

Day-to-day payroll

This guide is intended for the very small number of employers who are exempt from the requirement to file their starter and leaver information and similar pension information online.

Starter and leaver and similar pension information include forms:

- P45 Part 1 *Details of an employee leaving*
- P45 Part 3 *New employee details*
- P46 *Employee without a form P45*
- P46(Pen) *Notification of pension starting* (may be referred to as PENNOT in some 3rd party software products)
- P46(Expat) *Employee seconded to work in the UK* (only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer).

Help and guidance

Help and guidance is available from the following sources.

The internet

For help with payroll go to www.hmrc.gov.uk/paye

For wider interactive business help go to www.businesslink.gov.uk/mynewbusiness

Online Services

For information and help using our Online Services go to www.hmrc.gov.uk/online

For more help contact the Online Services Helpdesk by:

- email helpdesk@ir-efile.gov.uk
- phone **0845 60 55 999**, or
- textphone **0845 366 7805**.

Basic PAYE Tools

The Basic PAYE Tools contains a number of calculators and most of the forms that 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 how much 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 online your:

- starter and leaver information P45 Part 1, P45 Part 3, P46 information and P46(Expat) information
- Employer Annual Return (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.hmrc.gov.uk/paye/tools/basic-payee-tools.htm

Employer helplines

- Employer for **less than 3 years**, phone **0845 60 70 143**.
- Employer for **3 years or more**, phone **08457 143 143**.
- If you have a hearing or speech impairment and use a textphone, phone **0845 602 1380**.

Employer helpbooks and forms

Helpbooks and forms are available to download. Go to www.hmrc.gov.uk/payee/forms-publications.htm

Yr Iaith Gymraeg

I lawrlwytho ffurlenni a llyfyrnau cymorth Cymraeg, ewch i www.hmrc.gov.uk/cymraeg/employers/emp-pack.htm Os, yn eithriadol, nad oes gennych gysylltiad i'r rhynggrwyd, cysylltwch â'r Ganolfan Gyswilt Cymraeg ar **0845 302 1489**.

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 some payroll topics. These workshops are available at locations throughout the UK. For more information:

- go to www.hmrc.gov.uk/bst or
- phone our Business Education & Support Team on **0845 603 2691**.

Employer Bulletin online

Employer Bulletins contain information and news for employers. We publish these several times a year. Go to www.hmrc.gov.uk/payee/employer-bulletin

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.hmrc.gov.uk/payee/forms-publications/register.htm

HM Revenue & Customs (HMRC)

If you have a query about your PAYE scheme:

- phone the Employer Helpline on **08457 143 143**, or
- write to:
HM Revenue & Customs
Customer Operations Employer Office
BP4009
Chillingham House
Benton Park View
NEWCASTLE
NE98 1ZZ

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

Real Time Information (RTI)

From April 2013, HMRC is introducing Real Time Information (RTI). Under RTI, employers and pension providers will send HMRC information when they pay their employees, instead of yearly. For more information go to www.hmrc.gov.uk/rti/index.htm

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

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Introduction

This helpbook is intended for the very small number of employers who are exempt from the requirement to file their starter and leaver information and similar pension information online.

Starter and leaver information and similar pension information include forms:

- P45 Part 1 *Details of an employee leaving*
- P45 Part 3 *New employee details*
- P46 *Employee without a form P45*
- P46(Pen) *Notification of pension starting* (may be referred to as PENNOT in some 3rd party software products)
- P46(Expat) *Employee seconded to work in the UK* (only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer).

Only a very small number of employers are exempt from the requirement to file their starter and leaver information and similar pension information online.

Even if you are exempt (see below) you can still choose to file online. Many exempt employers already do so because of the greater speed and convenience it offers. See the section 'Online filing – benefits and getting started' opposite to find out more.

Who can file their starter and leaver information and similar pension information either online or on paper?

Only the following employers have the option of filing their starter/leaver/pension information either online or on paper.

- a) Employers entitled to operate PAYE using our simplified deductions scheme for personal and domestic employees (using forms P12 and P37) provided they haven't previously received a tax-free payment for online filing.
- b) Practising members of religious societies or orders whose beliefs are incompatible with the use of electronic methods of communication.
- c) Employers who employ someone to provide domestic or personal care or support services at or from the employer's home. The following conditions must be met:
 - the care or support services must be provided to the employer or a member of their family
 - the recipient of the services must have a physical or mental disability, or be elderly or infirm
 - the employer cannot have received a tax-free payment in respect of online filing in the preceding three years
 - the employer must file their returns themselves and not have someone else (such as a relative or accountant) file them on their behalf.

If you are in category b) or c) and want to file your starter/leaver/pension information on paper, you must write to the HMRC Customer Operations Employer Office (you can find the address on the Help and guidance page) to tell them why you think you should be exempt from filing online. We can then update our records so that you will avoid a penalty notice for not filing your returns online.

Who must file their starter and leaver information and similar pension information online?

Almost all employers are required to file this information online unless they are exempt. If you do not file your information online when required to do so we may charge you a penalty.

Online filing – benefits and getting started

Online filing is faster, easier, more secure and more reliable than filing using paper forms. So even if you're one of the few employers with the option to continue filing on paper, we still recommend that you move to online filing. We provide a range of help and guidance to enable you to file online.

- For an overview of what is involved in online filing go to www.hmrc.gov.uk/payefile-or-payfileonline/intro.htm
- To find out how to register to start filing online go to www.hmrc.gov.uk/payefile-or-payfileonline/register.htm
- For more specific guidance about filing your information online go to www.hmrc.gov.uk/online

Basic PAYE Tools

The Basic PAYE Tools contain a number of calculators and most of the forms you will need to run your payroll throughout the year. If you use the P11 Calculator in the Basic PAYE Tools, you can file your starter and leaver information online direct from the P11 Calculator. For more information go to www.hmrc.gov.uk/payetools/basic-payee-tools.htm

Topics covered in this helpbook

The guidance in this helpbook will help you to:

- decide when you must complete a form P11 *Deductions Working Sheet* (or equivalent record)
- work out how much tax and National Insurance contributions (NICs) you need to deduct when you make a payment of wages or salary to an employee, unless the employee is a director (for help on working out NICs for a director, see the *CA44 National Insurance for Company Directors*)
- fill in a P11 *Deductions Working Sheet*
- fill in a P11 *Deductions Working Sheet* if you take on a new employee
- pay over tax and NICs to HMRC
- take the right action when an employee leaves
- change an employee's tax code
- identify the correct rate of NICs if there is a change in an employee's circumstances
- make Student Loan deductions.

If your employee:

- is sick, see the E14(2012) *Employer Helpbook for Statutory Sick Pay*
- tells you they or their wife or partner are pregnant, see the E15(2012) *Employer Helpbook for Statutory Maternity Pay*
- tells you that they, or their spouse or partner, are adopting a child, see the E16(2012) *Employer Helpbook for Statutory Adoption Pay*
- tells you that their wife or partner is pregnant or that their spouse or partner are adopting a child, see the E19(2012) *Employer Helpbook for Ordinary and Additional Statutory Paternity Pay*.

If your employee asks you about Payroll Giving:

- phone the Charities Helpline on **0845 302 0203**
- go to www.hmrc.gov.uk/businesses/giving/payroll-giving.htm
- see the CWG2(2012) *Employer Further Guide to PAYE and NICs*.

Regional Employer NICs Holiday for New Businesses

If you set up a new business on or after 22 June 2010 you can find information about the Regional Employer NICs Holiday online, go to www.hmrc.gov.uk/nicsholiday

Part 1 – 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 either:

- you pay your employee
 - £107 or more in any *week (NICs weekly Lower Earnings Limit)
 - £464 or more in any *month (NICs monthly Lower Earnings Limit)

**If your pay period is other than weekly or monthly please see the CWG2(2012) Employer Further Guide to PAYE and NICs.*

- we have sent you 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 OT in accordance with the P46 procedures detailed on page 23.

If an employee has more than one period of employment with you in the same tax year, use a new P11 *Deductions Working Sheet* for each period of employment.

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/four-weekly.

Part 2 – Working out and recording PAYE on form P11

Tax codes and how to use them

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

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

Codes issued by HM Revenue & Customs

We may send any one of the following codes to you for an employee:

- a code of one or more numbers followed by the letter L, P, T, or Y, for example, 345L, 456Y, 567P, OT. This is known as a suffix code. The letter shows how the code should be adjusted to take account of any Budget changes
- a code starting with either the letter
 - D followed by a number, for example D0; this is known as a D code and means that the whole of the employee's pay should be taxed at the higher rate, or
 - K followed by one to four numbers, for example, K123; this is known as a K code and enables additional tax (for benefits for example) to be deducted from the employee's pay
- a code which is letters only, BR or NT
 - BR means that tax will be deducted at the basic rate with no tax-free allowances
 - NT means that no tax is to be deducted.

Never alter an employee's tax code unless we tell you to do so on a Coding Notice or on a form P9X or a form P7X.

Calculating tax

To calculate the amount of tax due on your employee's earnings use Pay Adjustment Tables, Tables A and a copy of either the:

- Taxable Pay Tables, Calculator Method (use these tables with a calculator), or
- Taxable Pay Tables, Manual Method (use these tables if you prefer not to use a calculator).

Pay Adjustment Tables, Tables A

Use these tables in all cases where an employee has a suffix code or K code. They will enable you to work out the employee's 'Total pay adjustment to date' on any payday.

The 'Total pay adjustment to date' figure represents:

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

To use the tables you need to know the:

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

Taxable Pay Tables, Calculator Method

Use these tables (Calculator Tables) together with your calculator to work out the employee's 'Total tax due to date' on any payday.

For suffix code and K code cases, you need to know the employee's 'Total taxable pay to date' figure.

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

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

Use the tables in the booklet to work out the PAYE tax deductions.

To calculate the PAYE tax deductions at the:

- basic rate for code BR cases, multiply the whole pay (rounded down to the nearest whole pound) by the rate for code BR which is shown on pages 6 and 7 of the tables. Please note: code BR means there are no tax-free allowances.
- higher rate for D0 code cases, multiply the whole pay (rounded down to the nearest whole pound) by the rate for the D0 code which is shown on page 10 of the tables.
- additional rate for D1 code cases, multiply the whole pay (rounded down to the nearest whole pound) by that rate for the D1 code which is shown on page 11 of the tables.

Taxable Pay Tables, Manual Method

These are alternative tables (Manual Tables) you can use to work out the employee's tax due if you prefer not to use a calculator.

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

You normally work out PAYE on a cumulative basis. This means you need to take into account an employee's previous pay and tax figures in the tax year to find out the tax to deduct from their pay.

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

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

- we add a week 1/month 1 marking to any code we tell you to use
- you have a new employee and there is a week 1/month 1 tax code on their P45
- you have a new employee and the instructions on page 23 of this helpbook tell you to use the emergency code on a week 1/month 1 basis
- a weekly payday falls on 5 April or, in a leap year, on 4 or 5 April. If this occurs, see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'Week 53 payments'.

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

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

- Treat each payment you make to the employee separately, you should ignore their previous pay and tax details.
- Regardless of when the pay date is, turn to the page in the tables for week 1 or month 1 to work out the employee's 'Pay adjustment to date' figure.
- Use the guidance on pages 6 to 9 of this helpbook, appropriate to the code, to make the entries on form P11 or equivalent record.

Calculating the total pay adjustment to date

The 'total pay adjustment to date' figure represents:

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

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

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

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

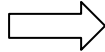
All the examples shown on the following page use Week 35 to illustrate the procedures.

Examples

Employee's code is 500 or less

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

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

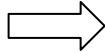


Week 35 – code 320

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

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

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

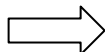


Week 35 – code 1567

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

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

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



Week 35 – code 1500

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

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

This section explains how to complete columns 2 to 8, the PAYE Income Tax section of the form P11.

PAYE Income Tax																														
Week number	Pay in the week or month including statutory payments (SSP/SMP/OSPP/ASPP/SAP)			Total pay to date			K codes only Total 'free pay' to date as shown by Tables A *			Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *			K codes only Total 'tax due' to date as shown by Calculator Tables or Tax Tables B to D			K codes only Tax due at end of current period Mark refunds 'R'			Regulatory limit: 50% of column 2 entry			Tax deducted or refunded in the week or month Mark refunds 'R'			K codes only Tax not deducted owing to the Regulatory limit					
	2	£	p	3	£	p	4a	£	p	4b	£	p	5	£	p	6	£	p	6a	£	p	6b	£	p	7	£	p	8	£	p
1																														
2																														
3																														
1																														
4																														
5																														

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

Gross pay for tax purposes includes such things as overtime, bonus, commission, Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Ordinary Statutory Paternity Pay (OSPP), Additional Statutory Paternity Pay (ASPP) and Statutory Adoption Pay (SAP) **minus** any **authorised deductions** under the 'net pay arrangements' for superannuation contributions, or payroll giving schemes. For more details see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'gross pay'.

What you record in columns 3–8 depends on the type of the employee's code and whether or not it is being used on a cumulative basis or on a week 1/month 1 basis.

We tell you what entries to make for each type of code in the tables below and on pages 7 to 9.

Suffix code cases – cumulative basis	
Column 3	Add the amount you recorded in column 2 to the amount on the previous line in column 3 to give the 'Total pay to date'.
Column 4a	Enter the 'Total pay adjustment to date' figure from the Pay Adjustment Tables, Tables A. This is the figure you enter for 'Total free pay to date'.
Column 5	Take away the amount recorded in column 4a from the amount in column 3 to give the 'Total taxable pay to date'. Leave blank if the figure in column 4a is equal to or more than the figure in column 3.
Column 6	Use the Calculator Tables, or look up in the Manual Tables, the amount shown in column 5 to find out the 'Total tax due to date'. If you have made no entry in column 5 enter '0.00'.
Column 7	Take the previous amount in column 6 and the amount you now enter in column 6, then subtract the lower amount away from the higher amount to give the 'Tax deducted or refunded in the week or month'. If the amount you now enter in column 6 is the higher amount, the difference is the tax to deduct from the employee. If the previous amount is the higher amount, the difference is the tax to refund and include in the payment you make to the employee. Mark any refund entry 'R'.

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

D code cases	
Column 3	Leave blank.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Leave blank.
Column 7	Use the Calculator Tables or look up in Tables D at pages 10 and 11 of the Manual Tables the amount shown in column 2 to find the amount of tax to deduct.

D code cases – cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Use the Calculator Tables or look up in the Manual Tables the amount shown in column 3 to find the 'Total tax due to date'.
Column 7	<p>Take the previous amount in column 6 and the amount you now enter in column 6. Take the lower amount away from the higher amount to give the 'Tax deducted or refunded in the week or month'.</p> <p>If the amount you now enter in column 6 is the higher amount, the difference is the tax to deduct from the employee. If the previous amount is the higher amount, the difference is the tax to refund and include in the payment you make to the employee. Mark any refund entry 'R'.</p>

Code BR cases – cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Use the Calculator Tables or look up in the Manual Tables the amount shown in column 3 to find the 'Total tax due to date'.
Column 7	<p>Take the previous amount in column 6 and the amount you now enter in column 6. Take the lower amount away from the higher amount to give the 'Tax deducted or refunded in the week or month'.</p> <p>If the amount you now enter in column 6 is the higher amount, the difference is the tax to deduct from the employee. If the previous amount is the higher amount, the difference is the tax to refund and include in the payment you make to the employee. Mark any refund entry 'R'.</p>

Code BR cases - week 1/month 1 basis	
Column 3	Leave blank.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Leave blank.
Column 7	Use the Calculator Tables, or look up in the Manual Tables the amount shown in column 2 to find the amount of tax to deduct.

Code NT cases - week 1/month 1 basis	
Column 3	Leave blank.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Leave blank.
Column 7	Leave blank.

Code NT cases - cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Leave blank.
Column 5	Leave blank.
Column 6	Enter 0.00.
Column 7	Take the 0.00 you now enter in column 6 from any previous amount in column 6. The difference is the tax to refund and include in the payment you make to the employee. Mark any refund entry 'R'.

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

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

Unusual circumstances

The CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'pay intervals', gives information about what you should do if:

- there is more than one payday in any tax week or month
- regular paydays are at other than weekly or monthly intervals
- an employee changes from being weekly to monthly paid or monthly to weekly paid
- you change your employee's payday but keep the same pay interval
- you make payments in addition to normal pay on a day that is not the regular payday
- a payday falls on a non-banking day (Saturday, Sunday or a Bank Holiday).

Phone the Employer Helpline for information about what you should do in any other unusual circumstances.

Part 3 – Working out and recording National Insurance Contributions (NICs) on form P11

How Class 1 NICs are made up

Class 1 NICs are made up of two elements:

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

Employee's contribution

An employee's contribution is payable if the employee:

- is aged 16 or over and under State Pension age, and
- earns more than the Primary Threshold (PT).

An employee's contribution is payable on all earnings above the PT.

For exceptions to this rule see pages 29 to 30 in this helpbook.

Currently State Pension age for men is 65. For women born before 6 April 1950 State Pension age is 60.

State Pension age for women who were born on or after 6 April 1950 will gradually increase, on a sliding scale, from 60 to 65 between 2010 and 2018. For more information see page 30 of this helpbook or go to www.direct.gov.uk/en/Pensionsandretirementplanning/StatePension/DG_4017919

Employer's contribution

An employer's contribution is payable if the employee:

- is aged 16 or over, and
- earns more than the Secondary Threshold (ST).

An employer's contribution is payable on all earnings above the ST, even if the employee is over State Pension age or otherwise excepted from paying their employee's contribution.

How to work out NICs

To work out NICs you must first decide:

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

Earnings period

You must work out NICs on a payment-by-payment basis. NICs are worked out on the employee's gross pay above the ST and PT using the appropriate percentage rates, and are based on the period of time for which the earnings are paid.

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

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

For more information about earnings periods, see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'pay intervals'.

Gross pay

Gross pay for NICs purposes is known as **earnings**. Gross pay is the amount due to the employee **before** any deductions.

Gross pay includes such things as:

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

For more details of what should be included as gross pay, see chapter 5 of the CWG2(2012) *Employer Further Guide to PAYE and NICs*.

Contribution category letter

NICs are divided into classes and there are different rates for Class 1 NICs, identified by category letters. It is important to know which rate or rates apply to each employee.

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

To identify which contribution Table letter to use, see the flowchart on page 31.

Calculating NICs

There are two methods of calculating NICs. You can use either the NICs Tables or the exact percentage method.

The same earnings limits and rates are used in both methods. You will find these either in the E12(2012) *PAYE and NICs rates and limits for 2012–13* or the NICs Tables.

Directors' NICs

There are special rules for calculating NICs for directors.

If you need to calculate NICs for directors follow the guidance in the CA44 *National Insurance for Company Directors*.

NICs Tables

You must use the correct NICs Tables to work out the NICs due on your employee's earnings. Use the flowchart on page 31 to check that you are using the correct tables. The NICs are worked out using whole pounds only.

In the NICs Tables earnings are based on steps of £1 (weekly) and £4 (monthly) between the Lower Earnings Limit (LEL) and Upper Earnings Limit (UEL). With the exception of the LEL, Secondary Threshold (ST), Primary Threshold (PT), Upper Accrual Point (UAP) and UEL, NICs are worked out on the mid-point of each step. For example, in the weekly table, NICs for earnings between £199 and £199.99 are worked out on £199.50.

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

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

Filling in the form P11 using the NICs Tables

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

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

Exact percentage method

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

Each element of the employee's and employer's contributions must be worked out separately.

To work out the employee's contribution

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

Employee's NICs are only payable when the employee's earnings exceed the weekly, monthly or equivalent PT, see the E12(2012) *PAYE and NICs rates and limits for 2012–13*. NICs are due on earnings between the PT and the UAP and then the UAP to the UEL at the appropriate main employee's percentage rate(s). If the employee's earnings exceed the UEL, NICs are also due at the additional employee's percentage rate(s) on all earnings above the UEL.

Earnings are above the PT but do not exceed the UAP

Deduct the weekly or monthly PT from the earnings and multiply the result by the appropriate main employee's percentage rate to work out the NICs due (round the calculation to the nearest penny, disregarding £0.005 or less).

Earnings are above the UAP but do not exceed the UEL

- Deduct the weekly or monthly PT from the weekly or monthly UAP and multiply the result by the appropriate main employee's percentage rate (round the calculation to the nearest penny, disregarding £0.005 or less).
- Deduct the weekly or monthly UAP from the earnings and multiply the result by the appropriate main employee's percentage rate (round the calculation to the nearest penny, disregarding £0.005 or less).
- Add both amounts together to work out the employee's NICs due.

Earnings exceed the UEL

- Deduct the weekly or monthly PT from the weekly or monthly UAP, and multiply this amount by the appropriate main employee's percentage rate (round the calculation to the nearest penny, disregarding £0.005 or less).
- Deduct the weekly or monthly UAP from the weekly or monthly UEL and multiply this amount by the appropriate main employee's percentage rate (round the calculation to the nearest penny, disregarding £0.005 or less).
- Deduct the weekly or monthly UEL from the total earnings and multiply this amount by 2% – the additional employee's percentage rate – (round the calculation to the nearest penny, disregarding £0.005 or less).
- Add all amounts together to work out the employee's NICs due.

For details of the employee's percentage rates, see the E12(2012) *PAYE and NICs rates and limits for 2012–13*.

To work out the employer's contribution

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

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

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

- the appropriate employer's contracted-out percentage rate on earnings above the ST, up to and including the PT and on earnings above the PT, up to and including the UAP (round the calculations to the nearest penny, disregarding £0.005 or less)
- the employer's not contracted-out percentage rate on the earnings above the UAP, up to and including the UEL (round the calculation to the nearest penny, disregarding £0.005 or less)
- the employer's not contracted-out percentage rate on the earnings above the UEL (round the calculation to the nearest penny, disregarding £0.005 or less).

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

Examples of working out NICs using the exact percentage method

The following three examples each show how to work out NICs and fill in form P11 when you use the exact percentage method and the employee is not contracted-out.

You will find details of the rates and limits in the E12(2012) *PAYE and NICs rates and limits for 2012–13*.

Example 1

An employee is weekly paid. NICs are due under contribution Table letter A.

The employee is paid £242.77 on 20 July 2012.

$£242.77 \text{ minus } £144 \text{ (ST)} = £98.77$

$£242.77 \text{ minus } £146 \text{ (PT)} = £96.77$

$£146 \text{ (PT) minus } £144 \text{ (ST)} = £2$

Employee's contribution

$£96.77 \times 12\% = £11.6124$ rounded to £ 11.61

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

Employer's contribution

$£2 \times 13.8\% = £0.276$ rounded to £0.28

$£96.77 \times 13.8\% = £13.35426$ rounded to £13.35

The total of employee's and employer's contributions payable is $£11.61 + £13.63 = £25.24$

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

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

1a LEL £107

1b PT *minus* LEL £146 – £107 = £39

1c Employee's earnings *minus* PT £242.77 – £146 = £96.77

1d £0.00

Example 2

An employee is monthly paid. NICs are payable under contribution Table letter A. £3,596.88 is paid on 27 July 2012.

Employee's contribution

The employee is liable for NICs on all earnings above the PT, including any earnings above the UEL.

$£3,337 \text{ (UAP) minus } £634 \text{ (PT)} = £2,703$

$£2,703 \times 12\% = £324.36$

$£3,540 \text{ (UEL) minus } £3,337 \text{ (UAP)} = £203$

$£203 \times 12\% = £24.36$

$£3,596.88 \text{ minus } £3,540 \text{ (UEL)} = £56.88$

$£56.88 \times 2\% = £1.1376$ rounded to £1.14

Employee's NICs = $£324.36 + £24.36 + £1.14 = £349.86$

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

Employer's contribution

$£634 \text{ (PT) minus } £624 \text{ (ST)} = £10$

$£10 \times 13.8\% = £1.38$ rounded to £1.38

$£3,337 \text{ (UAP) minus } £634 \text{ (PT)} = £2,703$

$£2,703 \times 13.8\% = £373.01$

$£3,540 \text{ (UEL) minus } £3,337 \text{ (UAP)} = £203$

$£203 \times 13.8\% = £28.014$ rounded to £28.01

$£3,596.88 \text{ minus } £3,540 \text{ (UEL)} = £56.88$

$£56.88 \times 13.8\% = £7.84944$ rounded to £7.85

Employer's NICs = $£1.38 + £373.01 + £28.01$
 $+ £7.85 = £410.25$

The total of employee's and employer's contributions payable is $£349.86 + £410.25 = £760.11$

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

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

1a LEL £464

1b PT *minus* LEL £634 – £464 = £170

1c UAP *minus* PT £3,337 – £634 = £2,703

1d UEL *minus* UAP £3,540 – £3,337 = £203

Example 3

The basic principles for calculating the LEL, ST, PT, UAP and UEL for employees paid in exact multiples of a week are the same, and are set out in the example below. For instance, for an employee paid every two weeks, the LEL, ST, PT, UAP and UEL would be as follows:

$$\text{LEL} = £107 \times 2 = £214$$

$$\text{ST} = £7,488 \div 52 = £144 \times 2 = £288 \text{ (round up to the next whole pound)}$$

$$\text{PT} = £7,605 \div 52 = £146.25 \times 2 = £293 \text{ (round up to the nearest pound)}$$

$$\text{UAP} = £770 \times 2 = £1,540$$

$$\text{UEL} = £42,475 \div 52 = £816.826923 \times 2 = £1,634$$

An employee is paid every four weeks. NICs are due under contribution Table letter A. The employee is paid £975.08 on 20 July 2012.

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

Secondary Threshold

$$£7,488 \div 52 = £144 \times 4 = £576$$

Primary Threshold

$$£7,605 \div 52 = £146.025 \times 4 = £585$$

UEL

$$£42,475 \div 52 = £816.826923 \times 4 = £3,268$$

LEL and UAP

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

- LEL = £107 x 4 = £428
- UAP = £770 x 4 = £3,080

As the earnings fall between the PT and UAP, NICs are worked out as follows:

Employee's contributions

$$£975.08 \text{ minus } £585 = £390.08$$

$$£390.08 \times 12\% = £46.8096 \text{ rounded to } £46.81$$

£46.81 is the figure to be entered in column 1f on form P11.

Employer's contributions

$$£585 \text{ (PT) minus } £576 \text{ (ST)} = £9 \times 13.8\% = £1.242 \text{ rounded to } £1.24$$

$$£975.08 \text{ minus } £585 \text{ (PT)} = £390.08 \times 13.8\% = £53.83104 \text{ rounded to } £53.83$$

The total of employee's and employer's contributions payable is £46.81 + £55.07 = £101.88

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

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

1a LEL £428

1b PT minus LEL £585 – £428 = £157

1c Employee's earnings minus PT
£975.08 minus £585 = £390.08

1d £0.00

Contracted-out occupational pension schemes

If the employee is a member of your contracted-out occupational pension scheme you will also have to work out employee's and employer's NIC rebates.

If you use the appropriate NICs Tables for contracted-out pension schemes NIC rebates are worked out for you and are taken into account in arriving at the amount of NICs shown as due.

Employee's NIC rebate

The employee's NIC rebate is calculated on earnings between the LEL and the PT. The employee is entitled to that portion of their own rebate that can be offset against their NICs. The employer is entitled to any balance of the employee's NIC rebate that cannot be offset against the employee's NICs.

Employer's NIC rebate

The employer's NIC rebate is calculated on earnings between the LEL and the ST. The employer is entitled to their own rebate plus any balance of employee's NIC rebate not offset.

Example

Employee earns £145 per week (contribution Table letter D)

Employee's NICs = Nil (earnings below PT)

Employer's NICs = £1 x 10.40% = £0.10

Employee's NICs rebate = £144 – £107 = £37 x 1.4% = £0.52
Plus £1 (earnings between ST and PT) x 1.4% = £0.01

Total rebate = £0.53

Employer's NICs rebate = £144 – £107 = £37 x 3.4% = £1.26

The employee is not entitled to any of their NIC rebate and their NIC liability is nil.

£0.00 is the figure to be entered in column 1f on form P11.

The employer is entitled to the full employee rebate of £0.53, **plus** their own NIC rebate of £1.26 = £1.79.

£1.79 employer rebate offset against £0.10 employer NICs = *minus* £1.69 employer NICs.

R1.69 is the figure to be entered in column 1e on form P11.

(Negative figures should be shown by an 'R' immediately before the entry in column 1e of the form P11.)

You can find more information in the:

- CA39 National Insurance Contributions Tables
- CWG2(2012) *Employer Further Guide to PAYE and NICs* under 'occupational pension schemes'.

Filling in a form P11 – NICs

If, during any earnings period in the year, the employee earns below the LEL, do not enter these earnings in columns 1a to 1d of the P11.

When an employee's earnings are at or above the LEL at any time during the year, you must fill in the National Insurance (NI) section of the form P11 or equivalent record, **even if the employee does not pay any NICs**. You must report this information at the end of the tax year. This is to protect the employee's entitlement to benefits, which is linked to earnings at or above the LEL.

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

1a Earnings at the LEL (where earnings are equal to or exceed the LEL)

1b Earnings above the LEL, up to and including the PT

1c Earnings above the PT, up to and including the UAP

1d Earnings above the UAP, up to and including the UEL

Where an employee's earnings exceed the UEL, only record in column 1d of the P11 the earnings from the UAP up to and including the UEL. You should not include the amount of earnings in excess of the UEL, even though the NICs payable on these earnings will be included in the total NICs figure recorded in column 1e.

		National Insurance contributions				Note: LEL = Lower Earnings Limit; PT = Primary Threshold UAP = Upper Accrual Point; UEL = Upper Earnings Limit		Statutory payments						
Month number	Week number	Earnings details				Contribution details		Statutory Sick Pay (SSP) paid to employee in the week or month included in column 2	Statutory Maternity Pay (SMP) paid to employee in the week or month included in column 2	Ordinary Statutory Paternity Pay (OSPP) paid to employee in the week or month included in column 2	Additional Statutory Paternity Pay (ASPP) paid to employee in the week or month included in column 2	Statutory Adoption Pay (SAP) paid to employee in the week or month included in column 2	Student Loan deductic (SLD) (whole pounds or	
		1a	1b	1c	1d	1e	1f							1g
1	1													
	2													
	3													
	4													
	5													

Earnings details

Column 1a Earnings at the Lower Earnings Limit (LEL)

If the employee earns at or above the LEL, enter the LEL figure.

If the earnings do not exceed the LEL there will be no NICs payable. Enter 0.00 in columns 1b to 1f.

Column 1b Earnings above the LEL, up to and including the Primary Threshold (PT)

Enter any earnings above the LEL, up to and including the PT. If the earnings are constantly above the PT, the figure entered here will be the same each earnings period.

If NICs Tables are used, the amount entered will be in whole pounds only. If the exact percentage method is used, the amount entered will be in pounds and pence, unless earnings reach or exceed the PT in which case the entry will be in whole pounds only.

If the earnings do not exceed the ST and PT and there are no NICs rebates due there will be no NICs payable and columns 1c to 1f will be zero filled.

Column 1c Earnings above the PT, up to and including the Upper Accrual Point (UAP)

Enter any earnings above the PT, up to and including the UAP. If the earnings are constantly above the UAP, the figure entered here will be the same in each earnings period.

If NICs Tables are used, the amount entered will be in whole pounds only. If the exact percentage method is used, the amount entered will be in pounds and pence, unless earnings reach or exceed the UAP in which case the entry will be in whole pounds only.

Column 1d Earnings above the UAP, up to and including the Upper Earnings Limit (UEL)

Enter any earnings above the UAP, up to and including the UEL. If the earnings are constantly above the UEL, the figure entered here will be the same in each earnings period. Do not include those earnings above the UEL.

If NICs Tables are used, the amount entered will be in whole pounds only. If the exact percentage method is used, the amount entered will be in pounds and pence, unless earnings reach or exceed the UEL in which case the entry will be in whole pounds only.

Contribution details	
Column 1e	Total of employee's and employer's contributions payable
Enter the combined total of both the employee's and employer's NICs, not just the employer's NICs. Include any NICs payable on earnings above the UEL, where appropriate. Where NICs are due under contribution Table letter D or L the amount to be entered is the combined total after deduction of any employee's and employer's NIC rebates.	
Column 1f	Employee's contribution payable on earnings in 1c and 1d
This column should show only the employee's NICs payable included in column 1e. Include any employee's NICs payable on earnings above the UEL, where appropriate.	
If there are no employee's NICs payable, zero fill.	
If contribution Table letter D or L is used, the amount entered should be the employee's NICs payable after deducting the employee's NIC rebate. If this amount is zero enter '0.00'.	
Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Ordinary Statutory Paternity Pay (OSPP), Additional Statutory Paternity Pay (ASPP), Statutory Adoption Pay (SAP) and Student Loan deductions	
Column 1g	Statutory Sick Pay
Recording SSP is optional if you are not recovering any SSP in the same tax month. You need only enter SSP paid in those tax months where a recovery is made. For more information see the E14(2012) <i>Employer Helpbook for Statutory Sick Pay</i> .	
Column 1h	Statutory Maternity Pay
Enter the gross amount of SMP paid before deducting NICs, tax or any other deductions due.	
For more information see the E15(2012) <i>Employer Helpbook for Statutory Maternity Pay</i> .	
Column 1i	Ordinary Statutory Paternity Pay
Enter the gross amount of OSPP paid before deducting tax, NICs or any other deductions due.	
For more information on whether your employee is entitled to OSPP, in the case of a birth or adoption, see the E19(2012) <i>Employer Helpbook for Ordinary and Additional Statutory Paternity Pay</i> .	
Column 1j	Additional Statutory Paternity Pay
Enter the gross amount of ASPP paid before deducting tax, NICs or any other deductions due.	
For more information on whether your employee is entitled to ASPP, in the case of a birth or adoption, see the E19(2012) <i>Employer Helpbook for Ordinary and Additional Statutory Paternity Pay</i> .	
Column 1k	Statutory Adoption Pay
Enter the gross amount of SAP paid before deducting tax, NICs or any other deductions due. For more information see the E16(2012) <i>Employer Helpbook for Statutory Adoption Pay</i> .	
Column 1l	Student Loan deductions
You should only use this column to make Student Loan deductions from an employee's earnings if you have been notified in one of the following ways:	
<ul style="list-style-type: none"> • we have sent you an SL1 <i>Student Loan – Start Notice</i> • your new employee gives you a P45 which has a "Y" in box 5 • you have submitted a form P46 with a tick in box D. 	
The figure to be entered is the amount of Student Loan deductions worked out using the SL3 <i>Student Loan Deduction Tables</i> .	
Amounts must be rounded down to whole pounds.	
To find out what you need to do when you receive a Start Notice form SL1, see page 33.	

Part 4 – Making payments to HM Revenue & Customs (HMRC)

When to make payment

Each tax month or quarter you must pay all the amounts due for that tax period for:

- Income Tax
 - Pay As You Earn (PAYE)
 - deductions from subcontractors
- NICs
- Student Loan deductions.

The day your payment needs to reach us depends on what payment method you use. It is important that you pay on time and in full, as you may have to pay penalties if your payments are late.

We recommend that you make all of your PAYE payments electronically.

If you pay electronically (including through your bank or at a Post Office), your cleared payment for the full amount due must reach our bank account no later than the 22nd of the month following the end of the tax month to which it relates. Where the 22nd falls on a weekend or is a bank holiday, your cleared payment must reach our bank account no later than the last bank working day before the 22nd unless you are able to arrange a Faster Payment. Bank working days are Monday to Friday excluding bank holidays.

When paying electronically you need to allow enough time for your payment to reach us.

- Payments made by Bacs Direct Credit normally take three bank working days.
- We can now accept payments made via the Faster Payments Service (FPS), which means that we receive the payment on the same day, with many payments reaching us in a few hours. Your bank will have conditions on the use of FPS, so check with your bank to see
 - whether you can use FPS
 - whether there are any single transaction or daily limits on the amount you can pay, and
 - how much time you need to allow for each payment.For more information about FPS go to www.hmrc.gov.uk/fasterpayments
- Payments made by CHAPS are completed on the same day.

You should check with your bank or building society to see how long they take to transfer a payment and what their cut off time for initiating payment is. It is your responsibility to make sure you initiate the payment to reach us in time.

If you pay by post, you **must** make sure that your payment reaches us no later than the 19th of the month following the end of the tax month to which it relates.

Quarterly payment option

If you estimate that your total payment will on average be less than £1,500 per month you can choose to make quarterly, rather than monthly, payments.

The tax quarters end on:

- 5 July
- 5 October
- 5 January, and
- 5 April.

This means that your cleared electronic payment must reach our bank account no later than the 22nd following the end of the tax quarter to which it relates. Or, if you pay by post, your payment must reach us no later than the 19th following the end of the tax quarter to which it relates.

Annual payment option

If **all** payments on which tax and NICs are due are paid to your employee(s) in a **single tax month**, you can ask to become an 'annual payer'. This means that you pay HMRC once a year on the due date and you won't have to complete the monthly nil payment notification.

You must use the same month every year, so if this changes or you start paying your employees more frequently, you will need to tell us.

If you think either of these payment options may apply to your circumstances, phone the Payment Enquiry Helpline on **0845 366 7816** and have your accounts office reference number to hand. This will stop us sending out monthly reminders unnecessarily.

Interest and penalties on late payments

We charge interest from:

- 22 April following the end of the tax year, on any payment made electronically that clears our bank account after this date.
- 19 April following the end of the tax year, on any cheque payment that reaches us after this date.

You may have to pay penalties if any portion of any monthly or quarterly PAYE/NICs payment is late. We will work out the amount of the penalty as a proportion of the amount that is late. The percentage which we use will get bigger depending on how often you send your payments late.

You will not have to pay a penalty if your payment is only late once in any tax year (provided the payment is less than six months late).

Number of times payments are late in a tax year

Number of times payments are late in a tax year	Penalty percentage
1	No penalty
2-4	1%
5-7	2%
8-10	3%
11 or more	4%

If you are over six months late with any payment you may have to pay a penalty of 5 per cent of the amount that is late.

There is a further penalty of 5 per cent if you still have not paid after 12 months.

You will not have to pay a penalty if you have a reasonable excuse for paying late.

For more information about late penalties go to www.hmrc.gov.uk/payefile-or-pay/payments/deadlines.htm

Appeals

You can appeal against the penalty if:

- you disagree that your payment was late
- you have a reasonable excuse for your payment being late
- you disagree with the amount charged.

Appeals have to be made within 30 days of the penalty notice and include the reasons for the appeal. Please also include your accounts office reference and any supporting information.

If you appeal you can have a review by someone within HMRC who was not involved in the original decision.

For more information about appeals and reviews go to www.hmrc.gov.uk/complaints-appeals/how-to-appeal/direct-tax.htm

Reasonable excuse

What counts as a reasonable excuse will differ from person to person depending on their particular circumstances. It is likely to be something unusual, that you could not reasonably have known would happen, and which you could not do anything to prevent.

If we agree that you have a reasonable excuse for not paying on time you are not liable to a penalty. If we do not agree you can appeal to the tribunal.

The law says that the following do not count as a reasonable excuse:

- inability to pay (unless this inability is attributable to events outside your control)
- deliberate non-payment
- you relied on someone else to make the payment for you (unless you took reasonable care to make sure the payment was made).

How the payments are calculated

In most cases the payments are calculated for each month or quarter by:

PAYE

adding together all of the:

- tax that you have deducted from your employees
- deductions from payments made to subcontractors
- Student Loan deductions made from your employees, and
- subtracting any tax refunded to your employees.

NICs

adding together all of the:

- employees' and employer's NICs due, and
- subtracting any
 - SSP you are entitled to recover
 - SMP/OSPP/ASPP/SAP and/or NIC compensation you are entitled to recover.

Keeping records and the completion of form P32 or equivalent record

You will need to keep a record of the payments that you make. We may ask to inspect your records to make sure that you have paid all the tax and NICs due. If you have not paid the amount due, we may calculate the amount you will have to pay.

The P32 *Employer Payment Record* (see page 18) is designed to help you to calculate and record your payments. It will also help you to fill in your P35 *Employer Annual Return*.

(Note: the monthly gross National Insurance contributions totals recorded in column 4 of this form may not be the same as the monthly totals needed for calculating the recovery of SSP under the Percentage Threshold Scheme. For more information see the E14(2012) *Employer Helpbook for Statutory Sick Pay*.)

When completing form P32, if:

- the 'Net Income Tax' payable in column 3 of your form P32 is a minus figure, insert 'M' (for minus) in front of the figure in this column
- the 'Net NICs' payable in column 15 of your form P32 is a minus figure, because your total recoverable SSP/SMP/OSPP/ASPP/SAP and/or NIC compensation claimed is more than the NICs payable, insert an 'M' (for minus) in front of the figure in this column
- the 'Amount due' in column 16 of your form P32 is a minus figure, recover the amount you are owed from the following month's or quarter's payment and let us know that no payment is due.

If it is not possible to recover the amount you are owed from the following month's or quarter's payment you can apply for funding. We may refuse claims where payments for previous months or quarters are not up to date.

You will need to work out whether the refund in column 16 is due in respect of the net Income Tax figure, the net NIC figure (due to the recovery of statutory payments), or both, and make separate applications for funding for tax and funding for statutory payments.

For more information on applying for funding, see page 17 of this helpbook.

Nil payment due

If at the end of a month or quarter you have no payments to make, you should tell us. Unless you tell us on or before the payment date that nothing is due, a payment demand may be issued. You can let us know by:

- completing the form at www.hmrc.gov.uk/nilpayedue (this is the most convenient and cost effective way to let us know that no payment is due)
- returning a signed payslip, form P30B, for the correct month or quarter marked 'NIL due'
- phoning **0845 366 7816** to say no payment is due for a particular month or quarter, quoting your accounts office reference number.

If you think no payments will be due for more than two consecutive months, please phone **0845 366 7816**.

Correcting an error

If you make a mistake when working out how much to pay you can put it right by adjusting your next payment.

If you discover a mistake after the tax year has ended, phone the Employer Helpline for advice.

How to make a payment to HMRC

We accept payment by a range of methods but recommend payments are made electronically. Electronic payments are generally more efficient and secure than payments by post.

You can pay electronically:

- by Direct Debit
- by Bacs Direct Credit, internet or telephone banking and Faster Payments
- by debit or credit card over the internet at www.santanderbillpayment.co.uk/hmrc
- by CHAPS
- by bank giro
- at a Post Office.

When you pay by bank giro, at a Post Office, or by post you must complete a payslip P30B:

- for the correct 'period ending' (see the top right of P30B)
- showing the total amount due in the 'Amount due' box.

See the example of a payslip P30B on page 18.

P30B box heading	P30BC or P32 column number
Amount due	16

Where a payment is made by post, please send the cheque with your completed payslip P30B (both unfolded) for the correct month or quarter to the accounts office in the envelope provided.

If you do not receive your P30BC *Employer Payment Booklet* in time to make your payments please phone **0845 366 7816** straightaway.

If you need to make a payment while you are waiting for your payment booklet to arrive we recommend you pay electronically.

If exceptionally, you have to make payment to us by post please include a covering letter with your payment giving the following information:

- your address and phone number
- your accounts office reference number
- the period the payment is for
- the amount of PAYE and NICs you are paying.

If you no longer require a payment booklet you should cancel the booklet for future years by:

- following guidance at www.hmrc.gov.uk/stopbooklet or
- phoning us on **0845 366 7816**.

Reference numbers

If making your payment electronically by Direct Debit, debit or credit card over the internet, Bacs Direct Credit, internet or telephone banking, Faster Payments, or CHAPS you will need to provide your accounts office reference as the payment reference.

You'll find this printed in the format 123PA00012345 (this reference is only an example and you should not use it to make a payment) on the front cover of the payment booklet we send you or on the letter we send in place of a booklet.

If you make your payment in time to clear by the 22nd of the month following the end of the tax month or quarter to which it relates, or the last bank working day before this where the 22nd falls on a weekend or bank holiday, then you only need to quote the accounts office reference.

However, if you make an early or late payment, or you make more than one payment for the same period, you need to add additional information to the accounts office reference. This will make sure we allocate the payment to the correct period.

When you make a payment either early or late, or you make more than one payment for the same period, you should use your accounts office reference followed by the tax year ending and tax month number that the payment is intended for.

For example 123PA00012345**1303** (this reference is only an example and should not be used to make payment) **1303** indicates the payment is for 2012-13 month **03**, or quarter 1, ending 5th July 2012.

If you send a payment without the additional numbers for 2012-13 month **03**, due on 22 July and we receive it:

- before 6 July, it will be allocated to month 2
- after 5 August, it will be allocated to month 4.

It is important that you show the reference number with no gaps between the characters, otherwise it could lead to delays in updating your records.

You can find more guidance on using the correct reference number at www.hmrc.gov.uk/paymentreferencechecker

For more information about paying HMRC:

- go to www.hmrc.gov.uk/payinghmrc/pay.htm
- phone **0845 366 7816**.

How to apply for funding in respect of tax refunds and statutory payments

Funding for tax refunds

We recommend that you make your funding application online by completing the form at www.hmrc.gov.uk/employers/payefunding.htm

Alternatively you can send a letter or a *fax to your accounts office requesting funding for a tax refund.

Your application must include:

- the name of your HMRC accounts office (either Cumbernauld or Shipley)
- your accounts office and Employer PAYE reference numbers (these are shown on the front cover of your P30BC *Employer Payment Booklet* or P30B *Paying PAYE electronically* letter)

- your employer name
- the name, phone number and, if applying online, email address of yourself or someone with whom HMRC already has authority to discuss your business
- the name and National Insurance number of the employee you made the refund payment to
- the reason for the refund being made to the employee
- the total amount of funding you are claiming – this is the difference between the total deductions (of PAYE, tax, NICs etc) you have made from all employees or subcontractors and the total refunds you have to make.

Funding for statutory payments

The way that you apply for funding will depend whether the statutory payment claim relates to the current tax year or a previous tax year.

Statutory payment relates to the current tax year

We recommend that you make your funding application online by completing the relevant form at

www.hmrc.gov.uk/payee/employees/statutory-pay/funding.htm

Or, you can send a letter or a *fax to your accounts office requesting funding in respect of a statutory payments claim. You will need to explain how you have worked out the amount owed and provide the following information:

- the name of your HMRC accounts office (either Cumbernauld or Shipley)
- your accounts office reference number (this is shown on the front cover of your P30BC *Employer Payment Booklet* or P30B *Paying PAYE electronically* letter)
- the name, phone number and, if applying online, email address of yourself or someone with whom HMRC already has authority to discuss your business
- the date you started your business
- the name and National Insurance number of the employee you are making statutory payments to
- the date the employee started employment with you
- the date your claim relates to
- details of the total you are entitled to recover
- details of any reduction to your monthly or quarterly payments that you can offset
- the amount you are claiming funding for (total recoverable less any tax/NICs offset)
- for SMP and SAP, the expected date of birth or placement for adoption
- for SAP, whether the adoption is UK or foreign based
- for OSPP, the actual date of birth or adoption
- for ASPP, the actual date of birth or adoption
- for ASPP, the date the mother or partner returns to work and ceases to be paid SMP, Maternity Allowance or SAP.

Statutory payment relates to a previous tax year

If the statutory payment claim relates to a previous tax year you cannot apply online. You must send a letter or *fax to your accounts office requesting funding in respect of statutory payments. You will need to explain how you have worked out the amount owed and provide the information shown underneath the heading 'Statutory payment relates to the current tax year' above.

* Fax numbers

Accounts Office Shipley - 01274 539 651.

Accounts Office Cumbernauld - 01236 785 251.

Payments during a trade dispute

There are special rules about making payments during a **trade dispute**. For details see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'trade disputes'.

Example of P32 (extract)

Employer Payment Record

Employer name

Accounts office reference

Year ended 5 April

Enter year

You will need information about payments when you complete your form P35 *Employer Annual Return*.
 Please fill in this form each time you make a payment. Usually, this will be each week or month - when you make a payment.
 For quarterly payments, fill it in every third month. If you prefer to fill it in each month (or week), total your amounts every third month.
 For guidance on making payments to HM Revenue & Customs please see Employer Helpbook E13 *Day-to-day payroll*.

Period	Week number	Income Tax (include subcontractor deductions)	Student Loan deductions	Net Income Tax (1 + 2)	Gross NICs See Note overleaf	Statutory Sick Pay (SSP) recovered	Statutory Maternity Pay (SMP) recovered	NIC compensation on SMP	Ordinary Statutory Paternity Pay (OSPP) recovered	NIC compensation on OSPP	Additional Statutory Paternity Pay (ASPP) recovered	NIC compensation on ASPP	Statutory Adoption Pay (SAP) recovered	NIC compensation on SAP	Total deductions from NICs (total of boxes 5 to 13)	Net NICs (4 minus 14)	Amount due (3 + 15)	Date paid
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
6 April to 5 May	1	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
	2																	
	3																	
	4																	
Month 1	Total	1234 50	60 00	1294 50	1094 38		168 25	7 58						775 83	918 55	2213 05	7/5/12	
6 May to 5 June	5																	
	6																	
	7																	
	8																	
Month 2	Total																	
6 June to 5 July	9																	
	10																	

Example of payslip P30B

Bootle Merseyside L30 4UA
Year 2012-13

Payslip

Amount due (no fee payable at PO counter)

bank giro credit
Period ending
05 May 2012

Reference

Credit account number

£ 2213 05

CHEQUE ACCEPTABLE

For official use

Signature _____ Date _____

57-80-49

For official use

CASH

CHEQUE

£

P30B HMRC 06/11

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

131PE000456781301 &7241578049 00000000 74 X

Part 5 – Taking on a new employee – including someone who has worked for you before

Who to treat as an employee

An employee is anyone you employ under a contract of service and includes full-time, part-time and casual workers.

If the employee does not give you a form P45 because they claim to be self-employed, look at the terms on which you took them on.

For more information on how to decide whether someone is employed or self-employed go to www.hmrc.gov.uk/employment-status/index.htm or phone the Employer Helpline.

If you are in any doubt, phone the Employer Helpline for advice, and treat them as an employee in the meantime.

If your new employee tells you they were previously claiming Jobseeker's Allowance, tell them to stop claiming and to phone Jobcentre Plus to report the change or return the ES40JP straightaway.

If your employee is a student on a course in the UK who solely works for you during their holidays please refer to the CWG2(2012) *Employer Further Guide to PAYE and NICs* under 'students who work for you during their holidays'.

Right to work checks

As an employer you have a responsibility to prevent illegal working in the UK. The UK Border Agency recommends that employers conduct document checks for all new employees to make sure that they are allowed to work before employing them. If an employee has a time limit on their stay, you should carry out repeat checks at least once every 12 months. If you do not carry out these checks you may be required to pay a fine, known as a civil penalty of up to £10,000 for each illegal worker you employ.

For more information:

- go to the 'Ensuring your workers are eligible to work in the UK' pages of the Business Link website at www.businesslink.gov.uk/preemploymentchecks or
- go to the 'Preventing illegal working' pages of the UK Border Agency website at www.ukba.homeoffice.gov.uk/business-sponsors/preventing-illegal-working or
- phone the UK Border Agency Sponsorship and Employers' Helpline on **0300 123 4699**.

National Insurance numbers

Importance of National Insurance numbers

National Insurance (NI) numbers are issued to those approaching 16 years of age and to those working or claiming benefit so that NICs and credits can be correctly recorded on each person's National Insurance account, Income Tax and other records.

You should ask your employee for their NI number and they must tell you what it is, if known, as soon as possible. They can find it on previous forms P45, P60 and payslips. It is essential that you show the full and correct NI number on all documents on which you record NICs. Anyone who does not have an NI number must apply for one when they start work by contacting Jobcentre Plus on **0845 600 0643**.

As long as your employee is eligible to work in the UK, you can continue to pay them even if they do not have an NI number.

You must make sure that you keep records and record their NI number.

The NI number is important because it helps to link the information you will send us at the end of the year to your employee's NI account, Income Tax and other records. This in turn helps to protect your employee's entitlement to benefits such as basic State Pension.

Use the correct NI number

We will no longer accept 'temporary' NI numbers, for example TN220157M for a male born on 22 January 1957. You should always try to obtain the correct NI number.

Identifying the NI number

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

It will look something like this: QQ123456A.

This NI number is only an example and you should not use it where an employee does not provide their NI number.

If the NI number is not shown on the P45 in this format or the employee can't remember their NI number, see 'Tracing National Insurance numbers' on page 25.

A new employee gives you a form P45.

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

If a new employee doesn't give you a P45

If your new employee does not give you a P45 when they first start work for you, you should follow the guidance on page 22.

What is a P45?

A P45 is a certificate providing details from your employee's previous employment. An example of Part 2 of the P45 is on page 20.

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

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

Weekly chart

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

Monthly chart

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

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

- P45 tax figure, or
- tax due as shown by Calculator Tables or in Tax Tables B to D.

To work out the 'total taxable pay to date' for column 5 and 'total tax due to date' for column 6, see Part 2 of this helpbook then return to this page.

If the P45 is for an earlier tax year

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

If there is a 'Y' in item 5, Student Loan deductions to continue (for whatever year):

- enter a tick in box K of the form P11
- start making Student Loan deductions, if appropriate, from the first available payday. See Part 9 on page 33 of this helpbook.

Step 7 Fill in Part 3 of form P45

You may still use the A5 size P45 Part 3 to tell us of your new employee's details

Item 8 – enter your 'Employer PAYE reference'

Item 10 – enter exactly what you would want to see appear on any tax code notifications we send you

Item 12 – enter the code you are using if it is not the same as the one shown on the P45

Item 13 – enter the figure of tax due if it is not the same as the amount shown at item 7 of the P45

Items 16

and 17 – you must include the employee's gender and date of birth details. It is important to use the correct information as it is used to trace the employee's record and may be used to decide if the employee is entitled to age related allowances. Do not enter a default date or make up a date of birth. Wherever possible always verify your employee's information from an official source such as a birth certificate, passport or official documents from HMRC or the Department for Work and Pensions (DWP).

- Send Part 3 to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ

immediately after you have completed the above actions.

Keep Part 2 of the P45 for at least three years after the end of the tax year it is for.

You can now start to work out any tax and NICs due. To find out how to work out and record tax on form P11, turn to Part 2 on page 3 of this helpbook. To find out how to work out and record NICs on form P11, turn to Part 3 on page 9 of this helpbook.

A new employee doesn't give you a form P45

If a new employee doesn't have a P45 then you and your employee will probably need to complete a form P46. The P46 is the form you use to tell us about an employee who does not have a P45.

If a new employee is going to work for you for one week or less and before the end of that week you do not arrange to keep the employee on beyond that week, or arrange for the employee to work for you again, you do not need to fill in a P46. Instead, follow the instructions in the section 'Taking on a new employee – for one week or less' on page 25 of this helpbook.

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

- ask your employee to contact their previous employer to get a P45 if they have worked in the UK in the current tax year (unless a P45 has already been given to the employee, who has then lost it)
- make sure that Section one of form P46 is completed in time for your employee's first payday.
- follow the steps on the next page.

Filling in form P46

The P46 is a two-sided form. An example of a completed form P46 is shown below.

Example of a completed form P46 Section one

HM Revenue & Customs **P46: Employee without a form P45**

Section one To be completed by the employee
Your employer will need this information if you don't have a form P45 from your previous employer. Your employer may ask you to complete this form or provide the same information in another format. If you later receive your P45, hand it to your present employer. Use capital letters when completing this form.

Your details

National Insurance number
This is very important in getting your tax and benefits right
0 8 0 8 1 9 5 5

Date of birth DD MM YYYY
0 8 0 8 1 9 5 5

Title - enter MR, MRS, MISS, MS or other title
MR

Address
House or flat number
2 5

Rest of address including house name or flat name
S A V I L L E S T R E E T
L O N D O N

First name(s)
R O B E R T
I A N

Postcode
W 1 1 6 P D

Gender. Enter 'X' in the appropriate box.
Male Female

Your present circumstances
Read all the following statements carefully and enter 'X' in the one box that applies to you.
A - This is my first job since last 6 April and I have not been receiving taxable Jobseeker's Allowance, Employment and Support Allowance or taxable Incapacity Benefit or a state or occupational pension. A

OR
B - This is now my only job, but since last 6 April I have had another job, or have received taxable Jobseeker's Allowance, Employment and Support Allowance or taxable Incapacity Benefit. I do not receive a state or occupational pension. B

OR
C - I have another job or receive a state or occupational pension. C

Student Loans (advanced in the UK)
If you left a course of UK Higher Education before last 6 April and received your first UK Student Loan instalment on or after 1 September 1998 and you have not fully repaid your Student Loan, enter 'X' in box D. (Do not enter 'X' in box D if you are repaying your UK Student Loan by agreement with the UK Student Loans Company to make monthly payments through your bank or building society account.) D

Signature and date
I confirm that this information is correct
Signature
Date DD MM YYYY
0 6 0 6 2 0 1 2

P46 Page 1 HMRC 01/11

Example of a completed form P46 Section two

Section two To be completed by the employer
Almost all employers must file employee starter information online at www.hmrc.gov.uk/online. Guidance for employers who must file online can be found at www.businesslink.gov.uk/payingnewemployees. Employers exempt from filing online should send this form to their HM Revenue & Customs office on the first payday. Guidance can be found in the E13 Employer Helpbook Day to day payroll.

Employee's details

Date employment started DD MM YYYY
1 1 0 6 2 0 1 2

Works/payroll number and department or branch (if any)
1 5 9 2

Job title
F I T T E R

Employer's details

Employer PAYE reference
Office number Reference number
1 3 1 / V 3 0

Address
Building number
3 6

Rest of address
S O H O G A R D E N S
L O N D O N

Postcode
W 1 1 4 L D

Tax code used
If you do not know the tax code to use or the current National Insurance contributions (NICs) lower earnings limit, go to www.businesslink.gov.uk/payeratesandthresholds.
Enter 'X' in the appropriate box.

Box A
Emergency code on a cumulative basis A

Box B
Emergency code on a non-cumulative week 1/month 1 basis B

Box C
Code BR unless employee fails to complete section one then code OT Week 1/Month 1 basis C

Tax code used B R

For employees who complete Box A or Box B starter notification is not needed until their earnings reach the NICs lower earnings limit.

Page 2

Section one – to be completed by the employee

There are four parts to Section one. Ask your employee to complete each part as appropriate.

Your details

Your employee **must** provide their personal details. Wherever possible, always verify your employee's personal details from an official source such as a birth certificate, passport or official documents from HMRC or the Department for Work and Pensions (DWP).

Always make sure that you have been provided with the correct National Insurance number. An employee must not make a number up, use a default number or use someone else's. If they don't know their NI number, follow the guidance under 'Tracing National Insurance numbers' on page 25 of this helpbook. You can send in a P46 without an NI number if you have followed the steps on page 25.

Date of birth

A date of birth **must** be shown on all forms P46. This is important as we use it to trace the employee's correct record and we may use it to decide if the employee is entitled to age-related allowances. Always provide the correct date of birth. Do not enter a default date or make a date up.

Male or female

The gender box **must** be completed on all forms P46.

Your present circumstances

Your employee **must** read statements A, B and C and tick the one that applies.

Student loans

Your employee **must** read this section and tick box D if it applies.

Signature and date

Your employee **must** sign and date Section one of the form.

Section two – to be completed by the employer

You must complete Section two of the form. Tell us the date your employee started to work for you and provide us with your Employer's details, including your Employer PAYE reference. You can find your Employer PAYE reference on any correspondence from HMRC and on your P30BC *Payment Booklet* or P30B letter. You should complete the Works/payroll number as you would like it to appear on any tax code notifications.

In the Tax code used section you should:

- tick box A, B or C in line with the box completed in Section one
- refer to the table below to find out what tax code to use if you are not sure

On the form P46	Tax code to use
Box A completed	* Emergency code on a cumulative basis
Box B completed	* Emergency code on a week 1/month 1 basis
Box C completed	BR code on a cumulative basis
No box completed	OT code on a week 1/month 1 basis

* Use the emergency tax code shown in the E12(2012) PAYE and NICs rates and limits for 2012–13.

- write the tax code you have used in the 'Tax code used' box.

Exceptionally, if your employee has not completed the form P46, or provided you with the information to fully complete Section one in time for their first payday, you **must** complete Section one to the best of your knowledge on their behalf and use OT code on a week 1/month 1 basis.

You must:

- send in a P46 for all cases on the employee's first payday, unless the employee has completed box A or box B and their earnings are below the NICs Lower Earnings Limit
- prepare a form P11 when you first pay your employee.

When you have completed Section two continue in accordance with the instructions given on the next page.

What to do with the completed P46

1. Employee ticked box A or box B and earnings in the week or month are less than the NICs Lower Earnings Limit (see the E12(2012) PAYE and NICs rates and limits for 2012–13):

- keep form P46 for future use
- keep a record of the employee's name, address and amount of pay.

If the rate of pay increases at a later date to be equal to or more than the Lower Earnings Limit:

- look at the form P46 again
- take appropriate action based on the instructions below.

2. Employee ticked box A and earnings in the week or month are equal to or more than the NICs Lower Earnings Limit (see the E12(2012) PAYE and NICs rates and limits for 2012–13):

- prepare a form P11
- enter the employee's pay in this week or month in column 2
- enter the employee's total pay to date in this employment in column 3
- deduct and record tax in the normal way using the emergency tax code on a cumulative basis
- deduct and record NICs in the normal way – see the flowchart on page 31 if you are unsure which NICs Table letter to use
- send the P46 to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
on your employee's first payday.

3. Employee ticked box B and earnings in the week or month are equal to or more than the NICs Lower Earnings Limit (see the E12(2012) PAYE and NICs rates and limits for 2012–13):

- prepare a form P11
- enter the employee's pay in this week or month in column 2
- deduct and record tax using the emergency tax code on a week 1/month 1 basis. Week 1/month 1 tax codes are explained on pages 3 and 4 of this helpbook
- deduct and record NICs in the normal way – see the flowchart on page 31 if you are not sure which NICs Table letter to use
- send the P46 to
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
on your employee's first payday.

4. Employee ticked box C:

- prepare a form P11 when you first pay the employee
- enter the employee's pay in this week or month in column 2
- deduct tax using the Basic Rate (BR) code
- deduct and record NICs in the normal way – see the flowchart on page 31 if you are not sure which NICs Table letter to use
- send the P46 to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
on your employee's first payday

5. No box ticked:

- prepare a form P11 when you first pay the employee
- enter the employee's pay in this week or month in column 2
- deduct tax using code 0T on a week 1/month 1 basis.

6. Employee ticked box D

Start making Student Loan deductions from the next payday using the SL3 Student Loan Deduction Tables.

Preparing a form P11

- Using the information provided on the P46, such as the employee's name, address, NI number and date of birth, and your details, fill in the boxes A to K at the top of the form P11.
- If your employee has worked for you previously in the tax year you must complete a new form P11 for their latest period of employment.
- Enter the tax code in box L of the P11.

Employee gives you a form P45 after the first payday

If an employee gives you a P45 after the first payday take note of any relevant Student Loan information (see page 33) and, if you have already received the employee's code from us, destroy the P45. If you have not received a code from us you should follow Steps 1 to 7 of the section headed 'A new employee gives you a form P45' starting on page 19.

On the next payday, unless the tax code is to be operated on a week 1/month 1 basis, add up the entries in columns 3 and 6 of the P11 including those:

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

If this results in a minus amount, repay this to your employee and deduct from your next monthly or quarterly PAYE payment. If the repayment is more than your next payment, see page 17 'Funding for tax refunds.'

Existing employee gives you a form P45

If an existing employee gives you a form P45 from a second job they have just left you should tell them to send the P45 Part 3 to:

HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ

We will review the tax code and issue an amended one if appropriate.

Taking on a new employee – for one week or less

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

- do not complete a form P46
- take the following action, depending on what the circumstances are. If you are a farmer, first see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'Farmers'.

Total pay in the week is equal to or more than the NICs Lower Earnings Limit*, and you know the employee has other employment.

- Fill in a form P11.
- Deduct tax using code BR.
- Work out NICs due, see Part 3 on pages 9 to 14 of this helpbook.
- Issue a form P45 at date of leaving.

Total pay in the week is equal to, or more than the NICs Lower Earnings Limit*, and you do not know if the employee has other employment.

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

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

You do not have to complete a form P11 but you must keep a record of the employee's name, address and amount of wages paid each pay period, for example weekly/monthly/four-weekly.

* Details of the NICs Lower Earnings Limit are included in the E12(2012) *PAYE and NICs rates and limits for 2012–13*. If you are reading this section following any 2012 Budget, you must ensure that you are using the latest version.

Paying a pension to a retired employee or to a dependant of a deceased employee

If you are to pay the pension to a retiring employee.

- **Do not** treat the employee as leaving your employment.
- **Do not** complete a form P45.
- **Do** fill in form P46(Pen). Send it to
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
within 14 days of the employee retiring and give them a copy of the form.

When you start to pay the pension, use the employee's existing tax code on a week 1/month 1 basis until you hear from us. If we have not contacted you by 5 April, (or the employee retires so late in the tax year that the first pension payment is made after 5 April), carry forward the existing tax code to the new tax year but use it on a cumulative basis.

If you are to pay a pension to an employee who continues in employment.

- **Do not** treat the employee as leaving your employment.
- **Do not** complete a form P45.
- **Do** fill in a form P46(Pen). Send it to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
and give the employee a copy of the form or the information.

When you start to pay the pension, deduct tax using code 0T on a week 1/month 1 basis until you hear from us.

If you are to pay the pension to a dependant of a deceased employee.

- Complete a form P46(Pen).
- **Do not** give the form to the pension recipient. This is particularly important where the pension is paid to a widow or widower following the death of their spouse.
- At the top of the form, under 'Pension recipient' enter the pension recipient's details.
- Complete the bottom two sections of the form and send it to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
- Prepare a form P11 for PAYE purposes only.
- Use the emergency code on a week 1 or month 1 basis.

If the pension is to be paid by the trustees of a pension fund as the employer.

- Treat the employee as leaving your employment.
- Complete form P45 and send it to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
- Do not complete form P46(Pen).

Additional guidance for other pension and annuity payers is included in the CWG2(2012) *Employer Further Guide to PAYE and NICs*.

Tracing National Insurance numbers

If the employee can't remember or can't find their NI number check any documentation you may have that shows the NI number, for example, form P45 or a certificate of election form CA4139(CF383).

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

- keep a record of their full name (surname or family name and first name(s)), address, date of birth, gender, and
- if you have to send a form P46 to HMRC take no further action as we will automatically trace the employee's NI number and tell you what it is. If the NI number cannot be traced automatically, we will carry out a clerical trace, which may involve writing to your employee.

If the NI number is traced, we will send:

- you a form P46-5 confirming the NI number
- your employee form P217 confirming the NI number.

If we can't trace their NI number, see the paragraph headed 'Employee with no NI number' on the next page.

If you do not have to send a form P46, you can ask us to trace a NI number or you can use the NI number tracing service.

To use the NI number tracing service you can either fill in form CA6855 or prepare your own schedule.

Preparing your own schedule to trace NI numbers

Take care to make sure that the information is correct and that wherever possible, you have verified the information you need from an official source such as a birth certificate, passport or official documents from HMRC or the Department for Work and Pensions (DWP).

This should clearly set out the information in the following order.

- 1 Employee's title
- 2 Surname or family name – make sure that you have verified the surname with a trusted source and that you have spelt the name correctly.
- 3 First name(s) – make sure that you have verified the name(s) with a trusted source and that you have spelt the name(s) correctly. Always provide the full forename(s).
- 4 Address
- 5 Date of birth – make sure that you provide the correct date of birth, do not enter a default date or make up a date of birth.
- 6 Gender
- 7 Works/payroll number
- 8 Date employment started
- 9 Date employment ended (if applicable)
- 10 Employer PAYE reference.

If you want us to send this information to your company agent, please make sure form 64-8 *Authorising your agent* has been completed.

Where to send form CA6855 or schedule

HM Revenue & Customs
Non Matching Tracing Service
Room BP2102
Benton Park View
NEWCASTLE UPON TYNE
NE98 1ZZ

On receipt of the form or schedule of employees, we will trace the employee's NI number.

We will return form CA6855 or the schedule, showing the correct NI number for each employee, or indicate where we can't trace an NI number (see 'Employee with no NI number below').

When form CA6855 is returned to you, you should record the NI number on all relevant pay records and tell the employee what their NI number is.

Employee with no NI number

If your employee has never had an NI number or we are unable to trace their number:

- keep a record of their full name (surname and first name(s)), address, date of birth, gender, and
- tell them to contact the Jobcentre Plus office on **0845 600 0643** or, in Northern Ireland, their Social Security or Job Benefits Office, to arrange to apply for an NI number. This will be done by attending an 'Evidence of Identity' interview or in some cases by sending you a postal application form for you to complete and return. Your employee will be told what evidence they need to establish their identity and if necessary their right to work in the UK.

For more information go to www.direct.gov.uk/applyingforni

Part 6 – What you have to do when an employee leaves

Which forms you have to complete

Form P11

Enter the date of leaving in box J on the P11 *Deductions Working Sheet* or equivalent record.

Fill in a form P45:

- even if the employee says they will not be working when they leave you
- for any employee leaving for whom you have completed a form P11.

Do not fill in a form P45:

- when the employee is a student who, because of the P38(S) procedure, has not had tax deducted. Instead complete the 'Employer's statement' on form P38(S) or equivalent records and keep this form for three years, or longer if you are asked to do so. These forms must be made available for inspection by us if required
- if you are paying a pension to a retiring employee. Please refer to page 25 for more information.

When filling in a form P45:

- make sure you use the A4 size P45, the A5 size P45 must not be used
- make sure you use a four-part version
- use capitals, and
- make sure all parts are legible.

If you have been told to make Student Loan deductions:

- enter a 'Y' in box 5 headed 'Student Loan deductions' on the form P45. However, if you have received a Stop Notification for this employee **do not** enter 'Y' in the box.
- give Parts 1A, 2 and 3 of form P45 to your employee when they leave
- send Part 1 to:
HM Revenue & Customs
Regional Post Room
St Mungo's Rd
CUMBERNAULD
G67 1YZ
straightaway.

Payment to a former employee

If you make a payment to a former employee or there is still a payment due to a deceased employee, see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'Employees – leaving', or 'Employees – death'.

When you no longer have employees

Phone the Employer Helpline and tell them:

- the date your business ceased, or
- you do not expect to employ anyone for one year or more from the start of the next tax year.

If your business is a limited company and you no longer have employees, we will ask for special information before deciding whether or not to cancel your PAYE scheme.

Part 7 – Employee's tax code changes in the tax year

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

HM Revenue & Customs logo and Employer PAYE reference: 131 / V30. Issued by HM Revenue & Customs, Minster Government Buildings, High Street, Minster, MR2 8QT.

Employee's name: WHITE MRS M

National Insurance number: Q Q 1 2 3 4 5 6 A

Works or payroll number: 1624

Tax code: 650L

for the year to 5 April: 2013

Previous pay and tax: £ 5000.00, £ 783.00

When you receive form P6, use the new code from the first payday after you receive it, unless we tell you otherwise.

If a refund of tax is due when you operate the code make the refund **unless** the new code is NT. In this case, only make a refund if we ask you to do so.

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

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

- Add up the pay and tax shown on form P11 columns 2 and 7, including any from previous employment in the tax year.
- On the line of the last payment you made, enter in columns 3 and 6 the total pay and tax you have just added up.
- Follow the guidance in Part 2, pages 3 to 9, appropriate to the amended code on the first payday you use it.

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

- Follow the guidance in Part 2, pages 3 to 9 appropriate to the amended code on the first payday you use it.
- Disregard any previous pay and tax details when you work out the tax to deduct from the first payment.

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

On the first payday:

- complete the entries for columns 3 to 6 as shown in Part 2, page 6, under suffix code cases
- leave columns 6a and 6b blank
- take the figure in column 6 for the current pay period and deduct the amount from column 6 for the previous pay period (this may be a negative amount)
- add to this result any entry in column 8 for the previous pay period
- enter the figure calculated in column 7 (tax deducted or refunded in the week or month)
- if the amount is a negative amount precede the figure with the letter 'R'.

Previous pay and tax

On receipt of a form P6 compare the figures shown on the 'Previous pay and tax' boxes on this form with any 'previous pay and tax' figures shown in columns 3 and 6 of your form P11.

If no 'previous pay and tax' figures have been entered on your employee's form P11 enter the figures shown on the P6 in columns 3 and 6 of the form P11 on the line above the one you used for the employee's first payment.

If you have already entered 'previous pay and tax' figures on the form P11 and the P6 shows different amounts to those previously entered, change columns 3 and 6 of the form P11 to show the revised figures shown on the form P6.

For paydays after the first payday

Complete all entries as shown in Part 2, pages 3 to 9, appropriate to the tax code. If a refund of tax is due when you operate the code, make the refund **unless** the new code is NT. In this case, only make a refund if we ask you to do so.

Part 8 – Changes that may affect an employee's NICs

During an employee's working life there will be times when their circumstances change. This may mean that there is a need to change the contribution Table letter under which you are deducting NICs. This section will help you to identify what action you need to take.

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

Main changes

The main changes that may happen are an employee:

- reaches age 16
- legally changes their recorded gender
- is a married woman or widow who
 - is entitled to pay reduced rate NICs and who tells you she wishes to pay full-rate NICs
 - loses her right to pay reduced-rate NICs
- joins or leaves your contracted-out occupational pension scheme
- has more than one job with different employers
- has more than one job with the same employer
- becomes a director
- goes abroad to work
- reaches State Pension age and continues to work
- dies.

If any of these changes apply to an employee, take action as described in the relevant following paragraphs.

An employee reaches age 16

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

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

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

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

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

An employee legally changes their recorded gender

The Gender Recognition Act 2004, allows transsexual people to legally change their recorded gender and to benefit from any rights and responsibilities that are associated with their acquired gender.

For more information see CWG2(2012) *Employer Further Guide to PAYE and NICs*, Chapter 1.

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

Some married women and widows are entitled to pay NICs at a reduced rate. A *certificate of election* (form CA4139, CF383, or exceptionally CF380A) is proof of such entitlement and is your authority to deduct reduced-rate NICs. Unless you are given a valid certificate by an employee, you must deduct full-rate NICs using the appropriate contribution Table letter.

Your employee wishes to pay full rate

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

Your employee loses the right to pay reduced-rate NICs

In certain circumstances a married woman or widow loses her right to pay reduced-rate NICs. Those circumstances are set out in detail:

- on the certificate of election
- in the CWG2(2012) *Employer Further Guide to PAYE and NICs* (look in the index under 'married women and widows').

One of the more common reasons why a married woman loses her right is because her marriage ends in divorce or is annulled. If that happens, you must:

- deduct full rate NICs from wages or salary you pay her on or after the date of her decree absolute or decree of nullity
- immediately return the certificate of election to her.

You may consider it worthwhile having arrangements in place:

- so that an employee knows that they must tell you if they are no longer entitled to pay reduced rate NICs, and
- to issue periodic reminders to employees advising them of the need to tell you.

For more help, see the section 'married women and widows' in the CWG2(2012) *Employer Further Guide to PAYE and NICs*.

An employee joins or leaves your pension scheme

An occupational pension scheme which satisfies certain legal requirements can contract-out of the State Second Pension.

From 6 April 2012 the only method of contracting-out of State Second Pension is under a Contracted-out Salary Related (COSR) scheme.

If you hold a contracting-out certificate (CA7000 or SHP305) and an employee is a member of your occupational pension scheme, you should deduct NICs under the appropriate contracted-out contribution Table letter.

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

For more information see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'occupational pension schemes'.

An employee has more than one job

An employee has more than one job with different employers

An employee may tell you that they have another job where they are already paying NICs and that if you receive a form CA2700 'Certificate of Deferment' from us you should only deduct NICs at 2% from the salary that you pay them.

If an employee with more than one job thinks that they will earn in excess of the weekly or monthly UEL in one, or a combination of more than one, of their jobs, they can ask us for permission to defer paying some of the NICs in their other jobs.

We will send you form CA2700 if it is agreed that the employee may defer some of the NICs they would otherwise have to pay on the earnings they receive from you. This form authorises you to deduct employee contributions at 2% on **all** earnings you pay to the employee that exceed the PT, including any earnings above the UEL.

You must still pay your employer's share of the NICs under the appropriate contribution Table letter – for help in identifying the right contribution Table letter see the table on page 31. Until you receive the CA2700 form, continue to deduct employee's contributions at the appropriate rates.

For more information:

- read the 'Guidance notes for form CA72A' which you can find using 'Find a form' at www.hmrc.gov.uk/allforms.shtml
- see the CWG2(2012) *Employer Further Guide to PAYE and NICs* under 'Deferment of the payment of employee's contributions for employees with more than one job'
- phone Deferment Services on **0845 915 7141**.

An employee has more than one job with the same employer

There are special rules about calculating NICs in these circumstances. For more information see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'National Insurance contributions (NICs)'.

An employee becomes a director of your company

When you make an employee a director or a new director starts work, there are special rules that apply to the calculation of NICs. You can find these rules in the CA44 *National Insurance for Company Directors*,

An employee goes abroad to work

If you have an employee who goes abroad to work, see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, Chapter 4.

An employee reaches or is over State Pension age

If an employee reaches or is over State Pension age they no longer have to pay NICs.

Currently the State Pension age for men is 65. For women born before 6 April 1950 State Pension age is 60. From April 2010 the State Pension age for women born on or after 6 April 1950 will gradually increase, on a sliding scale, from 60 to 65 between 2010 and 2018.

Women will therefore remain liable to pay NICs after their 60th birthday until they reach their revised State Pension age.

Use the table below to check the date on which a female employee will reach State Pension age. Find their date of birth in the first column and check the second column to find the date they will reach State Pension age. For example, if the employee's date of birth is 07/06/1951 they will reach State Pension age on 06/09/2012.

Employee date of birth	Date employee reaches State Pension age
06/03/1951 – 05/04/1951	06/03/2012
06/04/1951 – 05/05/1951	06/05/2012
06/05/1951 – 05/06/1951	06/07/2012
06/06/1951 – 05/07/1951	06/09/2012
06/07/1951 – 05/08/1951	06/11/2012
06/08/1951 – 05/09/1951	06/01/2013
06/09/1951 – 05/10/1951	06/03/2013
06/10/1951 – 05/11/1951	06/05/2013

For more information and the State Pension age calculator go to www.direct.gov.uk/en/pensionsandretirementplanning/statepension/dg_4017919

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

Before you stop deducting employee NICs from the employee's wages you must see some proof of their date of birth, for example a passport or birth certificate, to show that they have reached State Pension age. You should keep a record or copy of the proof you have seen. Alternatively, they can provide you with one of the following certificates of age exception, CA4140 or CF384. Your employee(s) can get these certificates by phone, go to www.hmrc.gov.uk/contactus or they can write to:

National Insurance Contributions & Employer Office (NIC&EO)
Individuals Group
Lindisfarne House
Benton Park View
NEWCASTLE UPON TYNE
NE98 1ZZ

The Department for Work & Pensions (DWP) includes information on age exception in the pack they issue to customers approaching State Pension age. DWP can also issue Age Exception Certificates. They are sometimes in paper format rather than card, but are equally acceptable as proof of age.

If you stop deducting employees' contributions without seeing proof, or continue to pay employer contributions at the contracted-out rate, you are responsible for any underpayment.

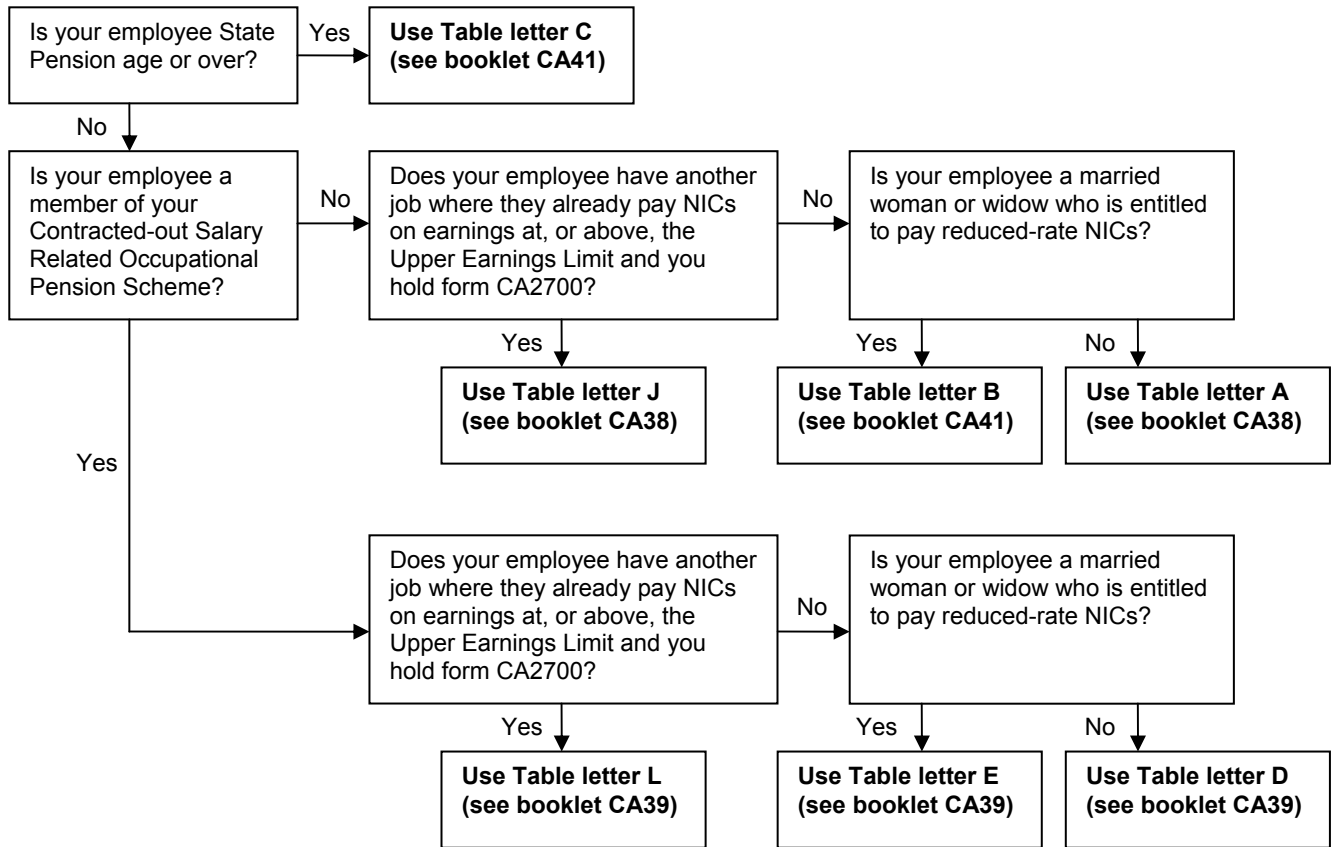
For more information see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'State Pension age'

Which National Insurance contributions (NICs) tables to use

You must use the correct tables when working out the NICs due on your employee's earnings.

Check you are using the tables for 2012-13.

If your employee is under 16 years of age, there is no NICs liability.



If you employ mariners, the CA42 *National Insurance Contributions Tables*, give details of category letters, rates and limits to use.

Important – please note

- NICs tables are renewed every tax year.
- Check you are using the Tables for 2012–13.
- You must use the correct Tables when working out the NICs due on your employee's earnings

An employee dies

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

For more information see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'Death of employee'.

Recalculating NICs because of a change in circumstances or an error

Subject to special rules explained below, if you do not deduct the correct amount of NICs at the proper time because of a change in the employee's circumstances or because you discover an error has been made in good faith, you can:

- recover any underpaid NICs by making extra deductions from later earnings
- refund any overpaid NICs.

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

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

and whether the adjustment:

- results in an under or overpayment of NICs
- involves a change in the contribution Table letter that you have been using.

Adjustments that are made from a current date will not involve either an under or overpayment of NICs but they will normally require a change in the contribution Table letter, for example, an employee reaches State Pension age.

Adjusting NICs from a current date

If you are adjusting the NICs from a current date using a paper P11 *Deduction Working Sheet*:

- draw a line across the P11 columns 1a to 1f under the last entry for the original contribution Table letter and begin entering the new contribution details, including the new contribution Table letter, on the next available line
- enter the totals of columns 1a to 1f up to the date of change in the boxes next to the entry for the original contribution Table letter in the 'End of Year Summary' section on page 2 of the P11
- enter the new contribution Table letter on the next line of the 'End of Year Summary' section.

Adjusting NICs from a previous date within the same tax year

If you are adjusting the NICs from a previous date within the same tax year using a paper P11 *Deductions Working Sheet*, amend the P11 by:

- drawing a line through each entry that you are adjusting so that the original entry can still be read
- recording the right amounts and, if necessary, the correct Table letter alongside
- entering the amended totals of column 1a to 1f in the boxes next to the entry for the original contribution Table letter in the 'End of Year Summary' section on page 2 of the P11
- entering the new contribution Table letter, if necessary, on the next line of the 'End of Year Summary' section.

If primary NICs have been overpaid refund the difference to the employee.

Adjusting NICs from a previous date in a previous tax year

If you are adjusting the NICs from a previous date within a previous tax year using a paper P11 *Deductions Working Sheet*, amend the P11 for the current year only, by:

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

If primary NICs have been overpaid for the previous tax year and either:

- you have not yet sent in your Employer Annual Return and final payment to your accounts office
 - make a refund of the difference to the employee
 - adjust your final payment
 - amend your Employer Annual Return to show the correct figures
 - amend the P11 as described above, or
- you have already sent in your Employer Annual Return and final payment to your accounts office, you must apply to the HMRC Customer Operations Office for a refund of employer contributions. At the same time HMRC will automatically refund employee contributions to your employee(s).

The address you should write to is:

HMRC
Customer Operations Employer Office
BP4009
Chillingham House
Benton Park View
NEWCASTLE UPON TYNE
NE98 1ZZ

Underpayments of NICs

If NICs have been underpaid for the previous tax year and:

- **you have not yet sent your Employer Annual Return and final payment to HMRC**
 - include the underpayment with your final payment, send it direct to your accounts office
 - submit your Employer Annual Return (P14s and P35) to show the correct figures
 - amend the P11 as described under 'Adjusting NICs from a previous date in a previous tax year'
- **you have already sent your Employer Annual Return and final payment to HMRC**
 - submit an amended Employer Annual Return (P14(s) and P35 as appropriate) to reflect only the amount of any amendment (that is, the underpaid NICs)
 - send a letter to the Customer Operations Employer Office explaining the reason for the amendment
 - send any additional payment due as a result of the amendment to HMRC, direct to your accounts office.

Recovering underpayments from your employees

If you find that the employee has underpaid NICs as a result of an error made by you in good faith you can recover the underpayment. You can do this by making extra deductions from any later earnings you pay the employee in the remainder of the tax year in which the error occurred and the following tax year. The extra deductions made from any later payment of earnings can be no greater than the employee's contributions due on those earnings.

For example, if NICs of £15 are due on the later earnings, you can deduct no more than an extra £15 towards the underpayment.

If any arrears are left outstanding after the end of the second tax year you must not recover these from any other earnings paid to the employee. You, as the employer, must bear the cost of the balance.

More help

For more help on what to do if you discover a mistake during the tax year or after it has ended see the CWG2(2012) *Employer Further Guide to PAYE and NICs*, under 'Mistakes in amount of NICs or PAYE deducted'. More information on what counts as an error in good faith can be found online, go to www.hmrc.gov.uk/employers/recovery.htm

Part 9 – Student Loan deductions

We are responsible for collecting repayments of Income Contingent Repayment (ICR) Student Loans. In the majority of cases you will collect these repayments by making deductions from pay.

Start notification, form SL1

At any time during the year we may send you a form SL1 to begin making Student Loan deductions from an employee.

If you receive a form SL1:

- enter a tick in box K, headed 'Student Loan deductions case' on the employee's form P11 *Deductions Working Sheet*
- use the SL3 *Student Loan Deduction Tables*, to work out the amount of the Student Loan deduction. This amount should be deducted from the first available payday after the start date shown on the notice. Do not make deductions before the start date. By 'the first available payday' we mean the first payday on which it is practical to apply the notice
- keep the form SL1 in your wages records.

New employee, forms P45 and P46

If a new employee gives you a form P45 and there is a 'Y' in box 5, 'Student Loan deductions to continue' box, or if the employee completes a form P46 and there is an 'X' in box D, 'Student Loans', proceed as follows:

- use the SL3 *Student Loan Deduction Tables* to start making Student Loan deductions
- enter a tick in box K, headed 'Student Loan Deductions case' on your employee's form P11.

Working out and paying over Student Loan deductions

If you employ a borrower who also has an Attachment of Earnings Order, refer to the E17(2012) *Collection of Student Loans* before making Student Loan deductions.

Working out pay for Student Loan deduction purposes

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

For more information on gross pay see page 9 of this helpbook.

At the end of each pay period

Each payday:

- work out the employee's gross pay for Student Loan deduction purposes
- use the SL3 *Student Loan Deduction Tables* or one of the calculators on the Basic PAYE Tools, to work out the amount of Student Loan deductions
- enter the amount of the Student Loan deductions on the employee's P11 in column 1I at the appropriate week or month.

At the end of each tax month or quarter

At the end of each tax month or quarter you must pay the Student Loan deductions to HMRC. For more information see page 15 of this helpbook.

Stop notification

When you receive a Stop notification from us:

- stop making Student Loan deductions from the first available payday after the stop date shown on the notice. By 'the first available payday' we mean the first payday on which it is practical to apply that notice
- keep the Stop notification in your wages records.

Where to get more help and advice

There is more detailed guidance in the Employer Helpbook E17(2012) *Collection of Student Loans*.

There are legal requirements that mean employers must comply with their obligations. At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met. It will be updated annually and was last updated February 2012.

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