



Finishing the tax year up to 5 April 2007

E10(2007)
Employer Helpbook

Includes

- Important dates for finishing the tax year 2006-07
- What you'll need
- Finishing off form P11, *Deductions Working Sheet*
- Filling in the form P14, *End of Year Summary*
- Filling in the form P35, *Employer Annual Return*
- What to do next
- Form P60
- Tax-free payments for online filing
- Forms P11D, P11D(b) and P9D

Help and further guidance

Help and further guidance about tax and National Insurance contributions (NICs) is available from the following sources.

The Internet

Go to www.hmrc.gov.uk/employers

Your Employer CD-ROM

Most of the forms and guidance you will need are available to view or print from your CD-ROM. There are also forms you can complete and save on-screen.

Your CD-ROM contains the following calculators

- P45 calculator to check the P45 details of new employees
- P11 calculator that works out the amount of tax and NICs due
- Car benefit and Car Fuel benefit calculator
- Collection of Student Loans calculator
- Statutory Payment calculators.

There is a Learning Zone to help you understand topics such as Statutory Payments and Student Loan deductions.

You will also find a Payroll Basics section designed to help new and less experienced employers understand what to do when employing someone for the first time.

Employer Helpbooks

Our Employer Helpbooks will help you understand and operate PAYE, NICs and other payroll related matters.

The Helpbooks are for guidance only, they are not comprehensive and have no legal force.

There are also other leaflets and booklets that give further guidance, for example:

- CWG2(2007), *Employer Further Guide to PAYE and NICs*
- CWG5(2007), *Class1A NICs on benefits in kind*
- 480(2007), *Expenses and Benefits - a tax guide.*

You can view, download and print the full range of Helpbooks, booklets and other forms and guidance from our website at www.hmrc.gov.uk/employers or your Employer CD-ROM.

Or you can order copies from the Employer Orderline

- from our website at www.hmrc.gov.uk/employers/emp-form.htm
- by fax **0870 240 6406**
- by phone **0845 764 6646**.

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio call the Employer Orderline on **0845 764 6646** and ask to speak to the Customer Service Team.

Yr Iaith Gymraeg

Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

By phone - Employer Helplines

(We may record calls for quality and training purposes.)

New employers and employers with less than 3 years payroll experience

New Employer Helpline
0845 607 0143

Monday to Friday 08:00 - 20:00
Saturday and Sunday
08:00 - 17:00

Employers with more than 3 years payroll experience

Employer Helpline
0845 714 3143

Monday to Friday 08:00 - 20:00
Saturday and Sunday
08:00 - 17:00

Employers who are deaf or hard of hearing

Textphone 0845 602 1380

(You must have specialised equipment such as Minicom to use this service).

A list of Helplines and opening hours is available

- on our website at www.hmrc.gov.uk/contactus/helplines.htm
- on your CD-ROM, and
- in your Employer Bulletin.

Your HM Revenue & Customs office

Your own HM Revenue & Customs office can also help you. All our office contact details are on our website at www.hmrc.gov.uk/local/employers/index.htm

When contacting us please tell us your Employer reference. You will find it on correspondence from your HM Revenue & Customs office.

In Person

We can offer you education and support on all aspects of your payroll explaining

- what you need to do
- the deadlines you need to meet
- the forms you need to fill in
- the records you need to keep.

We also have a range of workshops which are free of charge on many payroll topics.

You can get further information about the workshops from our website at www.hmrc.gov.uk/bst, or you can call the

- New Employer Helpline on **0845 607 0143**
- Employer Helpline on **0845 714 3143**

Online Services

For enquiries about our online services

- go to www.hmrc.gov.uk/efiling/help/mainhelp.htm
- email helpdesk@ir-efile.gov.uk
- phone **0845 605 5999**
open 7 days a week 08:00 - 20:00.

Finishing the tax year up to 5 April 2007

This Helpbook tells you

- how to complete your Employer Annual Return and other forms to finish the tax year 2006-07
- the latest dates for making any outstanding payments of Pay As You Earn (PAYE) and National Insurance contributions (NICs) including Class 1A
- the dates by which you need to file your 2006-07 Employer Annual Return
- what to do if you want to file your Employer Annual Return online and where you can find more information
- how to get a £150 tax-free payment if you file your 2006-07 Employer Annual Return online.

Do it online in April 2007

If you have 50 or more employees you must file your 2006-07 Employer Annual Return online. But you can get £150 tax-free if you have fewer than 50 employees and file online.

You can file your return online using:

- Internet - you can choose either
 - our free Online Return and Forms - PAYE product (recommended for up to 50 employees), or
 - 3rd party payroll software
- Electronic Data Interchange (EDI) - this option is more suitable for larger employers with a high number of employees, typically in the thousands.
- Alternatively, an agent or payroll bureau can file online on your behalf using our PAYE Online for Agents service.

See www.hmrc.gov.uk/payeonline for more information.

If you have paid or are due to pay wages/salaries for payments due on Good Friday 6 April 2007 or Bank Holiday Monday 9 April 2007, please see Part 3.

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Part 1 Important dates for finishing the tax year 2006-07

19 April 2007

If you are not subject to the mandatory electronic payment rules and you post your payment, please pay all outstanding tax and NIC so your payment reaches us no later than 19 April to avoid being charged interest.

Interest will be charged on any payments received after this date (and surcharge in the case of employers who are subject to the mandatory electronic payment rules).

20 April 2007

Last date for any outstanding 2006-07 PAYE and Class 1 NICs payments to be cleared in our bank account if you pay by an approved electronic payment method.

Interest will be charged on any payments received after this date (and surcharge in the case of employers who are subject to the mandatory electronic payment rules).

19 May 2007

Last date for your 2006-07 forms P14 or substitutes, and P35 to reach your HM Revenue & Customs office. You have until midnight on the 19th to file your return.

Penalties are chargeable on any returns received after this date.

31 May 2007

Last date for giving a 2006-07 form P60 to each employee who was working for you at 5 April 2007.

6 July 2007

Last date for

- your 2006-07 forms P9D and forms P11D or substitutes to reach your HM Revenue & Customs office
- any return of Class 1A NICs on form P11D(b) for 2006-07 to reach your HM Revenue & Customs office - *penalties will be charged automatically on any returns not received by 19 July 2007*
- giving a copy of the 2006-07 form P9D, P11D or equivalent information to each relevant employee.

19 July 2007

Last date for payment of 2006-07 Class 1A NICs to be cleared in our bank account if you post your payment.

20 July 2007

Last date for payment of any 2006-07 Class 1A NICs to be cleared in our bank account if you pay by an approved electronic payment method.

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

Quality checks

If you are filing your Employer Annual Return (P14s and P35) online you should find that these quality checks are built into your payroll software or carried out by your payroll bureau or agent. If you are unsure we recommend that you confirm this with your software provider, payroll bureau or agent before filing your Return.

An Employer Annual Return (P14s and P35) sent on paper will be rejected if:

- the stationery used has not been approved by HM Revenue & Customs
- the form P35 is not signed
- the form P35 has not been fully completed
- you have not enclosed the form P35
- the forms P14 are not the correct version for the year
- you have not enclosed forms P14 with the form P35
- you have not sent us a form P14 for everyone listed on the form P35
- the forms P14 do not have a valid entry in either the National Insurance number box or the date of birth and gender boxes
- the forms P14 do not all have an entry in the employee name box
- the National Insurance contribution boxes on the forms P14 are not fully completed
- the forms P14 do not all have an entry in the pay box
- the entries on forms P14 are unclear, for example
 - the entries made are faint
 - because they are not displayed within the white boxes
 - due to carbon smudges
 - the font size of the print is too small
 - the forms have been hole punched where there is relevant information
 - the forms have been damaged
- the forms P14 have not been split correctly
- the forms P14 are attached together with either glue or staples
- sticky labels or correcting fluid have been used on forms P14
- the sprockets have not been taken off the forms P14.

All returns must pass our quality checks. If you file your return online you will get a message telling you if your return has failed and why. You must put right any errors and resubmit your return by 19 May 2007 to avoid the late filing penalty.

Returns sent on paper or magnetic media will be returned to you for correction if they fail these initial quality checks. You must put right any errors and resubmit your return by 19 May 2007 to avoid the late filing penalty.

Paper and magnetic media returns will be checked in more detail after 19 May 2007. We will contact you then if your return does not meet these detailed checks.

Part 2 What you'll need

5 April 2007

At 5 April 2007, the end of the 2006-07 tax year, you must file an Employer Annual Return (P14s and P35), if you have had to maintain a P11 *Deductions Working Sheet* or equivalent record for at least one employee during 2006-07, even if you did not deduct National Insurance or tax.

You may submit an Employer Annual Return (P35) if you are a Limited Company and the only item that you need to report on the P35 is an amount in the 'CIS deductions suffered' box (box number 28).

You can let us know that a return is not due by telephoning or writing to your local HM Revenue & Customs office.

To complete your return you will need

- all the forms **P11(2006-07)**, *Deductions Working Sheets* or equivalent records, which you filled in for your employees for the year ended 5 April 2007, including those who left during the year
- a form **P14**, *End of Year Summary* or substitute, for each employee to report the totals from the form P11 (2006-07) or equivalent record

Note - Please make sure that you only use the 2006-07 version of form P14 (there is an illustration of the P14 for 2006-07 on page 13)

- contact the Employer Orderline on **0845 7 646 646** as soon as possible to order a supply of the new forms
- a form **P38(S)**, *Student's declaration*
 - advising the amount of pay a student has earned whilst employed by you during the holidays
 - order these from the Employer Orderline
- a form **P38A**, *Employer Supplementary Return*
 - this form asks for details about payments made to people who worked for you during the year to 5 April 2007 but for whom you did not complete form P14 or form P38(S)
 - paper forms P38A are issued with your form P35 by the end of March 2007
 - if you previously filed online over the Internet, and are currently registered to do so, then you will not receive a paper form P38A. You can file a P38A online, print off copies from your Employer CD-ROM or order some from the Employer Orderline
- a form **P35**, *Employer Annual Return*
 - if you previously filed online over the Internet, and are currently registered to do so, then you will not receive a paper form. Instead a P35N (Notification to File) will be made available to view from your PAYE Online service page using the 'view employer notices' option

- decide if you are going to use 3rd party software or use the free Online Return and Forms - PAYE product to file online. See www.hmrc.gov.uk/efiling/payee/payee_software_forms.htm for a list of software that you can use to file your return online
- paper P35s are issued by your Accounts Office. You will be sent a paper P35 if you have fewer than 50 employees and you did not file online for 2005-06, or your P35 was filed online by an agent for whom you have not authorised us to send communications on your behalf. Contact your HM Revenue & Customs office if you have not received yours by the end of March 2007 and you are not going to file online. If you have 50 or more employees and are required to file online for 2006-07 you will not get a paper P35.
- you must only send one P35 for a single PAYE reference. We will not consolidate the details sent on more than one P35 for a single PAYE reference
- **do not** send a paper P35 as well as an online return
- a form **P60**, *Employee's Certificate of Pay, Income Tax and NICs*
 - form P60 is the third part of paper P14 set, or you can use an approved substitute
- a form **P9D**, *Expenses payments and income from which tax cannot be deducted 2006-07 and/or a form P11D*, *Expenses and Benefits 2006-07*
 - (one for each relevant employee) if you have paid expenses payments to any employees or you have provided them with benefits
 - print these off from your Employer CD-ROM or order them from the Employer Orderline
- a form **P11D(b)**, *Return of Class 1A National Insurance contributions, Return of expenses and benefits: Employer's declaration*
 - you should complete and sign this form if you are liable to return any expenses payments or benefits on form P11D. We will send the form to you in April if you made a return on form P11D last year. But if you are reporting expenses payments and benefits for the first time, ask your HM Revenue & Customs office for this form.

PAYE Online for Employers

If you have 50 or more employees you must file online for 2006-07.

If you want to file all or part of your Employer Annual Return online, or you want to use other functions within our PAYE Online service, you must register for PAYE Online for Employers. You can register at www.hmrc.gov.uk Select 'PAYE for Employers' under the heading 'do it online' and follow the step by step guidance.

To register you will need your 'Employer PAYE reference'

and 'Accounts Office reference' which you can find on the front of your P35. You will create your own Password and within seven days you will get a User Identity (User ID) confirmation letter with a card showing your User ID, along with a letter showing your Activation PIN (one for each service you select). Keep your User ID and Password safe, you will need them every time you use our online services.

Remember: to use PAYE Online for Employers - Internet service you must activate the service within 28 days of registering. To activate, go to www.hmrc.gov.uk select 'PAYE for Employers' under the heading 'do it online'. Enter your User ID and Password. You will be asked to enter your Activation PIN on screen the first time you login. You will then be able to use our PAYE Online for Employers - Internet service. Do not leave registration until the last minute (for example, just before your online filing deadline). You need to make sure that you have registered and activated your service in time to file your return by 19 May 2007. You should receive your Activation PIN within 7 days of registering for the service.

You can also choose to send online

- P38A, *Employer Supplementary Return*
- P11D, *Return of expenses payments and benefits*
- P11D(b), *Return of Class 1A National Insurance contributions, Return of expenses and benefits: Employer's declaration*
- P9D, *Return of expenses payments and income from which tax cannot be deducted (Internet only).*

Using Online Return & Forms - PAYE

You can use our free Online Return & Forms - PAYE product to file your Employer Annual Return (P14s and P35) online.

You can also file:

- your return in 'parts' (see 'Part 5 Employer's certificate and declaration' on page 18)
- amended P14 and P35 information
- your return 'in-year' if you cease as an employer.

To use Online Return and Forms - PAYE

- go to www.hmrc.gov.uk and select 'PAYE for Employers' under the heading 'do it online'
- enter your User ID and Password
- select on Online Return and Forms - PAYE.

To file your return,

- first create an online list of your employees, then
- complete your P14s, then
- complete your online form P35, and
- send your return online to HMRC.

You must not send paper forms P35 and P14 if you have filed your return online.

If we do receive a paper return before we receive your online one, we will treat the paper return as the first one we received. That means you will miss out on the £150 tax-free payment if you have fewer than 50 employees, or you will be charged a penalty for not filing online if you have more than 50 employees.

For more information about online filing and the online services we provide for employers

- visit our website at www.hmrc.gov.uk and select 'employers', or
- contact the Online Services Helpdesk
 - Email helpdesk@ir-efile.gov.uk
 - Phone **0845 60 55 999**
08.00 - 20.00 7 days a week
 - Minicom **0845 366 7805**
 - Fax **0845 366 7828**

Your CD-ROM has a learning package giving step by step guidance on all aspects of 'PAYE Online' including

- how to register for online services
- filing end of year P14s and P35s, and
- sending in year forms online

Part 3 Wages/salaries due for payment on Good Friday 6 April 2007 or Bank Holiday Monday 9 April 2007 paid early

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

When the regular pay day falls on a non-banking day (Saturday, Sunday or Bank Holiday) and because of this the payment is made on the last working day before the regular pay day, the payment may be treated for PAYE and Class 1 NIC purposes as having been made on the regular pay day.

Example

Pay due on Bank Holiday Friday 6 April 2007 and Bank Holiday Monday 9 April 2007 (tax year 2007-08) but paid on Thursday 5 April 2007 (tax year 2006-07) may be treated for PAYE/NIC purposes as being paid on 6 April 2007 and 9 April 2007 respectively.

Part 4 Finishing off form P11, Deductions Working Sheet

See below for an example of the back of a completed form P11 for year ending 5 April 2007.

You will have been filling in the P11 or equivalent record, week by week, month by month during the year. To complete the end of year procedures you now need to fill in the totals boxes on the P11, Columns 1a - 1e (National Insurance contributions).

Columns 1a - 1e (National Insurance contributions)

Add up each of the entries in each of columns 1a, 1b, 1c, 1d and 1e, and enter the total for each in the corresponding column of the **End of Year Summary** section next to the contribution Table letter ready for transfer on to the form P14, *End of Year Summary*.

Please remember

- if you have used the exact percentage method to calculate NICs, round down the annual total of the earnings recorded in columns 1b and 1c to the nearest whole pound.
- when completing column 1d, follow steps (1) to (4) on page 7. If more than one contribution Table letter has been used during this employment, these steps should be applied to each Table letter separately.

Example of a completed form P11 (back)

Deductions Working Sheet P11 Year to 5 April 2007 Employee's details in CAPITALS

Box A Employer's name: **VFM LTD**
 Box B HM Revenue & Customs office name: **MINSTER** Employer PAYE reference: **131/V30**
 Box C Surname: **DOE**
 Box D First two forenames: **JANE MARY**
 Box E National Insurance number: **AB 12 34 56 C**
 Box F Date of birth in figures: **10 02 1963**
 Box G Works/payroll number etc:
 Box H Date of start of employment:
 Box I Date of leaving employment:
 Box J Status:
 Please keep this form for at least 3 years after the end of the year to which it relates, or longer if you are asked to do so.

See Notes 1 and 2 overleaf

Month number	Week number	National Insurance contributions					Statutory payments					PAYE Income		
		Earnings details			Contribution details		Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Statutory Paternity Pay (SPP)	Statutory Adoption Pay (SAP)	Student Loan Deductions	Month number	Week number	Pay in the week or month including statutory payments (SSP/SMP/SPP/SAP)
Bt/fwd Mth 7	Bt/fwd Wk 30	1a £	1b £ p	1c £ p	1d £ p	1e £ p	1f £ p	1g £ p	1h £ p	1i £ p	1j £	2	3	3
		2184	336.00	6480.00	1545.12	714.12								
8	35	364	56.00	1080.00	257.52	119.02						8	35	1500.00
9	39	364	56.00	1080.00	257.52	119.02						9	39	1500.00
10	43	364	56.00	1080.00	257.52	119.02						10	43	1500.00
11	47	364	56.00	1080.00	257.52	119.02						11	47	1500.00
12	52	364	56.00	1080.00	257.52	119.02						12	52	1500.00
§														

Complete this line if pay day falls on 5 April (in leap years 4 & 5 April)

End of Year Summary

Enter NI Contribution Table letter here (see Note 2 overleaf)

Round down the annual total of the earnings recorded in columns 1b and 1c to the nearest whole pound

(1) Add all amounts of NICs not marked 'R'.
 (2) Add all amounts of NICs marked 'R'.
 (3) Take away (2) from (1).
 (4) Enter (3) in column 1d below - if this is a minus amount mark the entry as 'R'.
 If more than one contribution Table letter has been used during this employment, steps (1) to (4) should be applied separately to each Table letter.

Table letter	1a £	1b £	1c £	1d £ p	1e £ p
A	4004	616	11880	2832.72	1309.22

Statutory payments totals:
 ▲ SSP total ▲ SMP total ▲ SPP total ▲ SAP total ▲ SLD total

Scheme Contracted-out Number (For Contracted-out Money Purchase schemes OR Contracted-out Money Purchase Stakeholder Pension schemes only)

P11(2006-07)

- (1) Add all amounts of NICs not marked 'R'
- (2) Add all amounts of NICs marked 'R'
- (3) Take away (2) from (1)
- (4) Enter (3) in column 1d of the End of Year Summary section - if this is a minus amount mark the entry as 'R'.

Scheme Contracted-out Number

If your employee is in your Contracted-out Money Purchase (COMP) scheme, COMP Stakeholder Pension (COMPSP) scheme or the COMP part of your Contracted-out Mixed Benefit (COMB) scheme, make sure you have entered the Scheme Contracted-out Number in the boxes just to the right of the End of Year Summary section on the P11.

Columns 1f to 1j (Statutory Payments and Student Loan Deductions)

Add up each of the entries in columns 1f, 1g, 1h, 1i and 1j and enter the totals for each in the corresponding box at the bottom of those columns.

Columns 3 and 6 (pay and tax totals)

The action you take will depend on whether the employee

- still worked for you at 5 April 2007, and
- started employment with you during the 2006-07 tax year, and you know their previous pay and tax details.

If these conditions are not met, fill in the 'In this employment' boxes only. If they are, proceed as follows.

Enter in the 'In previous employment' boxes any previous employment pay and tax figures shown on the P11. Then - if PAYE has been operated proceed according to the basis on which it was operated, as shown below.

Cumulative basis

- Enter the final figures shown in columns 3 and 6 of the P11 at week 52 (or 53) or month 12 into the corresponding 'Total for year' boxes.
- Subtract any 'In previous employment' figures from the 'Total for year' figures and put the result in the corresponding 'In this employment' boxes.

Week 1/month 1 basis

- Add up all the amounts in columns 2 and 7 of the P11 for this employment and enter the totals in the 'In this employment' pay and tax boxes at the bottom of columns 3 and 6.
- Add together the 'In previous employment' and 'In this employment' for each column and put the result in the 'Total for year' boxes.

K code

- To complete the column 3 pay boxes of the P11, follow the appropriate cumulative or week 1/month 1 guidance above.
- Add up the column 7 entries for this employment and enter the total in the column 6 'In this employment' box.
- Add any column 6 'In previous employment' figure to the 'In this employment' figure and put the total in the 'Total for year' box.

Now you need to fill in your P14s. Pages 8 to 13 will help you.

Turn over page for Weeks

Day	Month	Year	Box K Tax code †	† If amended cross out previous code
09	05	2006	489L	
			Box L Amended code †	Wk/Mth in which applied
Student Loan Deductions case (✓/)				

		K codes only				K codes only				K
Total 'free pay' to date as shown by Tables A *		Total 'additional pay' to date as shown by Tables A		Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *		Total 'tax due' to date as shown by Calculator Tables or Tables SR + B to D		Tax due at end of current period Mark refunds 'R'		Tax deducted or refunded in the week or month Mark refunds 'R'
£	p	£	p	£	p	£	p	£	p	
4a		4b		5		6a		6b		7
10250	00	2857	75	7392	25	1475	73			
11750	00	3266	00	8484	00	1694	47			218.74
13250	00	3674	25	9575	75	1913	00			218.53
14750	00	4082	50	10667	50	2131	73			218.73
16250	00	4490	75	11759	25	2350	47			218.74
17750	00	4899	00	12851	00	2569	22			218.75

* If in any week/month the amount in column 4a is more than the amount in column 3, leave column 5 blank.

Pay		Pay and Tax totals		Tax deducted	
£	p			£	p
1250	00	◀	In previous employments	▶	164.81
16500	00	◀	In this employment Mark net refund 'R'	▶	2404.41
17750	00	◀	Total for year	▶	2569.22

Where you are using a K code enter the total of the amounts in column 7 for this employment.

Employee's Widows & C Life Assurance contribution in this employ

Part 5 Filling in the form P14, *End of Year Summary, for tax year 2006-07*

Important notes

- Your P14s must show the correct National Insurance number. Your return will be rejected if
 - any P14 shows a 'temporary' National Insurance number, e.g. TN220157M for a male born on 22nd January 1957, or
 - you use an incorrect National Insurance number format
- If you used temporary National Insurance numbers during the tax year, remember to change them to the correct number before you file your return. 3rd party software may do this automatically for you.
- If you are unable to obtain the correct National Insurance number you must
 - leave the National Insurance box on the P14 empty and enter the date of birth and gender in the appropriate boxes. If you are unable to obtain the date of birth, you must enter the default date of 01/01/1901 in the date of birth box.

Use our National Insurance Number Trace form (CA6855), available from www.hmrc.gov.uk/forms/ca6855.pdf, your Employer CD-ROM or the Employer Orderline, to get the correct National Insurance number for your payroll records.

- You can test your online return by sending it with a test 'flag'. You can test part or complete Online Return and Forms - PAYE submissions, but you must file the final return in the same way. 3rd party software users can test any part of the return when it is ready, regardless of whether you want to file in parts or not. You must remember to remove the test 'flag' before filing your actual return. If you fail to remove the 'flag' your return will be rejected and you may incur a late filing penalty if you fail to submit a complete return by 19th May.
- The HM Revenue & Customs National Insurance Contributions Office records the National Insurance contribution information that you send on each individual's National Insurance account. This is so that individuals can get the social security benefits that they are entitled to. Student loan information is also passed to the relevant records.

For more information see Employer Helpbook E13, *Day-to-day payroll*.

An example of a completed form P14(Manual) (2006-07) is on page 13.

Some dos and don'ts

Do

If your agent is filing any part of your return online we do not need authorisation but you should

- agree with your payroll bureau or agent what information they are filing online
- make sure that you give your payroll bureau or agent your payroll records when they need them to file your return.

If you use a computer or machine to print your P14s

- use the appropriate impact or laser printer version of form P14. See E3(2007), *Employer Orderline Order Form*
- show dates as DD MM YYYY (for example, 04 02 1959)
- make sure printing is clear in all the boxes
- print only within the white boxes (the entries must not touch the box edges)
- use font size 10, at 6 lines per inch.

If you are filling in all your forms by hand

- use form *P14(Manual)(2006-07)*. The number is shown in the bottom right-hand corner
- use a ball point pen, or similar, so that all three copies are easy to read; no carbon is necessary
- write clearly. If we can't read them, we may need to send the forms back to you to fill in new ones
- show dates as DD MM YYYY, with no punctuation. For example, 04 02 1959 is right. Entries such as 04 02 59, or 04-02-59, or 04/02/1959 are wrong.

Don't

- complete P14s in a pile, as the markings will copy through to the forms below
- make alterations: if you make a mistake, tear up the form and fill in a new one
- use '£' signs
- cross through boxes, or mark them 'N/A'. If no entry is required, leave the box(es) blank
- use continental 7s (ie. 7).

Filling in form P14

Make sure you have filled in your P11s following the instructions on pages 6 and 7.

Fill in a form P14 for each employee employed during the tax year (including those who have left during the tax year) using totals from the form P11.

If you file your P14s using PAYE Online for Employers check what your software does or use the on-screen help.

Section on form P14	Advice
Employer's name and address	<ul style="list-style-type: none"> Show your full address, including the postcode. Don't use sticky labels or a rubber stamp in this box.
HM Revenue & Customs office name and Employer PAYE reference	<ul style="list-style-type: none"> Enter your HMRC office name and Employer PAYE reference from the front of form P35. You will also find this on the front of your P30BC, <i>Payslip Booklet</i>.
Tax Year to 5 April 2007	<p>If you are using a form P14 that does not have the year pre-printed</p> <ul style="list-style-type: none"> make sure the forms are for the right year (there is an illustration of the form P14 for 2006-07 on page 13) enter all four numbers of the year, for example 2007.
<p>Employee's details</p> <p>National Insurance number</p>	<p>Copy this from the front of form P11.</p> <ul style="list-style-type: none"> It must be two letters, six numbers, followed by one letter (for example, AB123456C). Ensure that the full and correct number is quoted and can be read clearly. <p>(See page 8 Important notes)</p>
Date of birth	<ul style="list-style-type: none"> Enter the day and month as well as all four numbers of the year your employee was born.
Surname and first two forenames	<ul style="list-style-type: none"> If you don't know the employee's full forename(s), put their initial - or initials - at the start of each forename box. Don't put titles (like Mr, Mrs or Ms), or nicknames, or familiar names (e.g. Jack instead of John, Peggy instead of Margaret).

continued on page 10

Section on form P14	Advice				
<p>National Insurance contributions in this employment</p> <p>NIC table letter</p>	<ul style="list-style-type: none"> Copy this/these from the End of Year Summary section on the back of form P11(2006-07). 				
<p>Columns 1a to 1c</p>	<ul style="list-style-type: none"> Copy these amounts from the End of Year Summary section of form P11(2006-07). Make entries in whole pounds only. For example, in column 1a 3773 - not 3773.00. The entries in these boxes must be 'right justified'. For example, in column 1b, '£572' is shown as <div style="text-align: right; margin-left: 40px;"> <table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px; text-align: center;">5</td> <td style="width: 20px; height: 20px; text-align: center;">7</td> <td style="width: 20px; height: 20px; text-align: center;">2</td> </tr> </table> </div> If the employee is normally weekly or monthly paid - and earned consistently above the Earnings Threshold - the amounts in columns 1a and 1b inclusive should always be <p style="margin-left: 40px;">1a - a multiple of 84 (LEL) if weekly paid; a multiple of 364 (LEL) if monthly paid.</p> <p style="margin-left: 40px;">1b - a multiple of 13 (ET-LEL) if weekly paid; a multiple of 56 (ET-LEL) if monthly paid.</p> If there is an entry in column 1a, you must still send in form P14 - even though no NICs may be payable. Where there are no earnings or no NICs to report, complete form P14 to show contribution category letter X and zero fill columns 1a to 1c <p>Note. If you are sending your P14s online you must complete columns 1a to 1c.</p>		5	7	2
	5	7	2		
<p>Columns 1d and 1e</p>	<ul style="list-style-type: none"> Copy these amounts from the End of Year Summary section on form P11(2006-07). The amounts in these columns must be in pounds and pence. Where you operate a contracted-out occupational pension scheme, and the column 1d total to be carried forward from the P11(2006-07) is a minus figure, enter 'R' in the corresponding box immediately to the right of the column 1d total boxes on the P14. Where there are no earnings or no NICs to report, complete form P14 to show contribution category letter X and zero fill columns 1d and 1e <p>Note. If you are sending your P14s online you must complete columns 1d and 1e. For NIC category letter 'C' and 'W' zero fill column 1e.</p>				
<p>Statutory payments in this employment</p> <p>Box 1f</p>	<p>You can either</p> <ul style="list-style-type: none"> Insert the total amount of SSP paid to the employee in those tax months for which an amount has been recovered under the Percentage Threshold Scheme <p>or</p>				

Section on form P14	Advice
	<ul style="list-style-type: none"> If it is easier for you to record all SSP paid in all tax months, instead of just in the tax months where you made a recovery, you can enter this amount instead.
Boxes 1g to 1i	<ul style="list-style-type: none"> Copy these amounts from the corresponding columns on form P11(2006-07).
Scheme Contracted-out Number	<ul style="list-style-type: none"> Only fill in this box if the employee is a member of a Contracted-out Money Purchase (COMP) scheme, COMP Stakeholder Pension (COMPSHP) scheme or the COMP part of the Contracted-out Mixed Benefit (COMB) scheme that you operate. You can find this number on your Contracting-out Certificate. If you cannot find your Certificate, write to HMRC, Pension Share Scheme (APSS) Yorke House PO Box 62 Castle Meadow Road Nottingham NG2 1BG. Please leave blank if the employee is part of a Contracted-Out Salary Related (COSR) scheme or the COSR part of a COMB scheme. <p>Members of a COMP or COMPSHP scheme, including the COMP part of a COMB scheme, receive a rebate of their NICs based on their age. This is known as an Age Related Rebate (ARR). When completing the employee's form P14, <i>End of Year Summary</i>, you must ensure that the correct Scheme Contracted-out Number (SCON) is entered on form P14 against the relevant earnings.</p> <p>Failure to enter the correct SCON, where contribution Table letter F or G applies, will result in non-payment of the ARR.</p> <p>For employees who move from one COMP or COMPSHP scheme to another, including the COMP part of a COMB scheme, show details of the earnings under each scheme on a separate line of the P14, even though there is no change in the NIC category letter. Enter the SCON of each scheme against the relevant entry on the P14.</p>
Student Loan Deductions	<ul style="list-style-type: none"> Copy this amount from the totals box at the bottom of column 1j on form P11(2006-07). Enter whole pounds only on form P14.
Date of starting and Date of leaving	<ul style="list-style-type: none"> Only make an entry in these boxes if the employee starts and/or leaves your employment during the 2006-07 tax year. Please use figures only, for example <i>09 05 2006</i>.

continued on page 12

Section on form P14	Advice
<p>Pay and Income Tax details</p> <p>In previous employment(s)</p>	<ul style="list-style-type: none"> Copy this amount from the End of Year Summary section on form P11(2006-07). Enter here details you have of pay and tax deducted for employments earlier in the year.
In this employment	<ul style="list-style-type: none"> Copy this amount from the End of Year Summary section on form P11(2006-07). Always fill in these boxes. The amount must be in pounds and pence.
Total for year	<ul style="list-style-type: none"> Copy this amount from the End of Year Summary section on form P11(2006-07). Only fill in these boxes if the employee was working for you at 5 April 2007 and you know the pay and tax figures for the year, including those for any previous employments.
Employee's Widows and Orphans/ Life Assurance contributions in this employment	<ul style="list-style-type: none"> Where an employee is legally obliged to pay contributions to a Widows/Widowers and Orphans, or Life Assurance fund, that qualify for tax relief but are not authorised under 'net pay arrangements' for tax relief, enter the amount of contributions paid up to a maximum of £100. For further information on 'net pay arrangements' see the CWG2, <i>Employer Further Guide to PAYE and NICs</i>, under 'Pensions contributions paid by employee'.
Final tax code	<ul style="list-style-type: none"> Fill these boxes from the left-hand side. Always show here the tax code you were using at 5 April 2007, or when you last paid your employee. Only enter the tax code. Do not include any other characters like asterisks or leading zeros. If you operated the tax code on a week 1/month 1 basis, enter 'W1' or 'M1' after the code. Do not use any other abbreviations. Where form P11(2006-07) shows 'NI' in the tax code box, leave the tax code box on form P14 blank. Change any suffix A or H code to a T code to avoid rejection of your return. For online returns always use '0' (zero) not the letter 'O' when recording codes OT or D0.
Payment in week 53	<ul style="list-style-type: none"> If payment in Week 53 is included in the Pay and Tax totals, put one of the following notations in this box '53' if there were 53 weekly paydays in the year '54' if there were 27 fortnightly paydays in the year '56' if there were 14 four-weekly paydays in the year

It would help if you put the forms into alphabetical order of surname, or in the order you list your employees on the P35.

- If you use both forms P14 and approved substitutes, list and bundle them separately.
- If you are sending in both landscape and portrait P14s, please arrange your P35 listing and P14 bundles in this order: landscape first, portrait second. This will speed up the processing of the forms.

Now you need to fill in your P35 - pages 14 to 20 will help you.

Part 6 Filling in the form P35, *Employer Annual Return* for tax year 2006-07

Introduction

This section will help you fill in your form P35, *Employer Annual Return* for 2006-07.

If you previously filed online over the Internet, and are currently registered to do so, then you will not receive a paper form. Instead, a P35N (Notification to File) will be made available to view from your PAYE Online service page using the 'view employer notices' option.

Paper forms P35 are issued by your Accounts Office towards the end of each tax year. If you haven't received yours by the end of March and you are not going to file online, contact your HM Revenue & Customs office. If you have 50 or more employees and are required to file online for 2006-07, you will not get a paper P35.

The paper P35 is a 4-page form.

- Page 1 tells you what your obligations are, and where to get further help.
- Pages 2 and 3 require you to list the details of your employees and summarise your payments for the year.
- Page 4 contains several 'tick box' questions for you to complete before signing and dating the form.

There is an example of Pages 2 and 3 of a completed form P35 on page 17.

Filling in Pages 2 and 3 of form P35

Part 1 Summary of employees and directors

You must list each employee for whom you are required to complete a form P11, *Deductions Working Sheet* or equivalent record.

Note: If some or all of your forms P14 are being sent by Internet, Electronic Data Interchange (EDI) or Magnetic Media, there is no need to complete the Part 1, Summary of employees and directors, section of the return.

If there are more than 10 entries you will have to use forms P35(CS), Continuation Sheets (or equivalents). If you didn't receive any with your form P35, or require some more, they are available

- on your Employer CD-ROM
- by logging on to the website at www.hmrc.gov.uk/employers
- by calling the Employer Orderline on **0845 7 646 646** or
- by using your own equivalent record as long as it contains the same information.

Please list

- for limited companies, directors first and mark their entries with an asterisk (*)
- your employees in alphabetical order of surname, or in the same order as you have collated the P14s
- for each employee, the total of employee's and employer's NICs recorded in column 1d of the 'End of Year Summary' box on form P11
- for each employee, the tax deducted or refunded, recorded in the 'In this employment' box at the foot of column 6 on form P11.

If you make a mistake and record the wrong entry

- draw a line through the entry so that it can still be read, and
- record the correct detail alongside.

Part 2 Summary of payments for the year

Please complete boxes 1 to 29 as applicable and check that your payments to the Accounts Office are correct. Note: If you were not required to complete boxes 1, 2, 4 and 5 in Part 1 (see notes above) you must begin by entering the respective NICs and Income Tax totals for **all** your employees for whom you have completed a form P11 (or equivalent record) regardless of how your forms P14 have been submitted.

Box 1	Add up the entries from the NICs column above (on form P35). Enter the total in box 1. Mark minus amounts 'R'.
Box 2	You will only use this box if you prepare more than ten forms P14. Enter the total amount(s) of NICs brought forward from any form P35(CS), Continuation Sheets (or equivalents) used. Mark minus amounts 'R'.
Box 3	Add box 1 and box 2 together, and enter the total in box 3. This gives you the total amount of NICs deducted. Mark minus amounts 'R'.
Box 4	Add up the entries from the Income Tax column above (on form P35). Enter the total in box 4. Mark minus amounts 'R'.
Box 5	You will only use this box if you prepare more than ten forms P14. Enter the total amount(s) of Income Tax brought forward from any form P35(CS), Continuation Sheets (or equivalents) used. Mark minus amounts 'R'.
Box 6	Add box 4 and box 5 together, and enter the total in box 6. This gives you the total amount of tax deducted. Mark minus amounts 'R'.
Box 7	You will only use this box if you asked your Accounts Office for an advance. Enter the amount you received in box 7. You would have asked for an advance if you had to make tax refunds to employees but didn't have enough deductions in hand from which to pay them. You need to pay back these amounts because you received credit for paying them in boxes 4 and/or 5, or 6. You may have recorded these payments on form P32, <i>Employer Payment Record</i> (or equivalent), or your P30BC, <i>Payslip Booklet</i> .
Box 8	Add boxes 6 and box 7 together and enter the total in box 8.
Box 9	Add box 3 and box 8 together, and enter the total in box 9.
Box 10	You will only use this box if you made any Student Loan Deductions this year. Refer to the total box at the bottom of Col 1j on each of the forms P11. Add those totals together and enter the new total in box 10 (whole pounds only).
Box 11	Add box 9 and box 10 together and enter the total in box 11. This gives you the total deductions made, including NICs, Income Tax and Student Loan Deductions.

Box 12	For further help refer to Employer Helpbook E14, <i>What to do if your employee is sick</i> . If you have paid Statutory Sick Pay (SSP) to your employees during the year, enter the amount you are entitled to recover under the Percentage Threshold Scheme (PTS). Include any payments received directly from your Accounts Office to cover the recovery of SSP that you have shown in box 20.
Box 13	For further help refer to Employer Helpbook E15, <i>Pay and time off work for parents</i> . If you have paid Statutory Maternity Pay (SMP) to your employees during the year, enter in box 13 the amount you are entitled to recover. Include any payments received directly from your Accounts Office to cover the recovery of SMP, which you have also shown at box 20.
Box 14	For further help refer to Employer Helpbook E15, <i>Pay and time off work for parents</i> . Enter in box 14 any compensation you are entitled to claim in addition to the SMP recovered.
Box 15	For further help refer to Employer Helpbook E15, <i>Pay and time off work for parents</i> . If you have paid Statutory Paternity Pay (SPP) to your employees during the year, enter in box 15 the amount you are entitled to recover. Include any payments received directly from your Accounts Office to cover the recovery of SPP, which you have also shown at box 20.
Box 16	For further help refer to Employer Helpbook E15, <i>Pay and time off work for parents</i> . Enter in box 16 any compensation you are entitled to claim in addition to the SPP recovered.
Box 17	For further help refer to Employer Helpbook E16, <i>Pay and time off work for adoptive parents</i> . If you have paid Statutory Adoption Pay (SAP) to your employees during the year, enter in box 17 the amount you are entitled to recover. Include any payments received directly from your Accounts Office to cover the recovery of SAP, which you have also shown at box 20.
Box 18	For further help refer to Employer Helpbook E16, <i>Pay and time off work for adoptive parents</i> . Enter in box 18 any compensation you are entitled to claim in addition to the SAP recovered.
Box 19	Add all boxes from 12 to 18 together, and enter the total in box 19.
Box 20	You will only use this box if you received funding from your Accounts Office to pay SSP/SMP/SPP/SAP or to recover the amounts of SSP/SMP/SPP/SAP you have paid. Enter the total amount of funding received in box 20. You may have recorded this information on your form P32, <i>Employer's Payment Record</i> (or equivalent), or your P30BC, <i>Payslip Booklet</i> .
Box 21	Calculate box 19 <i>minus</i> box 20, to get the net amount of statutory payments recovered. Enter the total in box 21.
Box 22	To check the total NICs, Income Tax and Student Loan Deductions <i>minus</i> the amount of statutory payments recovered, <ul style="list-style-type: none"> • calculate box 11 <i>minus</i> box 21, but • if box 21 is a minus figure - add box 21 to box 11.
Box 23	You will only use this box if you made deductions from subcontractors during the year. Refer to your CIS36, <i>Contractor's Annual Return</i> . Copy the amount from box F on that form to box 23 of the P35.
Box 24	Add box 22 and box 23 together. This is the amount payable by you for the year.
Box 25	Enter the total of NICs and tax that you have paid to your Accounts Office during the year. Remember to include any overpayment from the previous year transferred to this account by HM Revenue & Customs. You may have recorded your payments on form P32, <i>Employer Payment Record</i> (or equivalent), or your P30BC, <i>Payslip Booklet</i> .
Box 26	If a tax-free incentive payment was credited to your 2006-07 PAYE payment record for having sent any previous year's returns online, enter the amount. If the tax-free incentive payment was repaid directly to you by cheque, do not include the amount repaid.
Box 27	To check whether there is a balance to pay HM Revenue & Customs, calculate box 24 <i>minus</i> boxes 25 and 26. Enter the total in box 27. If it is a minus figure, put 'M' in front.

Only fill in boxes 28 and 29 if you are a limited company and CIS deductions have been taken from payments received for work in the construction industry.

Box 28	CIS deductions are recorded on forms CIS25. Refer to CIS132, column E, for the total deductions suffered and copy this amount to box 28.
Box 29	To check whether there is a balance to pay HM Revenue & Customs, calculate box 27 <i>minus</i> box 28. Enter the total in box 29. If it is a minus amount, put 'M' in front.

Example of Pages 2 and 3 of a completed form P35

Part 1 Summary of employees and directors

- If you are sending your form P35 and all of your forms P14 on paper you must
 - list **each employee or director** for whom you have completed a form P11 *Deductions Working Sheet* (or equivalent record). If you have more than ten entries, please prepare P35(CS) *Continuation Sheets*
 - ensure that all forms P14 are enclosed with this return.
- If some or all of your forms P14 are not enclosed with this return because they are being sent by Internet, Electronic Data Interchange (EDI) or magnetic media, there is no need to complete the 'Part 1 Summary of employees and directors' section of this return. Instead you must begin by completing boxes 3 and 6 of the 'Part 2 Summary of payments for the year' section below.

Employee's name

Put an asterisk (*) by the name if the person is a director

ELLIOT	CP *
BARKER	AL
DOE	JM
FRASER	FM
MILLS	V
WILLIAMS	IP

National Insurance contributions (NICs)

Enter the total NICs from column 1d on form P11. Write 'R' beside any minus amounts.

£	3298	88
£	2713	36
£	2832	72
£	2612	48
£	2814	24
£	1207	96
£		
£		
£		
£		

Income Tax deducted or refunded in this employment. Write 'R' beside an amount to show a net refund.

£	3537	75
£	2787	75
£	2404	41
£	2662	75
£	2912	75
£	1037	75
£		
£		
£		
£		

Total NICs shown above after deducting amounts marked 'R'		1 £	15479	64
Totals from P35(CS) Continuation Sheets		2 £		

Total Tax shown above after deducting amounts marked 'R'		4 £	15343	16
Totals from P35(CS) Continuation Sheets		5 £		

Part 2 Summary of payments for the year

Total NICs 1 + 2	3 £	15479	64
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see Note 2

Total Tax 4 + 5	6 £	15343	16
------------------------	------------	-------	----

see Note 2

Advance received from HM Revenue & Customs to refund tax	7 £		
--	------------	--	--

Total Tax 6 + 7	8 £	15343	16
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Combined amounts

Total NICs and Tax 3 + 8	9 £	30822	80
---------------------------------	------------	-------	----

Total Student Loan deductions <i>see Note 3</i>	10 £		
---	-------------	--	--

9 + 10	11 £	30822	80
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Statutory payments recovered

see Note 4

Statutory Sick Pay (SSP) recovered	12 £	225	31
Statutory Maternity Pay (SMP) recovered	13 £		
NIC compensation on SMP	14 £		
Statutory Paternity Pay (SPP) recovered	15 £		
NIC compensation on SPP	16 £		
Statutory Adoption Pay (SAP) recovered	17 £		
NIC compensation on SAP	18 £		
Total of boxes 12 to 18	19 £	225	31

Funding received from HM Revenue & Customs to pay SSP/SMP/SPP/SAP	20 £		
---	-------------	--	--

19 minus 20	21 £	225	31
--------------------	-------------	-----	----

11 minus 21 <i>see Note 5</i>	22 £	30597	49
--------------------------------------	-------------	-------	----

Deductions made from subcontractors <i>see Note 6</i>	23 £		
---	-------------	--	--

Amount payable for the year 22 + 23	24 £	30597	49
-------------------------------------	-------------	-------	----

NICs and Tax paid already	25 £	30597	49
---------------------------	-------------	-------	----

Tax-free Incentive payment received during the year <i>see Note 7</i>	26 £		
---	-------------	--	--

NOW PAYABLE 24 minus 25 and 26

27 £	NIL	
-------------	-----	--

Do not include a payment with this form. If a payment is due, please make it immediately. See page 1 for notes on how to pay.

Fill in boxes 28 and 29 only if you are a **limited company** that has had CIS deductions made from payments received for work in the construction industry.

CIS deductions suffered
Total of col E on form CIS132
Revised amount now payable 27 minus 28

28 £		
29 £		

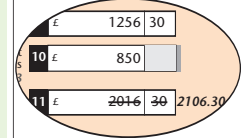
Guidance notes

Some useful hints are given below. For step-by-step guidance refer to the 'Help' section on Page 1.

If any of the boxes do not apply to you, please leave them blank.

If you make a mistake and record the wrong entry,

- draw a line through the entry so that it can still be read, and
- record the correct figure alongside.



Note 1

Boxes **1** to **6** Enter 'R' beside any minus amounts.

Note 2

Boxes **3** and **6** If you are not required to complete the 'Part 1 Summary of employees and directors' section you should begin by entering the respective NICs and Income Tax totals for all employees for whom you have completed a form P11 (or equivalent record).

Note 3

Box **10** Whole pounds only. Do not enter pence in shaded area.

Note 4

Boxes **12** to **18** Do not enter the totals paid.

Only enter the amounts you are entitled to recover. You will find this in your P30BC *Payslip Booklet* or your own equivalent payment record.

Note 5

Box **22** If box **21** is a minus figure then add box **21** to box **11**

Note 6

See your *Contractor's Annual Return*, form CIS36, box F.

Note 7

Box **26** If a Tax-free Incentive payment was credited to your PAYE payment record for this year, for having sent any previous year's returns electronically, enter the amount. If the Incentive was repaid directly to you by cheque, leave this box blank.

Please now fill in page 4

Filling in Page 4 of form P35

Now turn to Page 4 of the form and use the prompts below to help you complete it.

Part 3 Checklist

Question 1

Tick 'No' if you have employees for whom you have not completed a form P14, or P38(S).

These employees are likely to be part-time or casual staff. If you tick 'No' you must complete a P38A, *Employer Supplementary Return* which you can get from the Employer Orderline on **0845 7 646 646** or from your Employer CD-ROM.

Question 2

A 'free of tax' payment is a payment where the employer (rather than the employee) bears any tax due.

Question 3

Has someone other than you paid expenses or provided benefits to any of your employees during the year as a result of the employee working for you?

Question 4

This question is in two parts. If the answer to the first part of this question is 'Yes', you will have to complete and enclose a form P14 for each employee concerned.

Question 5

Did you pay any part of the employee's pay direct to anyone else, for example, paying school fees direct to a school?

If you did, was the payment included in the employee's pay for tax and NICs purposes and in the pay shown on the employee's form P14?

This does not include Attachment of Earnings Orders or payments to the Child Support Agency.

Question 6

The rules referred to, also known as IR35 rules, may apply to anyone supplying their services to a client through an intermediary, such as a service company or partnership.

For further guidance about the IR35 rules

- visit the HM Revenue & Customs website at www.hmrc.gov.uk/ir35
- call the IR35 Helpline on **0845 303 3535** open Monday to Friday 09:00 - 17:00

The only engagements affected by the IR35 rules are those in which the worker would be classed as an employee of the client if it were not for the service company or partnership involvement.

Where the IR35 rules apply the intermediary has to account PAYE and NICs, based upon the income from the engagements, after an allowance for certain expenses and pension contributions: the 'deemed' employment payment.

If anyone listed on the Return worked through an intermediary such as a service company or partnership in

the year to 5 April 2007, tick the first 'Yes' box under this question.

If you included any PAYE and NICs deducted from the deemed employment payment on this form P35, *Employer Annual Return*, tick the second 'Yes' box under this question.

If you tick the second 'Yes' box but the amount of the deemed employment payment is provisional, confirm on a separate sheet and send it with the form P35, *Employer Annual Return*.

Under the current arrangements if you cannot finalise the amounts by 19 May 2007, you will not have to pay a penalty so long as you send in your form P35, *Employer Annual Return* by that date, and you pay all of the PAYE and NICs due in respect of the deemed payment by 31 January 2008. If these arrangements are withdrawn or changed notification will be given.

You will still be charged interest on any outstanding PAYE and NICs from

- 19 April 2007 to the date the PAYE and NICs payment is received, if you post your payment, or
- 20 April 2007 to the date the PAYE and NICs payment clears our bank account, if you pay by an approved electronic method.

Part 4 Contracted-out pension schemes

If you operated a pension scheme that was contracted-out of the State Second pension, enter the employer's contracted-out number from your Contracting-out Certificate in this box.

Part 5 Employer's certificate and declaration

It is very important that you complete and sign this section.

This section consists of several statements covering the return of forms P14, P38A, P11D and P11D(b).

Tick the appropriate boxes to indicate that forms are enclosed, will be sent later, or are not due.

Where the answer to Question 1 of the Checklist is 'Yes' the answer to the P38A question can only be 'is not due'.

The person signing the form must say who they are, for example, company secretary, payroll manager, proprietor and so on.

By sending your P35 online we accept that the requirement to sign the form has been complied with.

Filing your return in parts

If you want to file your return in parts, see MP2 Do it online: Online filing and electronic payment handbook at www.hmrc.gov.uk/employers/onlineindex.htm (paragraph 3.10) or your Employer CD-ROM.

You can file your return in parts from different places and in various ways. A part can be made up of P14s or a P35. For example, your agent could file all your P14s

in one part online whilst you file the P35 on paper. All the parts making up an Employer Annual Return must be sent in an acceptable format by 19 May 2007 or you will be liable to a penalty.

Note. If you intend to file your Employer Annual Return (P14s and P35) solely on paper you must continue to file your form P35 and all your forms P14 together in full to your HM Revenue & Customs office.

If you are filing your return in parts **you must**

- use a P14 Cover sheet, available from the Employer Orderline, for any part containing paper P14s, or your return will be rejected
- choose a unique identifier for each P14 part being sent
- show in the box provided the number of P14 parts being sent. This is the number of P14 batches (not including the P35 itself) **not** the total number of P14s being sent. If you use magnetic media the figure in this box must be the number of unique identifiers used to send your P14s. There is no longer a requirement to provide details of the permit number(s) on the P35
- only file one P35 for each PAYE reference reflecting all your P14 parts, irrespective of the number you are sending. **Do not** send a P35 for each P14 part
- not send a paper P35 if you have or intend to file your return online.

Online Return and Forms - PAYE, or 3rd party software, which lets you file your Employer Annual Return in parts will ask you for a unique identifier, which you must provide prior to the submission of each P14 part. The unique identifier can be anything that you find easy to remember, up to 12 characters.

Whoever files the P35 must know exactly how many P14 parts are being sent in total.

We can only check that your whole return meets the Quality Standard once we have every part. To be certain that we have your complete return, we recommend that you send the P35 part last.

Example of Page 4 of a completed form P35

Part 3 Checklist

You must answer each question by ticking the correct box

1 Have you sent a form P14 *End of Year Summary* or completed and retained a form P38(S) *Student employees* for every person in your paid employment, either on a casual basis or otherwise, during the tax year shown on the front of this form?

No Yes

If 'No', please send a form P38A *Employer Supplementary Return*.

2 Did you make any 'free of tax' payments to an employee? In other words, did you bear any of the tax yourself rather than deduct it from the employee?

No Yes

3 So far as you know, did **anyone else pay expenses**, or in any way provide vouchers or benefits to any of your employees whilst they were employed by you during the year?

No Yes

4 Did anyone **employed** by a person or company **outside the UK** work for you in the UK for 30 or more days in a row?

No Yes

If 'Yes', have you sent a form P14 for them?

No Yes

5 Have you **paid** any of an employee's pay to **someone other than the employee**, for example, to a school?

No Yes

If 'Yes', have you included this pay on their form P14?

No Yes

6 Do the rules relating to services provided through an intermediary (sometimes known as **IR35**) apply to any work carried out by any worker listed on this return?

No Yes

If 'Yes', can you confirm that either sufficient amounts of employment income have been paid to reduce the **deemed payment** to nil or that a **deemed payment** has been included on their form P14?

No Yes

For more detailed information, see CWG2 *Employer Further Guide to PAYE and NICs*, or ring the IR35 Helpline on **0845 303 3535**.

Part 4 Contracted-out pension schemes *if applicable*

If you have a Contracted-out pension scheme, enter your Employer's Contracted-out number (ECON) from your contracting-out certificate

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Part 5 Employer's certificate and declaration

Tick one box to complete each statement below. This certificate and declaration covers any documents authorised by us as substitutes for the forms mentioned below. We may penalise or prosecute you if you make false statements.

I declare and certify that

- forms P14 *End of Year Summary* for each employee or director for whom I was required to complete a form P11 *Deductions Working Sheet* (or equivalent record) during the year,

are all enclosed

or

have been sent separately in one or more parts†

† If forms P14 have been sent in more than one part, please state the number of parts sent, **not the total number of forms P14**, and note that only one P35 is required reflecting all P14 parts. For more detailed information, see the MP2 *Do it online - Online filing and electronic payment handbook*.

- completed form P38A *Employer Supplementary Return*

is enclosed is not due

- completed forms P11D and P11D(b) *Returns of expenses payments, benefits and Class 1A contributions*

are enclosed will be sent later are not due

All the details on this form and any forms enclosed or sent separately are fully and truly stated to the best of my knowledge and belief.

Employer's signature

C P Elliot

Please print your name

CPELLIOT

Capacity in which signed

Director

Date

01 / 05 / 2007

Please give a daytime telephone number. It will help speed things up if we need to talk to you about your return.

01234 567890

By law this return must reach us by 19 May.

Part 7 What to do next

After you have filled in your P14s, P35 and where appropriate P38(S) and P38A, please

- remove any pins or staples
- detach any stubs or sprocket holes
- separate the three parts of each form P14, or the individual copies if you use continuous stationery
- make separate bundles of the top and second copies
- don't fold forms P14
- deal with the third part, form P60, as instructed opposite in Part 8.

By 19 May 2007, send your P35, the top two copies of forms P14 and any forms P38A, to your HM Revenue & Customs office, **even if your payments of PAYE and NICs are not up to date.**

Do not send in photocopies or forms P38(S).

Penalties are chargeable if forms P14 or P35 arrive late, see page 2 for details.

Receipts will not be issued for an Employer Annual Return sent on paper. This is because acknowledging receipt of the return may cause confusion if the return fails the quality standard checks and has to be returned to you for correction.

Returns submitted online will receive an automatic acknowledgement after the return details have passed the quality standard checks. Where an online return is submitted in parts, an automatic acknowledgement will be issued for each part that passes the quality standard checks.

Paying any balance

Pay any outstanding amounts of monthly or quarterly PAYE and NICs for 2006-07 directly to your Accounts Office.

Do not send payments with forms P14 and P35.

How long to keep records

Whether you keep electronic or paper records, or both, you must keep the following forms for at least three years after the end of the tax year to which they relate.

- Forms P11 and pay records. This applies even if an employee does not pay any PAYE or NICs in the tax year but you have completed a form P11 to keep records of earnings and/or tax credits.
- Forms P38(S) including those relating to students for whom a form P14 has been prepared.

Penalties

You may be liable to

- a late filing penalty if any part of your Employer Annual Return (P14s and P35) is received after 19 May 2007. A penalty notice will be issued on receipt of the 'late' return. An interim penalty notice will be sent in September and the following January and May if your return remains outstanding by these dates

- a penalty for not filing online, if you have to send your P14s and P35 online and any part is sent on paper or by magnetic media. For 2006-07, notice of this penalty will be sent from mid-June 2007
- a surcharge for not paying on time, if you have to make your monthly payments of tax, National Insurance contributions and Student Loan deductions electronically. These surcharges will be issued from mid-May
- a separate penalty when your Employer Annual Return is checked in detail, if it is found to be incomplete due to either negligence or fraud. You will get separate notices for each penalty.

Part 8 Form P60

By 31 May 2007 give a form P60 to each employee who was working for you at 5 April 2007 and for whom you have completed a form P11(2006-07) or equivalent record.

- Scrap forms P60 for those employees no longer working for you at 5 April 2007.
- Give only one form P60 to an employee, even if that employee has had more than one period of employment with you in the tax year - this P60 should only be for the period that covers 5 April 2007.
- **If an employee asks for another copy, you may issue a duplicate. Any duplicate must be clearly marked with the word 'DUPLICATE'.**

Part 9 Tax-free payments for online filing

If you have fewer than 50 employees and file your 2006-07 Employer Annual Return online you could receive a tax-free payment of £150. We will write to tell you if you are due £150 for filing online. If you are registered for 'PAYE Online for Employers - Internet' we will confirm to you that we have credited the £150 tax-free payment, even if you chose not to get in-year notices (for example P6s) online. This confirmation will be available to view from your PAYE Online service page using the 'view employer notices' option. Otherwise, you will receive your letter through the post. The 'letter' is entitled 'Online Filing tax-free payment' and confirms that the tax-free payment has been credited to your PAYE account.

When you have received the 'Online Filing tax-free payment letter', the majority of you can get your tax-free payment by simply reducing your future payments of tax and National Insurance contributions by £150. If there is no payment due you must send in a 'NIL' payslip to your Accounts Office to avoid unnecessary reminders being issued. Do not deduct the £150 tax-free payment from any 2006-07 payment due.

If you cannot claim your tax-free payment by reducing your payments to us, you can claim it back as a cheque. But again, you must wait until you have received the 'letter' entitled 'Online Filing tax-free payment'. The letter will tell you who you should contact to claim the tax-free payment back as a cheque.

If you have fewer than 50 employees and ceased trading during 2006-07 you can get the tax-free payment if you file your cessation return online. But you must:

- tell your HM Revenue & Customs office straight away that you have ceased
- send us all outstanding tax and National Insurance contributions immediately.

We will credit the tax-free payment to your 2006-07 PAYE account if your records show a date of cessation during 2006-07.

You will only qualify for a tax-free payment if you are required to file an Employer Annual Return (P14s and P35). A tax-free payment will not be due where you were not required to complete a P11, *Deductions Working Sheet* or equivalent record for any of your employees.

Part 10 Forms P11D, P11D(b) and P9D

Fill in forms P11D and P9D to give information about employees' expenses and benefits in the tax year and form P11D(b) to give information about Class 1A National Insurance contributions.

Fill in **forms P11D** if you have paid or provided taxable benefits or expenses to:

- directors
- employees paid at a rate of more than £8,500 a year
- members of the families or households of the above, including spouses, civil partners, children and their spouses or civil partners, parents, dependants, servants and guests.

Fill in **form P11D(b)** where taxable benefits or expenses subject to Class 1A NICs have been provided. The P11D(b) is also the employer declaration which must be sent along with forms P11D.

Fill in **forms P9D** if you have paid or provided taxable benefits to employees, but have not completed form P11D because they earned at a rate of less than £8,500 a year.

You can find copies of forms P11D, P11D(b) and P9D on the Employer CD-ROM in the Forms & Helpbooks section.

- Use Fill in Forms On-Screen (without save option) to enter figures directly onto the forms.
- Use Fill in Forms On-Screen (with save option) and the CD-ROM will help you to calculate the figures and then insert the figures onto the forms for you.

Completed forms should reach your HM Revenue & Customs office by 6 July 2007. Penalties are chargeable if forms arrive late, see page 2 for details.

Where you have completed a P11D for the taxable benefits or expenses paid or provided to an employee, give the employee a copy.

For more detailed information about benefits and expenses and Class 1A NICs see:

- booklet **CWG5(2007)**, *Class 1A National Insurance contributions on benefits in kind - A guide for employers*, a reference guide covering all aspects of Class 1A NICs
- booklet **CA33**, *Class 1A National Insurance contributions on Car and Fuel Benefits - a guide for employers*, a guide if you provide employees with a company car and/or fuel which is available for their private use
- booklet **480(2007)**, *Expenses and benefits - A tax guide*, a comprehensive guide to the tax law relating to expenses payments and benefits
- booklet **490**, *Employee travel - a tax and NICs guide* for employers, a guide setting out the approach which the HM Revenue & Customs will normally take in applying legislation on employee travel
- **P11D Guide**, *a guide to the completion of forms P11D Return of expenses and benefits*
- **P11D Working Sheets**, optional working sheets for calculating the cash equivalent of certain benefits.

You can get any of these forms or booklets from the Employer Orderline on **0845 7 646 646** or they are available from your Employer CD-ROM.

Further information can also be found in the **Expenses and benefits in kind**, a guide to tax and NICs, available on our website at www.hmrc.gov.uk/employers/ebik

