HM Revenue & Customs

Starting the tax year from 6 April 2011

Includes:
- Records you need to keep
- Form P11
- Preparing form P11
- Tax and NI tables
- How long to keep records
- Computer users

Help and guidance

Help and guidance is available from the following sources.

The Internet

Go to **www.businesslink.gov.uk/paye**

Online services

For more information about online services go to **www.hmrc.gov.uk/online**

For help using our online services contact the Online Service Helpdesk by:

- email **helpdesk@ir-efiles.gov.uk** or
- phone **0845 60 55 999**.

Basic PAYE Tools (formerly the Employer CD-ROM)

The Basic PAYE Tools contains a number of calculators and most of the forms you will need to help you run your payroll throughout the year including:

- a P11 Calculator that will work out and record your employee's tax, NICs and Student Loan deductions every payday, with a linked P32 *Employer Payment Record* that works out what you need to pay us
- a range of other calculators to work out Student Loan deductions and statutory payments and a learning zone to help you understand these and other payroll topics
- an employer database to record your employees' details
- interactive forms such as the P11D Working Sheets.

If you use the P11 Calculator in the Basic PAYE Tools you can:

- file your starter and leaver information P45 (Part 1), P45 (Part 3), P46 and P46 (Expat) online
- file your Employer Annual Return online if you have up to and including nine employees on the P11 Calculator at 5 April.

To download the Basic PAYE Tools, go to **www.businesslink.gov.uk/basicpayetools**

Employer helplines

- Employer for **less than** 3 years, phone **0845 60 70 143**.
- Employer for **more than** 3 years, phone **08457 143 143**.
- If you have a hearing or speech impairment and use a textphone, phone **0845 602 1380** (you need specialist equipment such as Minicom to use this service).

Employer helpbooks and forms

Helpbooks and forms are available to download. Go to **www.businesslink.gov.uk/payeformsandpublications**

Exceptionally, if you don't have access to the Internet, copies are available from the Employer Orderline on **08457 646 646**.

Yr Iaith Gymraeg

I lawrlwytho ffurlenni a llyfrynnau cymorth Cymraeg, ewch i **www.hmrc.gov.uk/cymraeg/employers/emp-pack.htm**

Os, yn eithriadol, nad oes gennych gysylltiad i'r rhyngrwyd, ffoniwch **0845 302 1489** er mwyn archebu ffurflenni a llyfrynnau cymorth Cymraeg.

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio, phone the Employer Orderline on **08457 646 646** and ask to speak to the Customer Service Team.

In person

We offer free workshops covering all payroll topics. These workshops are available at locations nationwide. For more information:

- go to **www.hmrc.gov.uk/bst** or
- phone our Advice Team on **0845 603 2691**.

Employer Bulletin online

Information and news for employers, published several times a year.
Go to **www.businesslink.gov.uk/employerbulletin**

Employer email alerts

We strongly recommend that you register to receive employer emails to prompt and direct you to:

- each new edition or news about the Basic PAYE Tools
- the Employer Bulletin
- important new information.

To register, go to
www.businesslink.gov.uk/hmrcemployeremailalerts

Your HM Revenue & Customs (HMRC) office

Your own HMRC office can also help you if you have a query about your PAYE scheme. All our office contact details are on our website. Go to **www.hmrc.gov.uk/local/employers/index.htm**

Please tell us your employer reference when you contact us. You will find it on correspondence from your HMRC office.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to **www.hmrc.gov.uk/charter**

Starting the tax year from 6 April 2011 for 2011–12

This helpbook tells you what you need to do to prepare for the start of the new tax year 2011-12.
It explains:

- what records you need to keep from the start of the new tax year
- when to use a form P11 *Deductions Working Sheet* to record details of Pay As You Earn (PAYE) and National Insurance contributions (NICs), and how to fill in the employer and employee details on a form P11
- how to change your employee's tax code from the start of the tax year
- how long to keep the records.

Contents

Records you need to keep

For each employee you must keep a record of:

- gross pay (the main things that count are wages or salary and overtime payments)
- any tax deducted or refunded
- any NICs deducted or refunded
- Student Loan deductions
- your employee's sick absence, including any Statutory Sick Pay (SSP) paid. See the E14(2011) *Employer Helpbook for Statutory Sick Pay* for more information
- your employee's pregnancy, including any Statutory Maternity Pay (SMP) paid. See the E15(2011) *Employer Helpbook for Statutory Maternity Pay* for more information
- your employee's paternity absence, including any Ordinary Statutory Paternity Pay (OSPP) and Additional Statutory Paternity Pay (ASPP) paid. See the E19(2011) *Employer Helpbook for Ordinary and Additional Statutory Paternity Pay* for more information if your employee was absent because a baby was born or because a child was being adopted
- your employee's absence due to adoption, including any Statutory Adoption Pay (SAP) paid. See the E16(2011) *Employer Helpbook for Statutory Adoption Pay* for more information.

When must I prepare and maintain a form P11 *Deductions Working Sheet?*

You must prepare and maintain a form P11 *Deductions Working Sheet* (or equivalent record) when:

- you pay your employee
  - £102 or more in any week (National Insurance contributions weekly Lower Earnings Limit), or
  - £442 or more in any month (National Insurance contributions monthly Lower Earnings Limit).

  If your pay period is other than weekly or monthly please see the CWG2(2011) *Employer Further Guide to PAYE and NICs*
- we have issued you with a tax code for your employee, or
- you are required to operate a tax code taken from your employee's P45, or
- you have paid your employee and you are required to operate tax code BR or 0T in accordance with the P46 procedures at **www.businesslink.gov.uk/payingnewemployees** or in the Employer Helpbook E13(2011) *Day-to-day payroll*.

If you are not required to maintain a form P11 *Deductions Working Sheet*, you must keep a record of the employee's name, address and the amount of wages paid each pay period, for example weekly, monthly or four-weekly.

Form P11

If you don't use payroll software, HMRC provides:

- a P11 Calculator in the Basic PAYE Tools which you can download from **www.businesslink.gov.uk/basicpayetools** The P11 Calculator will work out and record your employees' PAYE tax, National Insurance contributions (NICs) and any Student Loan deductions every payday. It also has a linked P32 *Employer Payment Record* that works out how much you need to pay us. If you used the P11 Calculator for your 2010-11 payroll on the Employer CD-ROM and you have downloaded the new Basic PAYE Tools, you will need to finalise 2010-11 on the P11 Calculator in the Basic PAYE Tools. In the Employer Database select the 'Employer Tab' and 'Complete Year End 2010-11'. When opening the 2011-12 P11 Calculator use
  - any new tax code that we have issued (if you have received more than one, use the one with the most recent date), or
  - if you have not received a new tax code, continue to use the tax code you used in 2010-11
- a paper form P11 *Deductions Working Sheet*.

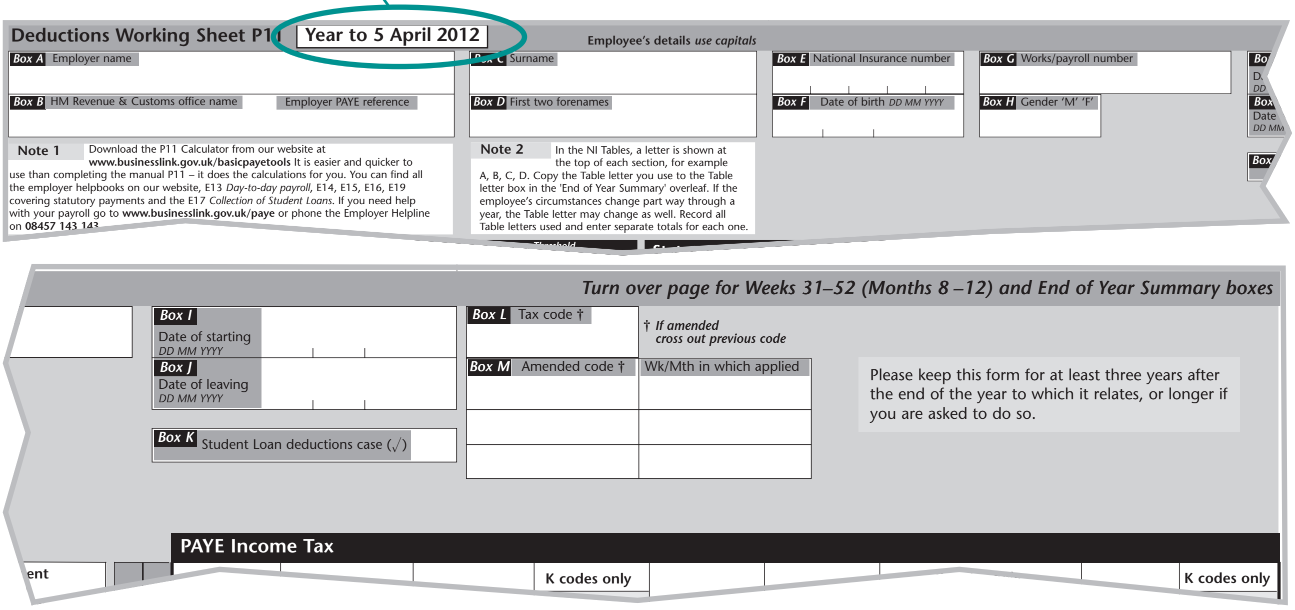
The P11 is a double-sided form and on each side:

- the left-hand section has columns 1a to 1f for recording NICs, 1g to 1k for recording statutory payments (SSP, SMP, OSPP, ASPP and SAP), and 1l for recording Student Loan deductions
- the right-hand section is headed 'PAYE Income Tax' and has columns 2 to 8 for recording pay and tax.

Alternatively, you can use equivalent documents which must contain all the details you would record on the form P11.

Example of the top of form P11

Check that you are using the right form P11.


Deductions Working Sheet P11 Year to 5 April 2012

Employee's details *use capitals*

Box A Employer name

Box B HM Revenue & Customs office name

Employer PAYE reference

Box C Surname

Box D First two forenames

Box E National Insurance number

Box F Date of birth DD MM YYYY

Box G Works/payroll number

Box H Gender 'M' 'F'

Note 1 Download the P11 Calculator from our website at **www.businesslink.gov.uk/basicpayetools** It is easier and quicker to use than completing the manual P11 – it does the calculations for you. You can find all the employer helpbooks on our website, E13 *Day-to-day payroll*, E14, E15, E16, E19 covering statutory payments and the E17 *Collection of Student Loans*. If you need help with your payroll go to **www.businesslink.gov.uk/paye** or phone the Employer Helpline on 08457 143 143

Note 2 In the NI Tables, a letter is shown at the top of each section, for example A, B, C, D. Copy the Table letter you use to the Table letter box in the 'End of Year Summary' overleaf. If the employee's circumstances change part way through a year, the Table letter may change as well. Record all Table letters used and enter separate totals for each one.

Turn over page for Weeks 31–52 (Months 8 –12) and End of Year Summary boxes

Box I Date of starting DD MM YYYY

Box J Date of leaving DD MM YYYY

Box K Student Loan deductions case (√)

Box L Tax code †

† *If amended cross out previous code*

Box M Amended code †

Wk/Mth in which applied

Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.

PAYE Income Tax

K codes only

K codes only

For help on completing boxes A to L of the form P11 at the start of the tax year 2011-12, see pages 3 and 4.

Preparing form P11

At the start of the new tax year prepare a form P11 and fill in boxes A to M using the details from last year's form or update the payroll software that you have been using for 2010-11. The following guidance will help you.

Employer's details

Box A Employer's name.

Box B HM Revenue & Customs office name and Employer PAYE reference - you'll find this on the P11 or your payroll software that you have been using for 2010-11. Alternatively, you can find this number on the front of your P30BC *Employer Payment Booklet.*

Employee's details in CAPITALS

Box C Employee's surname.

Box D Employee's forename(s) - up to two forenames only. If you don't know the employee's full forename(s) put their initial - or initials - in this box but make efforts to find out their full forename(s) before the end of the tax year.

Box E Employee's National Insurance (NI) number - this must be two letters, six numbers followed by one letter (for example, QQ123456A). This is an example only and you should not use it where an employee does not provide their NI number. For more information about tracing NI numbers go to **www.businesslink.gov.uk/payingnewemployees** or, see Part 5 of the Employer Helpbook E13(2011) *Day-to-day payroll.*

Box F Employee's date of birth - you must enter this in figures using the format DD MM YYYY, for example, 04 02 1959. You must show date of birth and gender on all forms P45 and P46.

Box G Works/payroll number - if you use a works or payroll number system to identify your employees enter the works/payroll number in this box.

Box H Gender - enter M (male) or F (female).

Starting and leaving dates

Box I You don't need to fill in this box unless the employee starts work with you on or after 6 April 2011.

Box J You should only fill in this box if your employee stops working for you in the 2011-12 tax year.

Student Loan deductions

Box K Tick this box if you were required to make Student Loan deductions for the employee at the end of the previous tax year. If you receive a Stop Notification you should still tick this box if it did not come into effect until after 5 April 2011.

New tax codes from 6 April 2011

Boxes L & M We will not send you a new tax code for every employee, but when we do send you a new tax code you will receive either:

- an electronic notification of coding (depending on your arrangements with HM Revenue & Customs (HMRC)), or
- a form P9(T), see the example below.

We recommend that you carry out the new tax year code amendment process as follows:

Example of a form P9(T)

HM Revenue & Customs

PAYE - Notice to employer of employee's tax code

Issued by
HM Revenue & Customs

HM Revenue & Customs
Minster
Government Buildings
High Street Minster
MR2 8QT

VFM Ltd
36 Soho Gardens
London
W1V 4LD

Date

Employer PAYE reference

Employee's name	SMITH MR A
National Insurance number	QQ 12 34 56 A
Works or payroll number	1615
Tax code The code of this employee is	510L
Please use for the tax year to 5 April	2012

Instructions for the employer

1. Keep this form, as your authority, for three years.
2. Please make sure that you put the employee's National Insurance number on:
   - your payroll records, **and**
   - the end of year documents that you send in with your annual return after 5 April.

   If the National Insurance number already on your records is different from the number shown above, please tell your HM Revenue & Customs office.
3. If the employee has left your employment, please destroy this form. *Do not send it back to your HM Revenue & Customs office.* Send Part 1 of form P45 to your HM Revenue & Customs office, if you have not already done so.

P9(T) HMRC 11/05

Employees without a new tax code

Carry forward the authorised tax code from last year's form P11 to the 2011-12 form P11, **but** if you have received a 2010-11 tax code on a form P6 too late to use in 2010-11 carry forward this code instead.

Do not copy or carry over any 'week 1' or 'month 1' markings. Any D prefix codes, (for example D0 or D1) or NT codes carried forward should be operated on a cumulative basis for 2011-12.

Tax codes ending in V are no longer used. Please contact your HMRC office immediately if you have a tax code ending in V.

Employees with a new tax code:

- keep and use the form P9(T) or other tax code notification, with the most recent date for each employee (if you have more than one, use the most recent one)
- scrap any form P9(T), or other tax code notification for the same employee, with an earlier date
- copy the tax code from the form P9(T) or other tax code notification onto the form P11
- update any tax codes where you have received a form P9(T) or other tax code notification, after you have set up your forms P11
- where, exceptionally, you receive the P9(T) or other tax code notification, significantly later than the date from which it is to be applied, contact your HMRC office for confirmation of the code to be used.

What to do if you did not receive a new tax code from us

If we haven't sent you tax codes for the new tax year and you were expecting them, please contact your HMRC office for duplicates.

Employee leaving

You do not need to change the tax code for an employee who leaves before 6 April even if you will be paying your employee after 6 April. Just use the old tax code.

When you have completed these boxes you are ready to start making your first deductions of PAYE and NICs for the new tax year. For more information on working out PAYE and NICs:

- go to **www.businesslink.gov.uk/payingnewemployees** or
- see the Employer Helpbook E13(2011) *Day-to-day payroll*.

Calculating tax, National Insurance contributions (NICs), and Student Loan deductions

If you are not using payroll software the easiest and quickest way to maintain your payroll is to use the P11 Calculator in the Basic PAYE Tools. It will calculate and record your employee's tax, NICs and Student Loan deductions every payday. To download the Basic PAYE Tools go to **www.businesslink.gov.uk/basicpayetools**

If you are not using payroll software or the P11 Calculator and operate a manual payroll there is an alternative to using manual tables. The following easy to use calculators will help you to complete your form P11 *Deduction Working Sheet(s)*. Each calculator has useful help buttons if you need help when first using them.

- The PAYE tax calculator at **www.hmrc.gov.uk/calcs/paye.htm** works out your employee's tax in the same way as Pay Adjustment Tables and Taxable Pay Tables. It works for all tax codes, including codes with the prefix 'K' (for example K702), as well as codes BR, 0T, D0, D1 and NT and saves you the job of using the tables and doing the calculations.
- The National Insurance calculator at **www.hmrc.gov.uk/calcs/nice.htm** works out National Insurance contributions (NICs) for both not contracted-out and contracted-out employees, using the exact percentage method.
- There is a Student Loan deductions calculator in the Basic PAYE Tools. You will need to download the Basic PAYE Tools from **www.businesslink.gov.uk/basicpayetools** to use this calculator.

Alternatively, if you are using the manual tables please make sure that you:

- keep and use *Tax Tables A* - also known as *Pay Adjustment Tables*
- use the new *Calculator Tables* (April 2011), or

- use the new *Taxable Pay Tables* (April 2011). But remember these may change following the Budget.
- use the April 2011 version of the National Insurance (NI) Tables. If you are unsure which NI Table to use see the flowchart at the beginning of booklet CA38 *National Insurance Contributions Tables A and J*
- use the April 2011 version of the SL3 *Student Loan Deduction Tables.*

How long to keep records

You must keep the following forms for at least three years after the end of the tax year to which they relate. Records for 2011-12 should be kept until 5 April 2015:

- forms P11 and pay records. This applies even if you paid an employee below the NICs Lower Earnings Limit and did not deduct any PAYE in the tax year, but you used a form P11 to keep records of earnings
- forms P38(S) or equivalent records, including those relating to students for whom a form P14 has been prepared
- forms SL1 and SL2 *Start and Stop notices* in respect of Student Loan deductions.

Regional Employer National Insurance contributions (NICs) holiday for New Businesses

If you set up your new business on or after 22 June 2010 you may be entitled to claim a Regional Employer NICs holiday.
For more information go to
www.businesslink.gov.uk/nicsholiday

If you use payroll software

If you do your own reprogramming, there are special notes to help you.

The *Notes for Payroll Software Developers* are published on a regular basis throughout the year and contain information to help you keep computerised payroll systems up to date with changing legislation.

The Notes are available on our website at
www.hmrc.gov.uk/comp

If you would like to receive notification by email about future releases of the Notes to our website, please send your request, including your name and email address to **hmrcnotes@replyservice.co.uk**

Or, you can write to:
Notes for Payroll Software Developers
PO Box 17289
Edinburgh
EH12 1WY.

If you use payroll software for 2011-12 make sure that:

- all the detail in this helpbook is included and
- the program covers the changes from 6 April 2011 to the PAYE and NICs rates and limits, as given in Employer Helpbook E12(2011) *PAYE and NICs rates and limits for 2011-12.*

If you are not sure, please check with your software supplier.

HMRC Payroll Standard and Pensioner Payroll Standard

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

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

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

To view the Payroll Standard, Pensioner Payroll Standard and a list of accredited products and their suppliers go to **www.hmrc.gov.uk/ebu/psu.htm**
You can also select 'Payroll Software Standard' from the Employers Home Page.

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

HMRC Payroll Standard logo

HM Revenue & Customs™
Payroll Standard

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

HMRC Pensioner Payroll Standard logo

HM Revenue & Customs™
Pensioner Payroll Standard

There are legal requirements that mean employers must comply with their obligations.
At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met.
It will be updated annualy and was last updated December 2010.

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Recycled Paper