked out on £90.50.

If you use the NI Tables to work out NICs, you and your employee may pay slightly more or less than if you used the exact percentage method.

Each set of NI Tables gives help on how to use them.

Filling in the form P11 using the NI Tables

If you use the NI Tables to work out the NICs payable you can use the same table to help you fill in the form P11.

Copy the figures in columns 1a to 1e of the table to the columns 1a to 1e of the form P11 on the line next to the tax week or month in which the employee is paid.

If your employee is a member of your contracted-out occupational pension scheme you will also have to copy columns 1f and 1g from the tables to columns 1f and 1g of the form P11.

Exact percentage method

If you decide to use this method the NICs must be worked out using the employee's gross pay – pounds and pence. Each element of the employee's and employer's contributions must be worked out separately.

To work out the employee's contribution

Work out the employee's gross pay due and the earnings period.

If the earnings are above the UEL only use the earnings up to and including the UEL to work out the NICs payable.

NICs are only due on earnings between the weekly or monthly ET and UEL. To work out the NICs payable you must deduct the weekly or monthly ET from the earnings. This amount is multiplied by the appropriate employee's percentage rate to work out the NICs due – see the booklet *PAYE and NICs rates and limits 2002-2003, E12*, included in your Employer's Pack.

Round the calculation to the nearest penny, 0.5p is to be rounded down.

To work out the employer's contribution

Use the same gross pay due and earnings period to work out the employer's contribution.

The appropriate employer's percentage rate is used to work out the NICs due on all earnings above the ET, including those above the UEL.

If the employee is a member of your contracted-out occupational pension scheme, NICs are worked out using

- the appropriate employer's contracted-out percentage rate on earnings above the ET, up to and including the UEL
- the employer's not contracted-out percentage rate on the earnings above the UEL.

The two amounts are added together before recording the NICs due on the form P11.

Contracted-out occupational pension schemes

If the employee is a member of your contracted-out occupational pension scheme you will also have to work out employee's and employer's NIC rebates and record these separately on form P11. See the appropriate NI Tables for contracted-out pension schemes for examples of how to work out the NIC rebates, and the flowchart on page 15 for help on recording them on form P11.

Examples of working out NICs using the exact percentage method

The following three examples each show how to work out NICs and fill in the form *P11* when you use the exact percentage method.

If the employee is a member of your contracted-out occupational pension scheme you will also have to complete columns 1f and 1g. For help on completing these columns see the flowchart on page 15.

You will find details of the rates and limits in the booklet *PAYE and NICs rates and limits for 2002-2003, E12*.

Example 1

An employee is weekly paid. NICs are due under contribution Table letter A. The employee is paid £230.77 on 20 July 2002.

$$£230.77 \text{ minus } £89 \text{ (ET)} = £141.77$$

Employee's contribution:

$$£141.77 \times 10\% = £14.177 \text{ rounded to } £14.18$$

This is the figure to enter in column 1e on form *P11*.

Employer's contribution:

$$£141.77 \times 11.8\% = £16.728 \text{ rounded to } £16.73$$

The total of employee's and employer's contributions payable is $£14.18 + £16.73 = £30.91$

This is the figure to enter in column 1d of the form *P11*.

The earnings columns 1a, 1b and 1c of the form *P11* are filled in as follows:

1a LEL: £75

1b ET minus LEL: $£89 - £75 = £14$

1c Employee's earnings minus ET:
 $£230.77 - £89 = £141.77$

Example 2

An employee is monthly paid. NICs are due under contribution Table letter D. £2,562.88 is paid on 31 July 2002.

Employee's contribution:

The employee's earnings above the monthly UEL are not liable for NICs.

$$£2,535 \text{ (UEL) minus } £385 \text{ (ET)} = £2,150$$

$$£2,150 \times 8.4\% = £180.60$$

This is the figure to enter in column 1e on form *P11*.

Employer's contribution:

The employer is liable for NICs on all earnings above the ET, including those above the UEL.

$$£2,562.88 \text{ minus } £2,535 \text{ (UEL)} = £27.88$$

$$£27.88 \times 11.8\% = 3.289 \text{ rounded to } £3.29$$

$$£2,535 \text{ (UEL) minus } £385 \text{ (ET)} = £2,150$$

$$£2,150 \times 8.3\% = £178.45$$

The total employers' contributions payable is $£3.29 + £178.45 = £181.74$

The total of employee's and employer's contributions payable is $£180.60 + £181.74 = £362.34$

This is the figure to enter in column 1d on the form *P11*.

The earnings columns 1a, 1b and 1c of the form *P11* are filled in as follows:

1a LEL: £325

1b ET minus LEL: $£385 - £325 = £60$

1c UEL minus ET: $£2,535 - £385 = £2,150$

To calculate the employee's and employer's NIC rebate:
 $£385 \text{ (ET) minus } £325 \text{ (LEL)} = £60$

Employee's NIC rebate

$$£60 \times 1.6\% = £0.96$$

Employer's NIC rebate

$$£60 \times 3.5\% = £2.10$$

The NIC rebate columns of the form *P11* are filled in as follows:

1f Employee's NIC rebate: £0.96

1g Employer's NIC rebate: £2.10

Example 3

An employee is paid every four weeks. NICs are due under contribution Table letter A. The employee is paid £923.08 on 27 July 2002.

The first step is to work out the ET for a four-weekly earnings period. To do this, divide the annual earnings threshold by 52, then multiply the answer by four. Finally, **round up** the answer to the next whole pound.

Earnings Threshold

$$£4,615 \div 52 = £88.75 \times 4 = £355$$

LEL and UEL

You then work out the LEL and UEL for the four-weekly earnings period by multiplying the weekly limits by the number of weeks in the earnings period, in this example four.

- LEL = £75 x 4 = £300
- UEL = £585 x 4 = £2,340

As the earnings fall between the ET and UEL, NICs are worked out as follows:

Employee's contributions

$$£923.08 - £355 = £568.08$$

$$£568.08 \times 10\% = £56.808 \text{ rounded to } £56.81$$

£56.81 is the figure to be entered in column 1e on form P11.

Employer's contributions

$$£923.08 - £355 = £568.08 \times 11.8\% = £67.033 \text{ rounded to } £67.03$$

The total of employee's and employer's contributions payable is £56.81 + £67.03 = £123.84

This is the figure to enter in column 1d on form P11.

The earnings columns 1a, 1b and 1c of the form P11 are filled in as follows:

1a LEL: £300

1b ET *minus* LEL: £355 - £300 = £55

1c Employee's earnings *minus* ET:
£923.08 - £355 = £568.08

Filling in a form P11 – NICs

NICs

Enter all the details of earnings, NICs and NIC rebates in the appropriate columns 1a to 1g that corresponds to the week or month number in which you make a payment to an employee.

Unless the employee's earnings are below the LEL for the earnings period you must fill in a form P11 or equivalent record, **even if the employee does not pay any NICs**. Where an employee earns at the LEL at any time during the year the earnings must be entered on a form P11 or equivalent record and reported at the end of the year. The same applies if an employee earns exactly at or below the ET but above the LEL.

This is to protect the employee's entitlement to benefits, which is linked to the earnings at the LEL, and for working out average weekly earnings for Statutory Sick Pay and Statutory Maternity Pay.

NICs columns on form P11

National Insurance contributions															
Note: LEL = Lower Earnings Limit, UEL = Upper Earnings Limit															
Month no	Week no For Employer's use	Earnings details			Contribution details				Rebate details (for contracted-out employee only)				Statutory Sick Pay paid to employee in the week or month included in column 2	Statutory Maternity Pay paid to employee in the week or month included in column 2	Student Loan Deduction
		Earnings at the LEL (where earnings are equal to or exceed the LEL)	Earnings above the LEL, up to and including the Earnings Threshold	Earnings above the Earnings Threshold, up to and including the UEL	Total of employee's and employer's contributions payable	Employee's contributions payable on earnings in 1c (before deducting employee's NIC rebate in 1f)	Employee's NIC rebate due on earnings in 1b (to be deducted from contributions in 1e)	Employer's NIC rebate due on earnings in 1b and any balance of employee's NIC rebate due but not shown in 1f	Employer's NIC rebate due on earnings in 1b and any balance of employee's NIC rebate due but not shown in 1f	Employer's NIC rebate due on earnings in 1b and any balance of employee's NIC rebate due but not shown in 1f					
		1a	1b	1c	1d	1e	1f	1g	1h	1i	1j				
1		£	£	£	£	£	£	£	£	£	£	£	£	£	
2															
3															

Earnings details	
Column 1a	Earnings at the LEL If the employee earns at or above the Lower Earnings Limit (LEL), enter the LEL figure. If the earnings do not exceed the LEL there will be no NICs payable and columns 1b to 1g will be left blank.
Column 1b	Earnings above the LEL, up to and including the Earnings Threshold Enter any earnings above the LEL, up to and including the Earnings Threshold (ET). If the earnings are constantly above the ET, the figure entered here will be the same each pay period. If the earnings do not exceed the ET there will be no NICs payable and columns 1c to 1f will be left blank.
Column 1c	Earnings above the Earnings Threshold, up to and including the UEL Enter any earnings above the ET, up to and including the Upper Earnings Limit (UEL). If the earnings are constantly above the UEL, the figure entered here will be the same in each pay period. If NI Tables are used the amount entered will be in whole pounds only. If the exact percentage method is used the entry will be in pounds and pence.
Contribution details	
Column 1d	Total of employee's and employer's contributions payable Enter the combined total of both the employee's and employer's NICs, not just the employer's NICs . It should be shown in pounds and pence.
Column 1e	Employee's contribution payable on earnings in 1c This column should show only the employee's NICs payable included in column 1d. If contribution Table letter D or F is used, the amount entered should be the employee's NICs payable before deducting the employee's NIC rebate. If there are no employee's NICs payable, leave blank.
Rebate details	
Column 1f	Employee's NIC rebate due on earnings in 1b This column should only be completed if the employee is a member of your contracted-out occupational pension scheme and the contribution Table letters D or F (<i>or the equivalents for mariners</i>) are used to work out the NICs payable. If you use contribution Table letters C (Contracted-out), E, G or S there is no employee's NIC rebate due and this column must be left blank. If you use the NI Tables to work out the employee's NIC rebate, copy the figure from column 1f. If the exact percentage method is used see the examples in the NI Tables. Enter the amount of employee's NIC rebate due on the amount in column 1b that will be taken away from the employer's NICs entered in column 1e. The employee's NIC rebate may be greater than the employee's NICs payable. If this applies the employee is only entitled to an employee's NIC rebate equal to the amount of NICs due and this will be the amount to enter in column 1f. Any balance will be added to the employer's NIC rebate in column 1g. If there are no employee's NICs due the employee will not be entitled to any part of the employee's NIC rebate and column 1f will be left blank. The full amount of the employer's NIC rebate will be added to the employer's NIC rebate in column 1g.

Column 1g Employer's NIC rebate due on earnings in 1b and any balance of employee's NIC rebate due but not shown in 1f.

This column should only be completed if the employee is a member of your contracted-out occupational pension scheme and the contribution Table letters D or F are used to work out the NICs payable (*or the equivalents for mariners*).

If you use the NI Tables to work out the employer's NIC rebate copy the figure from column 1g. If the exact percentage method is used see the examples in the NI Tables.

Enter the amount of NIC rebate that is due to the employer on the amount entered in column 1b, plus the balance of any employee's NICs rebate due but not shown in column 1f. There may only be a balance of the employee's NIC rebate to be added to the employer's NIC rebate where contribution Table letters D or F have been used.

For further help on NIC rebates see

- the flowchart opposite
- *National Insurance Tables, CA39 and CA43* for examples of how to calculate and record the employee's and employer's NIC rebates
- *Employer's Further Guide to PAYE and NICs, CWG2*, under 'occupational pension schemes'.

Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP) and Student Loan Deductions

Column 1h Statutory Sick Pay

Recording SSP is optional.

If you want to keep records you must only enter the SSP paid against which a recovery has been made in the corresponding tax month. For more information see the Employer's Help Book *What to do if your employee is sick, E14*.

Column 1i Statutory Maternity Pay

Enter the gross amount of SMP paid before deducting NICs, tax or any other deductions due.

For more information see the Employer's Help Book *What to do if your employee is pregnant, E15*.

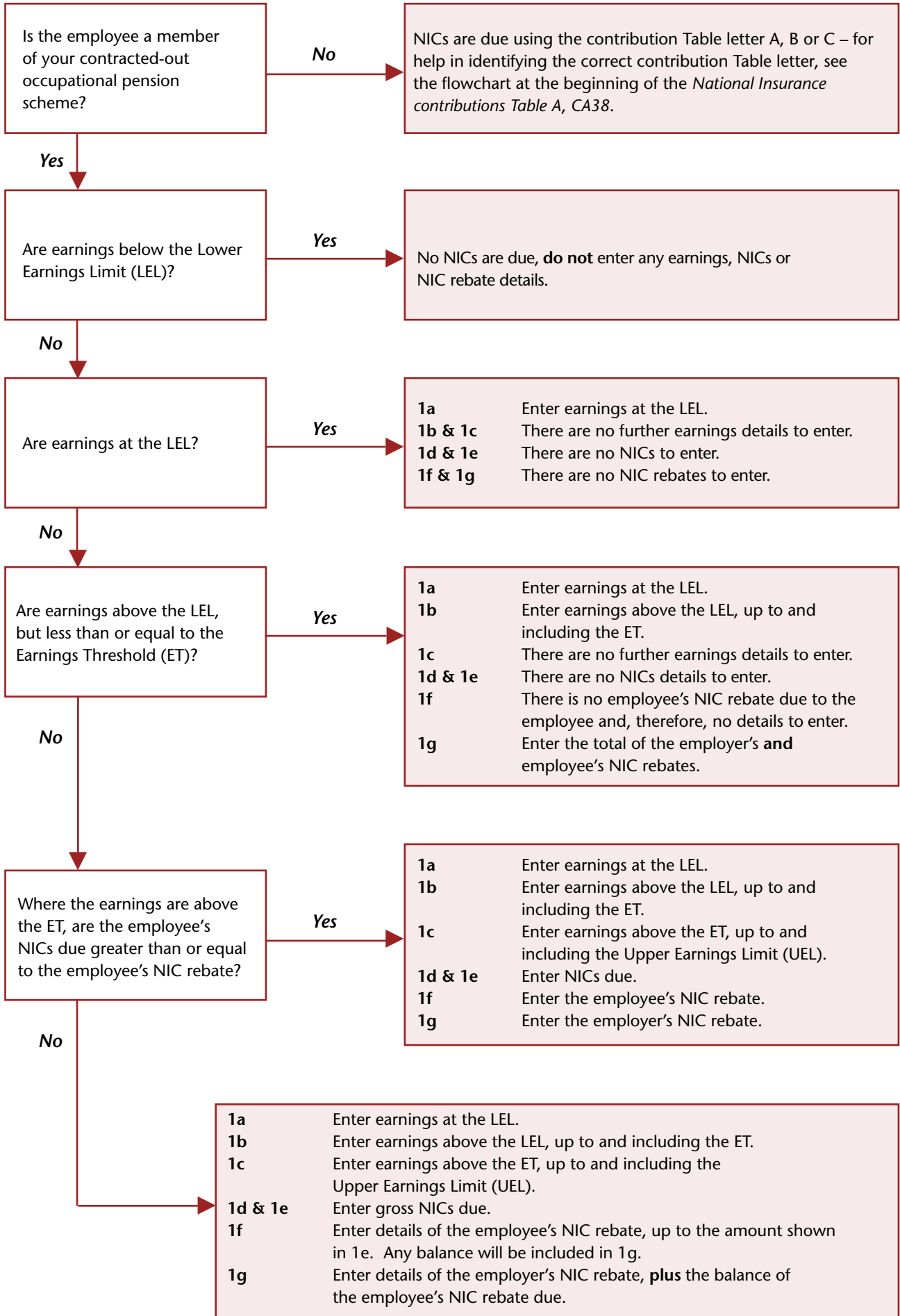
Column 1j Student Loan Deductions

Only employers who have been notified by the Inland Revenue to start making Student Loan Deductions from an employee's earnings should use this column.

The figure to be entered is the amount of Student Loan Deductions worked out using the *Student Loan Deductions Tables, SL3*. Amounts are to be recorded in pounds and pence.

To find out what you need to do when you receive a Start notification, see page 35.

Filling in a form P11 – NIC rebates



Part 3 Making payments to the Inland Revenue

When to make payment

Within 14 days of the end of each tax month you must pay your Accounts Office all the amounts due for that tax month in respect of

- Income Tax – Pay As You Earn (PAYE)
 - deductions from subcontractors
- Student Loan Deductions
- National Insurance contributions (NICs)

As the tax month ends on the 5th you must pay that amount by the 19th.

Payslip booklet

If you do not receive your *Payslip Booklet, P30BC*, in time to make your payments, contact your Accounts Office immediately.

You must send any outstanding amounts at the end of the tax year to your Accounts Office to arrive by 19 April.

Interest will be charged on any payments received after this date.

Quarterly payment option for small employers

If your average monthly payments of PAYE, deductions from subcontractors, Student Loan Deductions and/or NICs for the current year are likely to be less than £1,500, you can choose to pay your Accounts Office quarterly rather than monthly.

Where tax credit payments are known or can be reasonably estimated these should be taken into account in your calculations.

The tax quarters end on

- 5 July
- 5 October
- 5 January and
- 5 April

which means that payments are due within 14 days of each of these dates.

If you choose to pay quarterly, please contact your Accounts Office to arrange this facility quoting your Accounts Office reference. **This is shown on your *Payslip Booklet* cover.**

How the payments are calculated

In most cases the payments will be calculated for each month/quarter by

PAYE

- adding together all the
 - tax that you have deducted from/refunded to your employees
 - deductions from payments made to subcontractors
 - Student Loan Deductions made from your employees
- subtracting any tax credit payments made.

NICs

- adding together all the employees' and employer's NICs due, and
- subtracting any
 - SSP you are entitled to recover
 - SMP and/or NIC compensation you are entitled to recover
 - NIC Holiday claimed
 - total of employees' and employer's NIC rebates due.

Correcting an error

If you make a mistake when working out how much to pay over to your Accounts Office, you can put it right by adjusting your next payment, or when you pay any balance due at the end of the tax year.

If you discover a mistake after the tax year has ended, contact

- the Employer's Helpline by calling **0845 7 143 143** for advice about NICs, SSP, SMP, Student Loan Deductions and tax credits, or
- your Inland Revenue office for advice about PAYE.

Keeping records

We may ask to inspect your records to make sure that you have paid all the tax and NICs due. If you have not, they may make estimates which you will have to pay.

Both the *Payslip Booklet, P30BC*, pages 4 and 5, and the *Employer's Payment Record, P32*, are designed to

- help you make the calculations referred to above
- record your payments.

You only need to use one of these forms to keep your records.

These forms will also help you fill in your *Employer's Annual Return, P35*, at the end of the year.

Example of payslip P30B

Girobank Trans cash Girobank plc Bootle Merseyside GIR 0AA

Payslip

Inland Revenue Year 2002-03

Net Income Tax ▶ M 205 50
Net National Insurance ▶ 878 56

Period ending 05 May 2002
Payment due not later than 19 May 2002

bank giro credit

159 131 PE 45678 9301 610 5041 £ 673.06
209 Reference Credit account number
24

A SMITH

Cashier's stamp and initials

Signature *A Smith*
Date 7 May 2002

P30B BMSD 11/00 10-50-41

Amount due (no fee payable at PO counter) CHEQUE ACCEPTABLE

By transfer from Alliance & Leicester Giro account number

For official use only

CASH
CHEQUE 673 06
£ 673 06

Please do not fold this payslip or write or mark below this line

131PE000456789301 &7241105167 000000000 74 X

Example of P30BC (extract of page 4)

Calculation of net Income Tax – monthly payments														
Date	Income Tax including subcontractor deductions 1		Student Loan Deductions 2		Tax credits paid 3		Net Income Tax (1 + 2 minus 3) 4		Gross NIC 5		Statutory Sick Pay (SSP) recovered 6		Stat. Maternity Pay (SMP) recovered 7	
	£		£	£	£	£	£	£	£	£	£	£	£	
5 May	1234	50	60	00	1500	00	M 205	50	1094	38			168	25
5 Jun														

Example of P30BC (extract of page 5)

Calculation of net National Insurance contributions – monthly payments										Payments made			
NIC compensation on SMP 8		NIC Holiday claimed 9		NIC Rebate claimed 10		Total deductions from NIC (6 + 7 + 8 + 9 + 10) 11		Net National Insurance (5 minus 11) 12		Amount due (4 + 12) 13		Date paid	
£		£		£	£	£	£	£	£	£	£		
8	41	39	16			215	82	878	56	673	06	7/5/02	5 May
													5 Jun

Example of P32 (extract)

Inland Revenue Employer's Payment Record

Employer's name: _____

Accounts Office ref: _____ P _____

Year ended 5 April

You will need information about payments when you complete your form P35 (Employer's Annual Return). Please enter the details requested each time you make a payment. Usually, this would be each week or month - when you make the payment. If you make quarterly payments then you would normally record the details every third month. However, you may prefer to enter details for each month (or week) - you should then total them every third month.

Period	Week no	Income Tax (inc. subcontractor deductions) 1	Student Loan Deductions 2	Tax Credits Paid 3	Net Income Tax (1 + 2 minus 3) 4	Gross NICs 5	Statutory Sick Pay (SSP) recovered 6	Statutory Maternity Pay (SMP) recovered 7	NICs compensation on SMP 8	NICs Holiday claimed 9	NICs Rebate claimed 10	Total deductions from NICs (6 + 7 + 8 + 9 + 10) 11	Net National Insurance (5 minus 11) 12	Amount (4 + 12) 13	Date paid 14				
6 April to 5 May	1																		
	2																		
	3																		
	4																		
Month 1	Total	1234	50	60.00	1500	00	M 205	50	1094	38		168	25	8 41	39 16	215 82	878 56	673 06	7/5/02

Making a payment

- When you make a payment you must complete and send a payslip, *P30B*, showing
 - the period you are making the payment for, and
 - how the payment is made up between Net Income Tax and Net National Insurance.

See the example of payslip *P30B* on page 17.

- Use the information from the table on pages 4 and 5 of your *P30BC*, or *P32*, to fill in the *P30B* as follows

<i>P30B</i> box heading	<i>P30BC</i> or <i>P32</i> column number
Net Income Tax	4
Net National Insurance	12
Amount due	13

- If at the end of a month/quarter
 - you have no payments to make, tell your Accounts Office by returning a 'Nil' *P30B* for the relevant period.
 - the total of tax credits paid is greater than the total deductions in respect of income tax and Student Loan Deductions, enter the excess in the Net Income Tax box on your *P30B* (from column 4 of your *P30BC* or *P32*) with the letter 'M' (for minus) in front.
The examples of forms *P30BC*, *P32* and *P30B* on page 17 show how this will look.
 - the total recoverable SSP, SMP and/or NIC compensation, NIC Holiday and NIC rebate claimed is more than the NICs payable, enter the excess in the Net National Insurance box on your *P30B* (from column 12 of your *P30BC* or *P32*) with the letter 'M' (for minus) in front.
 - the 'Total amount due' on the *P30B* (entered from column 13 of your *P30BC* or *P32*) is a **minus** figure, recover the amount you are owed from the following month's/quarter's payment.

If this is not possible, write to your Accounts Office, explaining how you have worked out the amount owed and ask for it to be paid to you. Don't forget to quote your Accounts Office reference shown on the front of your *Payslip Booklet*, *P30BC*.

Further information about payments and payslips

- There are special rules about making payments during a **trade dispute**: for details see the *Employer's Further Guide to PAYE and NICs*, CWG2, under 'Trade disputes'.
- If you have any payments to make from a previous year and do not have an appropriate payslip, send them to your Accounts Office with a covering letter. Please quote your Accounts Office reference shown on the front of your payslip Booklet, *P30BC*, and state the period the payment is for.

Part 4 Taking on a new employee

Who to treat as an employee

You should treat as an employee anyone you employ under a contract of service, including

- casual and part-time workers, and
- anyone who is an office holder, including directors.

If the employee does not give you a form *P45* because they claim to be self-employed, look at the terms on which you took them on. The leaflet *Employer or self-employed? – A Guide for Tax and National Insurance, IR56/NI39*, will help.

You can get copies of this leaflet from any

- Inland Revenue office, or
- Department for Work and Pensions office (previously known as the Department of Social Security).

If you are in any doubt ask your Inland Revenue office for help, and treat them as an employee in the meantime.

If your new employee tells you they have previously been claiming Jobseekers Allowance, tell them that to stop claiming they should contact their Jobcentre or send their UB40 back.

National Insurance numbers

Importance of National Insurance numbers

The Inland Revenue National Insurance Contributions Office issues National Insurance (NI) numbers to those approaching 16 years of age and to those working or claiming benefit so that NICs and credits can be correctly recorded on each person's National Insurance account.

As soon as an employee starts work, you should ask them for their NI number. Everyone who is working must, by law, have a NI number and they must let you know what it is when you ask for it. It is essential that you show the full and correct NI number on all documents on which you record NICs.

The NI number is important because it helps to link the information you will send us at the end of the year to your employee's National Insurance account. This in turn helps to protect your employee's entitlement to benefits such as Retirement Pension.

Identifying the NI number

NI numbers consist of two letters, followed by six numbers, followed by one letter, A, B, C or D. No other format is acceptable.

It will look something like this: AB123456C.

This NI number is only an example and should not be used where an employee does not provide their NI number.

If the NI number is not shown on the *P45* in this format or the employee can't remember their NI number, see 'Tracing National Insurance numbers' on page 24.

A new employee gives you a form P45

This section will take you step by step through the actions you need to take when you take on a new employee and they give you a form *P45*.

If a new employee doesn't give you a P45

If the employee does not give you a *P45* when they first start work you will have to follow a different set of steps. You can find this information on page 22 of this Help Book.

What is a P45?

The *P45* is a certificate providing details from your employee's previous employment. An example of the *P45* is given below.

The *P45* is a four-part form. Your employee should give you Parts 2 and 3.

If the employee gives you Part 1A of form *P45*, return it to them to keep.

Example of a completed form P45

Inland Revenue		Details of employee leaving work Copy for new employer		P45 Part 2
1 Previous PAYE Reference	Office number	Reference number		
	131	V30		
2 Employee's National Insurance number	AB 12 34 56 C <small>(Mr Mrs Miss Ms Other)</small>			
3 Surname	JOHNSON MR			
First name(s)	PETER ANDREW			
4 Leaving date	Day	Month	Year	5 Continue Student Loan Deductions ⁽¹⁾
	9	8	2002	Week 1 or Month 1
6 Tax Code at leaving date. 'X' in the box means Week 1 or Month 1 basis applies.	Code			
	461L			
7 Last entries on Deductions Working Sheet (P11) <small>If there is an 'X' at item 6, there will be no entries here.</small>	Week or month number			
	18			
	Total pay to date	£	5274 00	p
	Total tax to date	£	730 40	p
To the employee				
This form is important to you. Take good care of it. Copies are not available. Keep Parts 2 and 3 of the form together and do not alter them.				
Going to a new job Give this form (Parts 2 and 3) to your new employer, or you will have tax deducted using the emergency code and may pay too much tax. If you do not want your new employer to know the details on this form, send it to your Inland Revenue office immediately with a letter saying so and giving the name and address of your new employer. The Inland Revenue office can make special arrangements, but you may pay too much tax for a while as a result.				
Going abroad If you are going abroad or returning to a country outside the UK ask for <i>Income Tax form for those Leaving the United Kingdom</i> (form P85) from any Inland Revenue office or Enquiry Centre.				
Becoming self-employed You must register with the Inland Revenue within 3 months, or you could incur a penalty. To register, get a copy of <i>Thinking of working for yourself</i> (leaflet P/SE/1) from your Inland Revenue office or call 08459 154515.				
Claiming Jobseeker's Allowance Take this form to the Benefit Office. They will pay you any tax refund you may be entitled to when your claim ends, or at 5 April if this is earlier.				
Not working and not claiming Jobseeker's Allowance If you have paid tax and wish to claim a refund ask for <i>Claim for income tax repayment</i> (form P50) from any Inland Revenue office or Enquiry Centre.				
To the new employer				
Check this form, complete items 8 to 17 in Part 3 and prepare a <i>Deductions Working Sheet</i> (form P11). Follow the instructions in the <i>Employer's Help Book 'Day-to-day payroll, E13'</i> for how to prepare a P11.				
Detach Part 3 of this form and send it to your Inland Revenue office immediately. Keep Part 2.				

What you will need

In addition to the *P45* you will need a *Deductions Working Sheet*, form *P11*, or equivalent record. You will also need your

- *Pay Adjustment Tables, Tables A*
- *Taxable Pay Tables, SR + B to D Tables*, and
- *NI Tables*.

Step 1 Checking form P45

- Check if the employee's NI number is entered at item 2 of the *P45*. If item 2 is blank, or the NI number is not in the format described on the previous page, see 'Tracing National Insurance numbers' on page 24 for help on how to find an employee's NI number and return to this page.

You can continue to pay an employee who does not give you a NI number. You must make sure that you keep records and record the NI number as appropriate once it has been traced.

- Check if items 6 and 7 of Part 3 agree with the corresponding entries on Part 2 of the *P45*.
If they do not agree contact your Inland Revenue office immediately.

Step 2 Preparing a form P11

Fill in boxes A to J at the top of the form *P11* by using the information provided on the *P45* such as the employee's name, address, National Insurance number and date of birth, and your own details. For help on completing Box K see the next step below.

Step 3 Deciding which tax code to use

- Check which year the *P45* is for. To do this look at the leaving date at item 4. If
 - the leaving date is in the current tax year, that is the period 6 April 2002 to 5 April 2003, **and**
 - the date you are completing the form *P11* is after 24 May 2002,use the tax code on the *P45* and enter in Box K of the *P11*.
- A tax code is normally made up of one or more numbers followed by a letter. If the tax code on the *P45* has only a number, add a letter 'T' to the end of the code when you enter it on the *P11* but *do not alter the P45*.
- If the employee starts working for you during the period **6 April 2002 to 24 May 2002** and the *P45* is for an earlier tax year, follow the help in the next column to find out which tax code to use and enter the tax code in Box K of the *P11*.

If you take on a new employee

- **any time after 6 April 2002** and the *P45* is for a tax year before 2001-2002, or
 - **after 24 May 2002** and the *P45* is for the 2001-2002 tax year, or earlier,
- use the emergency tax code on a week 1 or month 1 basis. The emergency tax code for 2002-2003 is 461L as shown in the booklet *PAYE and NICs rates and limits for 2002-2003, E12*.
- **during the period 6 April 2002 to 24 May 2002** and the *P45* is for the 2001-2002 tax year and there is a suffix A, H or L at the end of the numbers in the tax code
 - use the code on the *P45* but add 8, for example
 - the old tax code 572A becomes 580A
 - the old tax code 453L becomes 461L
 - the old tax code 690H becomes 698H
 - enter the amended code at item 12 on Part 3 of the form *P45*
 - do not carry forward any week 1/month 1 marking from the *P45*.
 - **All other circumstances**
 - use the PAYE code shown on the *P45*.

Use the week/month number, or date of leaving, on the *P45* to decide if the form is for 2001-2002.

Step 4 Deciding which rate of NICs to deduct

- All employees are liable to pay a standard rate of NICs known as contribution Table letter 'A' unless certain conditions apply.
- To help you decide the right rate of National Insurance that applies to your new employee look at the flowchart on the inside cover of the booklet *National Insurance contributions Table A, CA38*, then return to this page.
- Enter the appropriate contribution Table letter under which NICs are due in the 'End of Year Summary' section on the reverse side of the form *P11*.

Step 5 Which week or month number to use for the employee's first payment

- The weekly and monthly charts opposite will help you identify which week or month pay period number you should use for the first payment to your new employee.
- Look at these charts now and identify which pay period number you should use then go to Step 6.

Weekly chart					Week number
Period					
6	Apr	to	12	Apr	1
13	Apr	to	19	Apr	2
20	Apr	to	26	Apr	3
27	Apr	to	3	May	4
4	May	to	10	May	5
11	May	to	17	May	6
18	May	to	24	May	7
25	May	to	31	May	8
1	Jun	to	7	Jun	9
8	Jun	to	14	Jun	10
15	Jun	to	21	Jun	11
22	Jun	to	28	Jun	12
29	Jun	to	5	Jul	13
6	Jul	to	12	Jul	14
13	Jul	to	19	Jul	15
20	Jul	to	26	Jul	16
27	Jul	to	2	Aug	17
3	Aug	to	9	Aug	18
10	Aug	to	16	Aug	19
17	Aug	to	23	Aug	20
24	Aug	to	30	Aug	21
31	Aug	to	6	Sep	22
7	Sep	to	13	Sep	23
14	Sep	to	20	Sep	24
21	Sep	to	27	Sep	25
28	Sep	to	4	Oct	26
5	Oct	to	11	Oct	27
12	Oct	to	18	Oct	28
19	Oct	to	25	Oct	29
26	Oct	to	1	Nov	30
2	Nov	to	8	Nov	31
9	Nov	to	15	Nov	32
16	Nov	to	22	Nov	33
23	Nov	to	29	Nov	34
30	Nov	to	6	Dec	35
7	Dec	to	13	Dec	36
14	Dec	to	20	Dec	37
21	Dec	to	27	Dec	38
28	Dec	to	3	Jan	39
4	Jan	to	10	Jan	40
11	Jan	to	17	Jan	41
18	Jan	to	24	Jan	42
25	Jan	to	31	Jan	43
1	Feb	to	7	Feb	44
8	Feb	to	14	Feb	45
15	Feb	to	21	Feb	46
22	Feb	to	28	Feb	47
1	Mar	to	7	Mar	48
8	Mar	to	14	Mar	49
15	Mar	to	21	Mar	50
22	Mar	to	28	Mar	51
29	Mar	to	4	Apr	52
5	April			(Use the table on a week 1 basis).	53

Monthly chart					Month number
Period					
6	Apr	to	5	May	1
6	May	to	5	Jun	2
6	Jun	to	5	Jul	3
6	Jul	to	5	Aug	4
6	Aug	to	5	Sep	5
6	Sep	to	5	Oct	6
6	Oct	to	5	Nov	7
6	Nov	to	5	Dec	8
6	Dec	to	5	Jan	9
6	Jan	to	5	Feb	10
6	Feb	to	5	Mar	11
6	Mar	to	5	Apr	12

Step 6 Entering the P45 details on form P11

If the P45 is for the 2002-2003 tax year

- Enter in column 3 of the P11 on the line immediately above the one you will use for the employee's first payment, the 'Total pay to date' shown at item 7 of the P45.
- Do not enter the 'Total tax to date' figure, shown at item 7 of the P45, in column 6 of the P11. Instead, using the
 - week or month number shown on the P45
 - the appropriate code number (from step 3) and
 - the figure of 'Total pay to date',
 work out the tax due according to the *Tax Tables SR + B to D* and complete columns 4a, 5 and 6 of the P11. You can find out how to do this on pages 5 to 8 of this Help Book.

If the tax code starts with a 'K' complete column 4b, 5 and 6 using the lower of

 - the P45 tax figure, or
 - the tax due as shown in *Tax Tables SR + B to D*.
- To work out the 'total taxable pay to date' for column 5 and 'total tax due to date' for column 6, see Part 1 of this Help Book then return to this page.

If the P45 is for an earlier tax year

Enter 'Nil' as the previous pay and tax details in columns 3 and 6 of the P11.

If there is a 'Y' in item 5, Continue Student Loan Deductions (for whatever year)

- Enter '✓' in Box J of the form P11.
- Use the *Student Loan Deductions Tables, SL3*, to start making Student Loan Deductions, if appropriate, from the first pay day.

Step 7 Fill in Part 3 of the form P45

- Start at item 8 of the P45
 - Item 8 - enter your PAYE reference (now known as Employer reference)
 - Item 10 - only tick this box if you use works/payroll numbers and want that information to appear on any tax code notifications
 - Item 12 - enter the code you are using *if it is not the same as the one shown on the P45*
 - Item 13 - enter the figure of tax due *if it is not the same as the amount shown at item 7 of the P45*.
- Send **Part 3** to your Inland Revenue office that deals with you as an employer **immediately** after you have completed the above actions.
- Keep **Part 2** of the P45 for **at least three years** after the end of the tax year it is for.

You can now start working out any tax and NICs due. To find out how to work out and record tax on form P11, turn to Part 1 of this Help Book. To find out how to work out and record NICs on form P11, turn to Part 2 of this Help Book.

A new employee doesn't give you a form P45

If a new employee does not have a P45 you and your employee will probably need to complete a form P46. The P46 is the form you use to tell the Inland Revenue about an employee who does not have a P45.

But if a new employee is going to work for you for one week or less, you do not need to fill in a P46. Instead, follow the advice on page 24 of this Help Book 'Taking on a new employee – for one week or less'.

If a new employee is going to work for you for more than one week and does not have a P45

- ask your employee to contact their previous employer to get a P45 if they have worked in the United Kingdom in the current tax year, unless a P45 has already been given to the employee, who has then lost it
- follow the steps below.

Step 1 Filling in form P46

An example of a completed form P46 is shown below.

Ask your employee to

- read statements A, B and C
- tick each box that applies
- sign and date Section 1 if they've ticked a box.

Ask your employee to fill in their NI number in Section 2 of the form P46. If the employee doesn't know their NI number, turn to page 24 of this Help Book 'Tracing National Insurance numbers'. You can send in a P46 without a NI number if you have followed the steps on page 24.

Example of a completed form P46

Then find the tax code to use in the table below.

On the form P46	Tax code to use
Statement A only ticked	461L
Statements A and B ticked	461L
Statement B only ticked	461L week 1 or month 1
Statements A and C ticked	BR
Statements B and C ticked	BR
Statements A, B and C ticked	BR
Statement C only ticked	BR
No statement ticked	BR
Statement not signed	BR

All of the above tax codes are cumulative, with the exception of 461L week 1 or month 1. For more information on tax codes, see page 3 of this Help Book and then return to this page to continue action.

Put the code in the box 'Code operated for this employee' on the P46 and fill in the rest of the form.

If you will be operating a tax code on a week 1 or month 1 basis, make sure that you enter 'X' in the box immediately below.

1 A new employee must read statements A, B and C, tick each box that applies and, if appropriate, sign and date the form.

Note: entering the National Insurance number is very important

2 Use full names for example Robert not Bob.

Inland Revenue
PAYE – notice of new employee
 Send in on the first pay day for employees who
 • do not have a form P45, or
 • were previously paid below the PAYE threshold.

Section 1 - to be completed by the EMPLOYEE
 Read each statement carefully. Tick each one that applies to you. Only sign this form if you have ticked one or more of the boxes for Statement A, Statement B or Statement C.

Statement A
 This is my first regular job since leaving full-time education. I have not claimed Jobseekers Allowance, or income support paid because of unemployment since then.

Statement B
 This is my only or main job.

Statement C
 I receive a pension as well as the income from this job.

I confirm that I have ticked the statements that apply to me.
 Signed RI Williams Date 10 / 6 / 2002

Section 2 - to be completed by the EMPLOYER
 Your Employer's Help Book Day-to-day payroll E13 tells you how to complete this form.
 See Part 4 under 'A new employee doesn't give you a form P45'

Employee's details
 National Insurance number A B 1 2 3 4 5 6 C
 Surname Williams
 Title Mr Mrs Miss Ms Other
 First name(s) (in full) Robert Ian
 Address 25 Saville Street
London
 Postcode W11 6PD
 Date of birth / /
 Male/Female (enter M/F) M F
 Works/payroll number, if any 1592
 Department/branch, if any
 Job title Fitter
 Date employment started 10 / 6 / 2002

Coding information
 Existing employee now above PAYE threshold (enter X if this applies)
 New employee who has signed Section 1 (enter the letter of the statement ticked) B
 New employee who has not signed Section 1 (tick box if this applies)
 Code operated for this employee 461L
 Enter X in box if code operated on week 1/month 1 basis X

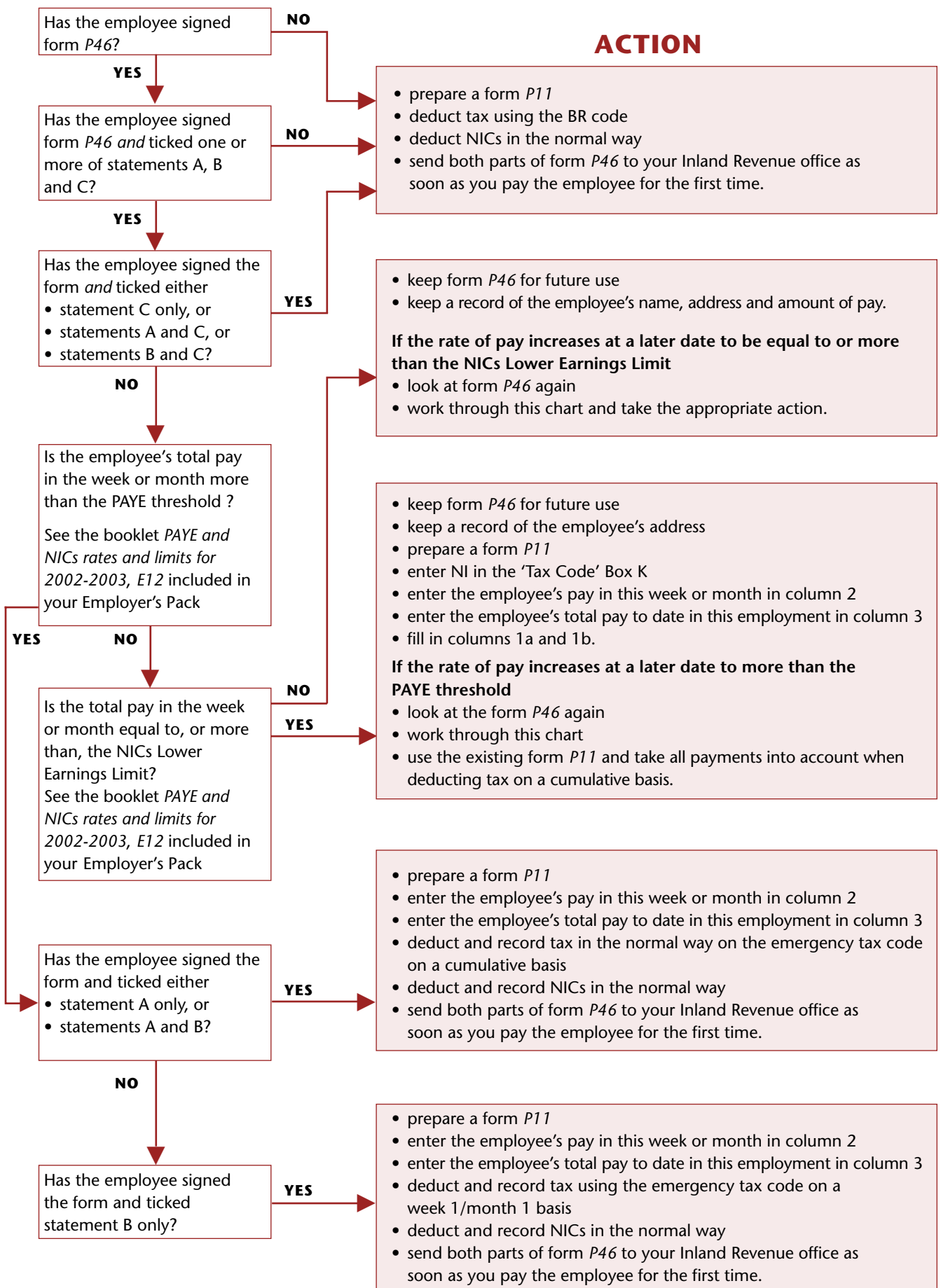
Employer's details
 Employer's PAYE reference 131/V30
 Name VFM Ltd
 Address 36 Soho Gardens
 Postcode W1V 4LD
 Date this form was completed 14 / 6 / 2002

P46 8311/01

Note: you must complete Section 2 before sending form P46 to your Inland Revenue office.

3 Enter 'B' if more than one statement ticked.

Step 2 Deciding what to do with the completed form P46



Step 3 Preparing a form P11

- Using the information provided on the P46, such as the employee's name, address, National Insurance number and date of birth, and your details, fill in the boxes A to J at the top of the form P11.
- Put the tax code in **Box K** of the P11.

Employee gives you a form P45 after the first pay day

If an employee gives you a P45 after the first pay day follow steps 1 to 6 of the section headed 'A new employee gives you a form P45' starting on page 19.

If the P45 is not for the tax year 2002-2003, enter 'Nil' as the previous pay and tax details in column 3 and 6 of the P11 on the line you will use for the employee's first pay day.

On the next pay day, add up the entries in columns 3 and 6 of the P11 including those

- from form P45, and
- any pay and tax details since they started work for you.

Taking on a new employee – for one week or less

If the employee is going to work for you for 1 week or less

- do not complete a form P46
- take the following action, depending on what the circumstances are, **but if you are a farmer** first see the *Employer's Further Guide to PAYE and NICs, CWG2*, under 'farmers'.

Total pay in the week is more than the PAYE threshold* and you know the employee has other employment

- Fill in a form P11.
- Deduct tax using code BR.
- Work out NICs due, see Part 2 of this Help Book.
- Issue a form P45 at date of leaving.

Total pay in the week is more than the PAYE threshold* and you do not know if the employee has other employment

- Fill in a form P11.
- Deduct tax using the emergency tax code on a week 1/month 1 basis.
- Work out NICs due.
- Issue a form P45 at date of leaving.

Total pay in the week is less than the PAYE threshold* but equal to or more than the National Insurance Lower Earnings Limit*

- Fill in a form P11.
- Enter NI in the tax code Box K.

Total pay in the week is less than the National Insurance Lower Earnings Limit*

You do not have to complete a form P11 but keep a record of the employee's name, address and amount of pay.

* Details of the PAYE threshold and National Insurance Lower Earnings Limit are included in the booklet *PAYE and NICs rates and limits for 2002-2003, E12*, included in your Employer's Pack. If you are reading this section after the end of April 2002 see the revised version sent in your Budget Pack.

Tracing National Insurance numbers

If the employee can't remember their NI number

- check any documentation you may have for the employee which shows the NI number, for example form P45, or a certificate of election form CA4139(CF383).

If you are unable to find your employee's NI number

- keep a record of their full name – surname and first name(s) – address, date of birth, sex and
- if you have to send a form P46 to the Inland Revenue office take no further action as the Inland Revenue National Insurance Contributions Office will
 - automatically trace the employee's NI number, and
 - send you a form, CA6856, confirming what it is

If you do not have to send form P46 to the Inland Revenue you can use the National Insurance number tracing service by either

- obtaining form CA6855 from the Employer's Orderline on **0845 7 646 646** or any Department for Work and Pensions (previously known as the Department of Social Security) or Inland Revenue office
- or
- preparing your own schedule.

Preparing your own schedule to trace NI numbers

This should clearly set out the information in the following order

- 1 Employee's title
- 2 Surname
- 3 First name(s)
- 4 Address
- 5 Date of birth
- 6 Sex
- 7 Works/payroll number
- 8 Date employment started
- 9 Date employment ended (if applicable)
- 10 Employer's name and address
- 11 Inland Revenue office number
- 12 Employer's reference number.

Where to send form CA6855 or schedule

Inland Revenue National Insurance Contributions Office
P46 Section
Room BP1102
Benton Park View
Newcastle Upon Tyne
NE98 1ZZ

On receipt of the form or schedule of employees, the Inland Revenue National Insurance Contributions Office will trace the employee's NI number.

They will send you form CA6856 for each employee confirming the employee's NI number, or will write to let you know of any NI numbers which cannot be traced.

Note the NI number in your records and then pass the form CA6856 to the employee for future reference.

Employee with no NI number

If your employee has never had an NI number

- keep a record of their full name (surname and first name(s)), address, date of birth, sex, **and**
- tell them to contact their nearest Department for Work and Pensions office.

Your employee must arrange an interview with the Department for Work and Pensions to complete an application form to be issued with an NI number.

They will be told what evidence to take with them to the interview to establish identity.

After the interview they should ask for form *Your National Insurance Number, CA5404*. This form confirms that they have applied for an NI number.

Part 5 What to do when an employee leaves

Which forms you have to complete

Form P11

Enter the date of leaving in Box I on the page of the P11 that you are using.

Form P45

- Fill in a form P45
 - even if the employee says they will not be working when they leave you
 - for any employee leaving for whom you have completed a form P11, **unless you have used the P11 to record only NICs or tax credits.**
- When filling in a form P45 make sure you use a four-part version, use CAPITALS and make sure all parts are legible.

- If you have been told to make Student Loan Deductions enter a 'Y' in Box 5 'Continue Student Loan Deductions' of the form P45. However, if you have received a Stop notification for this employee **do not** enter 'Y' in the box.
- Give Parts 1A, 2 and 3 of form P45 to your employee when they leave.
- Send Part 1 to your Inland Revenue office **immediately.**

Example of a completed form P45

When filling in form P45 make sure you use a four-part version, use CAPITALS and make sure all parts are legible.

Inland Revenue		Details of employee leaving work		P45
		Copy for Inland Revenue office		Part 1
1 PAYE Reference	Office number	Reference number		
	131	V30		
2 Employee's National Insurance number	AB 12 34 56 C			
3 Surname (in CAPITALS)	JOHNSON			MR
First name(s) (in CAPITALS)	PETER ANDREW			
4 Leaving date (in figures)	Day	Month	Year	5 Continue Student Loan Deductions(Y)
	9	8	2002	
6 Tax Code at leaving date. If Week 1 or Month 1 basis applies, write 'X' in the box marked Week 1 or Month 1.	Code		Week 1 or Month 1	
	461L			
7 Last entries on Deductions Working Sheet (P11). Complete only if Tax Code is cumulative. Make no entry here if Week 1 or Month 1 basis applies. Go to item 8.	Week or month number	Total pay to date		
	18	£ 5274 00 p		
		Total tax to date		
		£ 730 40 p		
8 This employment pay and tax. No entry is needed if Tax Code is cumulative and amounts are the same as item 7 entry.	Total pay in this employment	Total tax in this employment		
	£ 2970 00 p	£ 414 64 p		
9 Works number/ Payroll number	1603		10 Department or branch, if any	
11 Employee's private address and Postcode	16 BARCLAY STREET LONDON SE17 6PB			
12 I certify that the details entered above in items 1 to 10 are correct.	Employer's name, address and Postcode			
	VFM LTD, 36 SOHO GARDENS LONDON W1V 4LD			
	Date			
	9/8/2002			
To the employer		Please complete with care		
<ul style="list-style-type: none"> • Complete this form following the 'What to do when an employee leaves' instructions in the Employer's Help Book, 'Day-to-day payroll', E13. ★ Make sure the details are clear on all four parts of this form. Make sure your name and address is shown on Parts 1 and 1A. • Detach Part 1 and send it to your 		<ul style="list-style-type: none"> • Inland Revenue office immediately. • Hand Parts 1A, 2 and 3 (unseparated) to your employee when he or she leaves. • If the employee has died, write 'D' in this box and send all four parts of this form (unseparated) to your Inland Revenue office immediately. 		
P45		BS12/01		

The totals at item 7 are the employee's pay and tax details for the whole of the current tax year. They are made up of the pay and tax details

- in your employment, and
- in the previous employment, if the employee started with you after 6 April and you were notified of these details on either form P45 or P6.

Do not enter any details if the employee is on a week 1/month 1 basis code at the date of leaving.

Enter your PAYE Reference (now known as Employer Reference).

You must enter the employee's NI number.

Enter the last tax code shown on form P11.

Mark refunds 'R'.

The totals at item 8 are the employee's pay and tax details for your employment for the current tax year.

This part **must** be completed in all cases where the employee, at the date of leaving, is on

- week 1/month 1 basis code, or
- cumulative basis code and the figures are different from those you have entered at item 7.

Other points to note

Employee pays reduced rate NICs

If the employee is a woman who has been paying the reduced rate of employee's NICs (for example, contribution Table letter B, G or S) complete the form *CA4139 (CF383)* or *CF380A* with the information requested on the form and return it to her.

Employee receives tax credits

If the employee is in receipt of tax credits

- complete all parts of the Certificate of Payments form *TC02*
- keep Part 1 for your records
- give Parts 2 and 3 to the employee within seven days of either the date of leaving where tax credits are paid up to that date, or the end of the pay period which includes the date of leaving, where the tax credits are paid up to the end of that pay period.

You can get further copies of the *TC02* from the Employer's Orderline on **0845 7 646 646**.

Employee has been sick in the eight weeks before they leave you

If the employee has been sick in the eight weeks before they leave you, issue form *SSP1(L)*, leaver's statement or your own version of the form, only if

- your employee asks you to **and**
- SSP was payable for at least one week in the eight weeks before the date they finished working for you.

Employee receiving SSP and still sick

If the employee is receiving SSP and is still sick when they leave

- return any original medical evidence that continues after the date they leave to the employee, keeping a copy for your own records
- issue form *SSP1*, or your own version of the form, so that the employee can claim benefit if they want to.

If we find that you have dismissed an employee to avoid paying SSP we can decide that you are still liable to pay SSP as if the contract had continued.

For further information see the Employer's Help Book *What to do if your employee is sick, E14*.

Employee receiving SMP

Your liability to pay SMP does not end when your employee leaves. You must continue to pay her the SMP until the end of the Maternity Pay Period, and to record the SMP in column 1i and include it in column 2 on the *P11*.

For further information see the Employer's Help Book *What to do if your employee is pregnant, E15*.

Form P45 lost or incorrect

If a former employee loses their *P45* or you find out later you have made a mistake, tell the former employee to contact their Inland Revenue office immediately.

You must never complete a further form or amend a *P45*.

Payment to a former employee

If you make a payment to a former employee or there is still a payment due to a deceased employee, see the *Employer's Further Guide to PAYE and NICs, CWG2*, under 'employees – leaving'.

Part 6 Employee's tax code changes in the tax year

Employee's tax code changes in the tax year

If your employee's tax code changes during the tax year your Inland Revenue office will send you a form P6.

Example of a form P6

Inland Revenue

Employer reference
020/A123
Please use this reference if you write or call. It will help to avoid delay.

Issued by
Anytown 1
Anytown
AN1 1NY

ABC Ltd
1 High Street
Anytown
AN1 1BC

Notice to employer of employee's tax code (or amended code) and previous pay and tax

Employee's name: Mr B Jones

National Insurance number: A B 1 2 3 4 5 6 C

Works or payroll number: 13261

Tax code: 510L
This employee's code is amended to

for the year to 5 April: 2003
Please use this tax code from the next pay day

Please read the notes on the back of this form.

Previous pay and tax	
Previous pay	Previous tax
£ 9750.00	£ 1457.26

P6 BS12/01

When you receive form P6, use the new code from the first pay day after you receive it, unless your Inland Revenue office tells you otherwise.

If a refund of tax is due when you operate the code make the refund **unless** the new code is NT. In this case, only make a refund if your Inland Revenue office asks you to do so.

In Box L of the P11 enter the new code and the week/month it is applied and cross out any previous code.

Code changed from week 1/month 1 basis to a cumulative basis code

- Add up the pay and tax shown on form P11, columns 2 and 7, including any from previous employment in the tax year.
- On the line of the last payment you made, enter in columns 3 and 6 the total pay and tax you have just added up.
- Follow the guidance, in Part 1, pages 3 to 8, appropriate to the amended code on the first pay day you use it.

Code changed from a cumulative basis to a week 1/month 1 basis

- Follow the guidance, in Part 1, pages 3 to 8, appropriate to the amended code on the first pay day you use it.
- Disregard any previous pay and tax details when you work out the tax to deduct from the first payment.

Code changes from a K code on a cumulative basis to a suffix code on a cumulative basis

On the first pay day

- complete the entries for columns 3 to 6 as shown in Part 1, page 5, under suffix code cases
- leave columns 6a and 6b blank
- take the figure in column 6 and compare it with the amount in column 6 for the previous pay day
- **deduct** the lower amount from the higher amount and add to the result any entry in column 8 for the previous pay day. Enter the figure calculated in column 7, 'Tax deducted or refunded in the week or month'.

If the amount in column 6 for the previous pay day is the lower amount, the amount you have just entered in column 7 is the tax deductible this week/month.

If the amount in column 6 for the previous pay day is the higher amount, the amount you have just entered in column 7 is the tax to refund this week/month and should be marked 'R'.

The exception to this is where the amount in column 8 for the previous pay day is greater than the difference between the higher and lower amounts in column 6, when a tax deduction is to be made.

For pay days after the first pay day

Complete all entries as shown in Part 1, pages 5 to 8, appropriate to the tax code.

Part 7 Changes that may affect an employee's NICs

During their working life there will be times when an employee's circumstances change. These may lead to the need to change the contribution Table letter under which you are making deductions of NICs. This section will help you to identify what action you need to take.

The table on page 31 of this Help Book and the flowchart at the beginning of the NI tables will also help you to identify which contribution Table letter and set of tables you should use.

Main changes

The main changes that may happen are an employee

- reaches age 16
- is a married woman or widow with the authority to pay reduced rate NICs who tells you that they want to pay full rate
- is a married woman who pays a reduced rate of NICs who tells you she is divorced
- joins or leaves your contracted-out occupational pension scheme
- has more than one job with different employers
- has more than one job with the same employer
- becomes a director
- goes abroad to work
- reaches State Pension age (60 for women and 65 for men) and continues to work
- dies.

If any of the above applies to an employee take action as described in the relevant following paragraphs.

An employee reaches age 16

If an employee is aged under 16 there is no NICs liability for the employee or for you as an employer.

Liability for employee's and employer's NICs starts from a person's 16th birthday. If an employee reaches age 16 while working for you and

- their earnings are equal to or exceed the Lower Earnings Limit and
- you do not already use a *P11* to record their earnings you should prepare a form *P11*, or equivalent record, in the same way as when you take on a new employee. You must start to make deductions of NICs from their pay and record the employee's and employer's NICs on the *P11* or equivalent record.

Enter the appropriate contribution Table letter in the 'End of Year Summary' section on the reverse of the *P11*.

You will also have to start paying your employer's share of NICs.

A married woman or widow who is entitled to pay reduced rate NICs

Some married women or widows have chosen to pay NICs at a reduced rate. The authority for them to do so is given by the Inland Revenue National Insurance Contributions Office in the form of a 'certificate of election'. This will be form *CA4139(CF383)* or *CF380A*. If your employee says that they pay the reduced rate they must give you a valid certificate of election.

You must deduct the full rate of NICs until you are given the certificate of election.

Your employee wishes to pay full rate

If a woman tells you she now wishes to pay full rate, return her certificate of election to her and deduct full rate, using the appropriate contribution Table letter.

Divorce

A married woman with the authority to pay reduced rate NICs loses this right if she gets divorced or her marriage is annulled. If she tells you she is divorced you must

- deduct the full rate NICs on pay she receives on or after the date of her decree absolute or decree of nullity and
- return the certificate of election to her when asked to do so.

You should have a procedure in place to let your employees know that they must notify you of their divorce if they are paying reduced rate NICs and you should remind them of this on a regular basis.

For more help see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'married women and widows'.

An employee joins or leaves your pension scheme

Occupational pension schemes which satisfy certain legal requirements can contract out of the State Second Pension, previously known as State Earnings Related Pension Scheme (SERPS). There are three methods of contracting out of State Second Pension,

- Contracted-out Salary Related (COSR) scheme
- Contracted-out Money Purchase (COMP) scheme
- Contracted-out Money Purchase Stakeholder Pension (COMPSPH) scheme.

If you hold a contracting-out certificate (CA7000) and an employee is a member of your occupational pension scheme, you should deduct NICs at the appropriate contracted-out rate.

When an employee joins, or leaves, a pension scheme look at the quick guide on page 31, or the flowchart at the beginning of the NI Tables, to check which contribution Table letter you should use.

If you operate more than one pension scheme an employee may choose to move between schemes during the tax year. In addition to identifying the correct contribution Table letter to use if an employee changes from a COSR to a COMP pension scheme, or between COMP schemes, you will also have to ensure the employee's record reflects the correct Scheme Contracting-Out Number (SCON).

An employee may also change from an Appropriate Personal Pension (APP) or APP Stakeholder Pension scheme to your occupational contracted-out scheme. This will also change the contribution Table letter under which you deduct NICs.

For further information see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'occupational pension schemes'.

An employee has more than one job

An employee has more than one job with different employers

An employee may tell you that they have another job where they are already paying NICs and that you should not deduct NICs from the wages or salary that you pay them.

There is a maximum amount of employee's NICs payable in a tax year. If an employee with more than one job thinks they will pay that maximum in only one of their jobs they can ask the Inland Revenue National Insurance Contributions Office for permission to defer paying NICs in their other job(s).

The Inland Revenue National Insurance Contributions Office will send you form CA2700 if it agrees that the employee does not have to pay NICs in their job with you. This form authorises you not to deduct employee contributions from the employee.

You must still pay your employer's share of the NICs under the appropriate contribution Table letter – for help in identifying the right contribution Table letter see the table on page 31.

Until you receive the CA2700 form, continue to deduct employee's contributions at the appropriate rate.

For further information see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'Deferment of payment of employee's contributions'.

An employee has more than one job with the same employer

There are special rules about calculating NICs.

For further information see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'National Insurance contributions'.

An employee becomes a director of your company

When you make an employee a director or a new director starts work, there are special rules that apply to the calculation of NICs. You can find these rules in the booklet *National Insurance for Company Directors, CA44*, which you can get from the Employer's Orderline on **0845 7 646 646**.

An employee goes abroad to work

If you have an employee who goes abroad to work, see the booklet *Employer's Further Guide to PAYE and NICs, CWG2*, 'Chapter 4'.

An employee reaches or is over State Pension age

If an employee reaches or is over State Pension age (60 for women, 65 for men) they no longer have to pay NICs.

You must still pay your employer's share of NICs.

Before you stop deducting employee NICs from the employee's wages, you must see some proof of their date of birth, for example a passport or birth certificate, to show that they have reached State Pension age. It would be helpful if you keep a record of the proof you have seen. Alternatively, they can provide you with one of the following certificates of age exception – CA4140, or CF384.

For further information see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'State Pension age'.

An employee dies

If an employee dies while working for you, and a payment is due on or after the date of death that would normally attract a deduction of NICs, there is no liability for either employee or employer NICs.

For further information see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'death of employee'.

Quick guide to contribution Table letters

The table below gives a quick guide to the appropriate contribution Table letter. For more detailed information see the flowchart at the beginning of the NI Tables.

	Under age 16	Age 16 and over	Married Woman's/ Widow's reduced rate Not Contracted-out	Deferment certificate held (CA2700)	Over State Pension age	After death
Not contracted-out						
Category A		✓				
Category B			✓			
Category C				✓	✓	
Contracted-out – COSR						
Category D		✓				
Category E			✓			
Category C (Contracted-out)				✓		
Contracted-out – COMP/COMP(SHP)						
Category F		✓				
Category G			✓			
Category S				✓		
No liability for employee or employer						
Category X	✓					✓

Recalculating NICs following changes

If you do not deduct the correct amount of NICs at the proper time, because of a change to the employee's circumstances that you were unaware of, you can

- recover any underpaid NICs for the current tax year by making extra deductions from later earnings in the same tax year, or
- refund any overpaid NICs.

The action you take to recalculate NICs will depend on whether you will be making adjustments to the NICs from

- a current date
or
- a previous date
 - within the same tax year
or
 - in a previous tax year.

If you are adjusting the NICs from a **current date**

- draw a line across the *P11* columns 1a to 1g under the last entry for the original contribution Table letter
- enter the totals of columns 1a to 1g up to the date of change in the boxes next to the entry for the original contribution Table letter in the 'End of Year Summary' section on page 2 of the *P11*
- enter the new contribution Table letter on the next line of the 'End of Year Summary' section.

If you are recalculating NICs from a **previous date within the same tax year**

- Amend the form *P11* by
 - drawing a line through each of the entries that you are adjusting so that the original entry can still be read
 - recording the right amounts alongside
 - entering the amended totals of columns 1a to 1g up to the date of change in the boxes next to the entry for the original contribution Table letter in the 'End of Year Summary' section on page 2 of the *P11*
 - entering the new contribution Table letter on the next line of the 'End of Year Summary' section.
- If as a result of the change NICs have been overpaid, refund the difference to the employee.
- If you adjust the NICs and find that the employee has underpaid NICs you can recover the arrears by making extra deductions from your employee's earnings for the remainder of the tax year. The extra deductions can only be
 - to recover NICs due on the current tax year, and
 - as much as the contributions due on later earnings.

For example, if NICs of £5 are due on the later earnings, the employer can deduct no more than £5 extra towards the arrears due.

If arrears are still outstanding at the end of the tax year you **must not** recover them from later earnings in the following tax year.

If you are adjusting NICs from a **date in a previous tax year** amend the form *P11* for the current year only by

- drawing a line through each of the entries that you are adjusting so that the original entry can still be read, and recording the right amounts alongside
- drawing a line through the contribution Table letter in the 'End of Year Summary' section and entering the new contribution Table letter alongside.

If NICs have been overpaid for the **previous tax year**

- and you have not yet sent in your *Employer's Annual Return* and final payment to your Accounts Office, make a refund of the difference to the employee and adjust your final payment, or
- if you have sent in your *Employer's Annual Return* and final payment, you must apply for a refund to the Inland Revenue National Insurance Contributions Office.

Where you do not find out that the NICs have been underpaid for a tax year that has finished until after you have sent in your *Employer's Annual Return*, and final payment to your Accounts Office

- provide a written statement of how the underpayment happened and has been calculated
- send the statement with a payment for the underpaid NICs to the Inland Revenue National Insurance Contributions Office.

For further help on what to do if a mistake is discovered during the tax year or after the tax year has ended see *Employer's Further Guide to PAYE and NICs, CWG2*, under 'mistakes in amount of NICs or PAYE '.

Part 8 Tax credits

Knowing when to pay tax credits

When tax credits are payable you will be sent

- an Employer Notification to Start Paying Tax Credits, form *TC01*
- a Certificate of payments, form *TC02*.

The *TC01* and *TC02* will be sent together. The *TC01* is in two parts and the *TC02* is in three parts.

These documents will be on watermarked paper with a blue and pink background print. If you receive a notification which does not have these features please return it to the address shown at the top of the *TC01*.

The *TC01* Part 1 will show

- the employee's details
- the total amount of tax credits which you are to pay the employee
- the start and end dates of the period for which you are responsible for paying the tax credits
- the daily rate of tax credits payable.

The *TC01* Part 2 is a daily rate table showing the daily rate times 1 – 31 days.

The *TC02* is a three-part form, which is to be completed if you stop paying tax credits before the end date shown on the *TC01*, Part 1, for any reason **other than** when you are told to do so by the Tax Credit Office.

Do I have to pay tax credits?

You are required by law to pay tax credits to the employee between the dates given on the *TC01*, Part 1.

You are excepted from that obligation **only** in the following circumstances

- if employment ceases prior to the start date for payment of tax credits, **or**
- if you do not expect to pay the employee for at least three consecutive pay periods commencing with the pay period which includes the start date, **or**
- if you are not currently deducting tax or NICs from the pay of any of your employees.

In the above circumstances, you should

- tick the relevant box on Part 1 of the *TC01*, and
- return both parts of the *TC01*, together with all three parts of the *TC02*, to the Tax Credit Office.

Paying and accounting for tax credits

Tax credits are not subject to deductions of PAYE and NICs.

Before working out and paying tax credits, it may help if you complete Box M on form *P11* using the start date, daily rate and stop date provided on the *TC01*.

The first time you pay tax credits to an employee you must pay the daily rate for the start date itself and for each pay day up to and including the last day of the pay period in which the start date falls.

Example

If the start date is 12 June and the pay period is 1 to 30 June, you should pay tax credits for 12 to 30 June inclusive, that is, 19 x daily rate.

In subsequent pay periods pay tax credits for each calendar day in the pay period, that is, 7 x daily rate for weekly paid, 28 x daily rate for 4-weekly paid. For monthly paid employees, multiply the daily rate by the number of days in the month.

At the end of each pay period do the following

- Use the daily rate table (*TC01* Part 2) to calculate the amount of tax credits to pay your employee. The table shows examples of how to make the calculation.
- Pay the tax credits to your employee with their 'net pay'.
- Show the amount of tax credits paid as a separate item on your employee's payslip.
- Record the amount of tax credits paid on form *P11* in column 9 at the appropriate week/month.

If, exceptionally, you have not been required to prepare form *P11*, or equivalent record, for the employee for PAYE and NICs purposes, you should prepare one to record the tax credits. There is no need, however, to record pay on form *P11* if it is being prepared solely for tax credit purposes.

You must pay tax credits at the same frequency as pay, for example, weekly, fortnightly or monthly. Even if the 'pay' in the period is not made up of earnings but, for example, SSP, SMP or a tax refund, you must still pay tax credits.

In the case of a paid holiday, where wages are paid in advance, tax credits may also be paid in advance.

Funding tax credits

You should fund tax credit payments by using the PAYE, NICs and/or Student Loan Deductions you are accountable for each pay period.

If there are insufficient deductions to cover the amount of tax credits payable, apply for funding from the Inland Revenue by completing a Tax Credit Funding Application, form *TC11*. Two forms *TC11* will be sent to you, under cover of Tax Credit Information, form *TC10* shortly after the first Employer Notification to Start Paying Tax Credits, form *TC01*.

You will be sent further copies of form *TC11* when you are notified that funding will be provided, or you may request them from the Employer's Orderline on **0845 7 646 646**.

Return forms *TC11* as soon as possible to your Accounts Office. You may send them by post, or by fax using one of the following numbers

Accounts Office Cumbernauld **0845 602 3519**

Accounts Office Shipley **0845 602 3517**

To ensure that you receive funding in time, you should apply **at least nine working days** before you need it, provided that it can be paid by direct automated credit transfer into your Bank or Building Society account. If this is not possible and we have to issue a cheque the clearance time for funding could be longer.

If you have not applied this far in advance we will do our best to get the funding to you as soon as possible.

Stopping tax credit payments early

If you stop paying tax credits prior to the end date shown on the form *TC01* for a reason other than the receipt of a Stop Notice, *TC03*, or Cancellation Notice, form *TC019*, from the Tax Credit Office, you should

- complete all three parts of form *TC02*
- keep Part 1 for your records
- give Parts 2 and 3 to the employee concerned within seven days of the event which led to payment ceasing.

If the employee is leaving, issue Parts 2 and 3 to the employee within seven days of either

- the date of leaving, where tax credits are paid up to that date, or
- the end of the pay period which includes the date of leaving, where the tax credits are paid up to the end of that pay period.

If the employee has died, you should send Parts 2 and 3 to the address shown on Part 3 within seven days of becoming aware of the employee's death.

You can get further copies of the *TC02* from the Employer's Orderline on **0845 7 646 646**.

Where to get further help and advice

There is more detailed guidance in the booklet *An Employer's Guide to tax credits – Working Families' Tax Credit and Disabled Person's Tax Credit, E6*. You can see a copy of the booklet on our website at www.inlandrevenue.gov.uk/leaflets/credit.htm or you can get a copy from the Employer's Orderline on **0845 7 646 646**.

Part 9 Student Loan Deductions

We are responsible for collecting repayments of Student Loans. In the majority of cases the employer will collect these repayments by making deductions from pay.

Start notification

At any time during the year the Inland Revenue may send you a Start notification to begin making Student Loan Deductions from an employee.

If you receive a Start notification

- enter '✓' in Box J, headed 'Student Loan Deductions case' on the employee's form *P11*
- keep the Start notification in your wages records
- use the *Student Loan Deduction Tables, SL3*, to start making Student Loan Deductions, if appropriate, from the first pay day after the start date shown on the Start notification.

You can get a copy of the *Student Loan Deduction Tables, SL3*, from the Employer's Orderline on **0845 7 646 646**.

Working out and paying over Student Loan Deductions

If you employ a borrower who also has an Attachment of Earnings Order refer to the booklet *Collection of Student Loans – Employers Guide*, before making Student Loan Deductions.

You can get a copy of the guide from the Employer's Orderline on **0845 7 646 646**.

Working out pay for Student Loan Deduction purposes

Use the same amount of gross pay for Student Loan Deduction purposes as you have used to calculate NICs.

For further information on gross pay see page 9 of this Help Book.

At the end of each pay period

Each pay day

- Work out the employee's gross pay for Student Loan Deduction purposes.
- Use the *Student Loan Deduction Tables, SL3*, to work out the amount of Student Loan Deductions.
- Enter the amount of the Student Loan Deduction on the employee's *P11* in column 1j at the appropriate week or month.

At the end of each tax month or quarter

See page 16 of this Help Book.

At the end of the year

See the Employer's Help Book *Finishing the tax year up to 5 April 2002, E10*.

Stop notification

When you receive a Stop notification from the Inland Revenue

- stop making Student Loan Deductions from the employee's pay – the notice will give a period of 42 days from the date of issue for you to put it into effect
- keep the Stop notification in your wages records.

Where to get further help and advice

There is more detailed guidance in the booklet *Collection of Student Loans – Employers Guide*.

You can get a copy of the guide from the Employer's Orderline on **0845 7 646 646**.

Notes