

# PAYE and NICs rates and limits for 2006-07

E12(2006)  
Employer Helpbook

## *Includes*

- PAYE Thresholds and Rates
- Emergency tax code
- Mileage Payments
- Class 1A NICs on benefits in kind
- NICs Earnings Limits, Thresholds and Rates
- Statutory Sick Pay (SSP)
- Statutory Maternity Pay (SMP)
- Statutory Paternity Pay (SPP)
- Statutory Adoption Pay (SAP)
- Funding of SMP, SPP and SAP
- National Minimum Wage
- Collection of Student Loans

## Help and further guidance

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

### The Internet

Log on to the HM Revenue & Customs (HMRC) website at [www.hmrc.gov.uk/employers](http://www.hmrc.gov.uk/employers)

### Your Employer CD-ROM

Your Employer CD-ROM contains forms you can complete on screen. There is

- a **P11 Calculator** that you can save on screen. It works out the amount of tax and NICs due
- a P11D to help you report benefits in kind.

It has built-in calculators to help you work out:

- PAYE tax and NICs
- Car benefit and Car Fuel benefit
- Statutory Payments.

There is a Learning Zone to help you understand topics such as Statutory Maternity Pay, Statutory Paternity Pay and Student Loan deductions.

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

### By telephone

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

New and inexperienced employers **0845 60 70 143**  
Monday to Friday 08.00 - 20.00  
Saturday and Sunday 08.00 - 17.00

More experienced employers **0845 7 143 143**  
Monday to Friday 08.00 - 20.00  
Saturday and Sunday 08.00 - 17.00

For enquiries about our Online services **0845 60 55 999**  
Monday to Friday 08.00 - 22.00  
Saturday and Sunday 10.00 - 18.00

Employers with hearing difficulties  
Textphone **0845 602 1380**

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

A full list of Helplines and opening hours is in your *Employer Bulletin* and on our website at [www.hmrc.gov.uk/contactus/helplines.htm](http://www.hmrc.gov.uk/contactus/helplines.htm)

### In person

We have Business Support Teams countrywide who will help you understand

- what records to keep
- what returns to make
- when to send us information
- online filing and electronic payments.

We offer a range of **free** workshops on many topics relevant to employers.

For more information on the workshops and other ways that the Business Support Teams may help

- log on to our website at [www.hmrc.gov.uk/bst](http://www.hmrc.gov.uk/bst) or
- call the New Employer Helpline on **0845 60 70 143** and ask for details of your local Business Support Team.

### Your HM Revenue & Customs office

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

Please tell us your Employer reference which is on correspondence from your HM Revenue & Customs office.

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

### Employer Helpbooks

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

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

We also have many other leaflets and booklets that give further guidance, for example

- CWG2(2006), *Employer Further Guide to PAYE and NICs*
- CWG5(2006), *Class1A NICs on benefits in kind*
- 480(2006), *Expenses and Benefits - a tax guide.*

You can view, download and print the full range of Helpbooks, booklets and other forms and guidance from

- the Internet - log on at [www.hmrc.gov.uk/employers](http://www.hmrc.gov.uk/employers)
- your Employer CD-ROM.

Or you can get copies from the Employer Orderline in one of three ways:

- log on to our website at [www.hmrc.gov.uk/employers](http://www.hmrc.gov.uk/employers)
- fax **0870 2 406 406**
- phone **0845 7 646 646**

### Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio call the Employer Orderline on **0845 7 646 646** and ask to speak to the Customer Service Team.

### Yr Iaith Gymraeg

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

## PAYE and NICs rates and limits for 2006-07

This booklet gives details of

- Pay As You Earn (PAYE) thresholds and rates
- Mileage payments
- Class 1 National Insurance rates and earnings limits
- Class 1A National Insurance rate
- Class 1B National Insurance rate
- Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay rates
- Funding of SMP, SPP and SAP
- National Minimum Wage
- Collection of Student loans.

If any rates change as a result of the Budget, we will send you a revised booklet and CD-ROM as part of your Budget Pack in April 2006.

If you use payroll software you will need to make sure that this has been updated to incorporate the new rates and limits included in this booklet. Alternatively, the Employer CD-ROM contains calculators featuring most of these rates and limits.

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## Pay As You Earn (PAYE)

### Thresholds

The PAYE thresholds (the level of earnings at which tax becomes payable) are

£97.00	weekly
£420.00	monthly.

These are the same as the earnings thresholds for NICs.

### Rates

The tax rates are

Starting rate	10%	up to £2,090
Basic rate	22%	from £2,091 to £32,400
Higher rate	40%	over £32,400.

Tax codes starting with a K have a Regulatory limit of 50%. The Regulatory limit is specified as a percentage of pay and so on, and restricts the amount of tax to be deducted from the pay in the period. Where for example, pay in the period is very low and the 'normal' operation of the K code would give rise to a very high tax liability, possibly even exceeding the pay and so on in the period, the overriding Regulatory limit will apply.

#### Emergency tax code

The emergency tax code is 503L.

**The following information is to be used in conjunction with that contained at page 19 of Helpbook E13, *Day-to-day payroll*, 'A new employee gives you a form P45'.**

### Step 3 Deciding which tax code to use

- Check which year the P45 is for. To do this look at the leaving date at item 4. If the leaving date is in the current tax year (the period 6 April 2006 to 5 April 2007), use the tax code on the P45 and enter in Box K of the P11.
- A tax code is normally made up of one or more numbers followed by a letter. If the tax code on the P45 has only a number, add a letter 'T' to the end of the code when you enter it on the P11 but do not alter the P45.
- If the employee starts working for you during the period **6 April 2006 to 24 May 2006** and the P45 is for an earlier tax year, follow the help below to find out which tax code to use and enter the tax code in Box K of the P11.

If you take on a new employee

- **any time after 6 April 2006** and the P45 is for a tax year before 2005-06, or
- **after 24 May 2006** and the P45 is for the 2005-06 tax year, or earlier,

use the emergency tax code, shown on this page, on a week 1 or month 1 basis

- **during the period 6 April 2006 to 24 May 2006** and the P45 is for the 2005-06 tax year use the code on the P45, **but**
  - **add 14** to any tax code ending in L, for example tax code **489L** becomes **503L**
  - do not carry forward any week 1/month 1 markings from the P45
  - enter the amended code at item 12 on Part 3 of the form P45.

## Mileage payments

The following rates are used to calculate the maximum amount that can be exempted from tax and NICs for business miles travelled in the employee's own vehicle.

#### Motor cars and vans

First 10,000 business miles*	40p per mile
Over 10,000 business miles	25p per mile

**Motorcycles** 24p per mile

**Cycles** 20p per mile

*\* For NIC purposes, and irrespective of the number of business miles travelled, use the rate which applies to the first 10,000 business miles only.*

### Additional Passenger Payments

You can also pay up to **5p** per mile free of tax and NICs for each employee who travels as a passenger and is also on a business journey.

For further information on paying employees for business miles travelled using the employee's own transport, see the CWG2(2006), *Employer Further Guide to PAYE and NICs*,

## Class 1A NICs on benefits in kind

If you provide benefits, including cars, to an employee during the tax year you may have to pay Class 1A NICs.

The Class 1A NICs rate for benefits provided in 2005-06 is **12.8%**.

Class 1A NICs for benefits provided in the 2005-06 tax year are due to be paid by 19 July 2006. If you pay by an approved electronic payment method please pay any Class 1A NICs in time for your cleared payment to reach us no later than 22 July 2006. See \* below.

For more detailed information about benefits and expenses see

- CWG5(2006), *Class 1A National Insurance contributions on benefits in kind - A guide for employers*
- CA33, *Class 1A National Insurance contributions on Car and Fuel Benefits - A guide for employers*
- 480(2006), *Expenses and Benefits - A tax guide*
- 490, *Employee travel - A tax and NICs guide for employers*,
- P11D Guide
- P11D Working Sheets.

You can get these from the Employer Orderline on **0845 7 646 646** or view and print them off from your Employer CD-ROM.

Guidance can also be found under **Expenses and benefits in kind**, a guide to tax and NICs, available on your Employer CD-ROM or on our website at [www.hmrc.gov.uk/employers/ebik](http://www.hmrc.gov.uk/employers/ebik)

## Class 1B NICs

If you make expenses payments to your employees or give them benefits, and you include these in a PAYE Settlement Agreement, you may have to pay Class 1B NICs.

The Class 1B NICs rate for the 2005-06 tax year is **12.8%**.

Class 1B NICs in respect of the 2005-06 tax year are due to be paid by 19 October 2006. If you pay by an approved electronic payment method please pay any Class 1B NICs in time for your cleared payment to reach us no later than 22 October 2006. See \* below.

For more detailed information about PAYE Settlement Agreements and Class 1B NICs see

- [www.hmrc.gov.uk/guidance/payee-settlements.htm](http://www.hmrc.gov.uk/guidance/payee-settlements.htm)
- CWG2, *Employer Further Guide to PAYE and NICs*.

You can get a CWG2 from the Employer Orderline on **0845 7 646 646** or view and print it off from your Employer CD-ROM.

\* Where the 22nd falls on a weekend or is a bank holiday, your cleared payment must reach us on the *previous* bank working day.

## Class 1 National Insurance contributions (NICs)

### Earnings limits

To calculate NICs three levels of earnings are used

- Lower Earnings Limit (LEL)
- Earnings Threshold (ET) and
- Upper Earnings Limit (UEL).

The corresponding weekly, monthly and annual earnings limits and thresholds are in the tables on pages 4 and 5.

This information has already been used in the NI tables and the NI calculator on your Employer CD-ROM.

If you are using the NI Tables or the NI calculator on your Employer CD-ROM, you do not need to do anything else other than make yourself aware of the changes to the thresholds and earnings limits.

### Lower Earnings Limit (LEL)

This is the minimum level of earnings that an employee needs to qualify for benefits, such as Retirement Pension and Jobseekers Allowance. If an employee's earnings reach or exceed this level, but do not exceed the Earnings Threshold, they will not pay NICs but will be treated as having paid them when claiming benefit. For this reason, you must keep details of an employee's earnings at or above the LEL on a form P11 or equivalent record and report them at the end of the year on a form P14.

### Earnings Threshold (ET)

When the earnings exceed this level NICs become payable by the employee and employer.

This is set at the same level as the PAYE threshold.

### Upper Earnings Limit (UEL)

Where earnings exceed the UEL, the employee pays NICs at 1% on those earnings above the UEL. The UEL does not apply to employer's NICs, which are payable on all earnings above the ET, including those above the UEL, at the appropriate rate.

## Not contracted-out

National Insurance rates and earnings limits 2006-07 - you do not need to look at					
		Lower Earnings Limit (LEL)		Earnings Threshold	
		£			
		Weekly	84	Weekly	
		Monthly	364	Monthly	
		Annual	4,368	Annual	
Contribution Table letter	Employee's contributions and NIC rebate				
	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	NIC rate
A	NIL	0%	11%	1%	
B	NIL	0%	4.85%	1%	
C (Pensioners)	NIL	NIL	NIL	NIL	
J (deferment - not contracted-out)	NIL	0%	1%	1%	

## Contracted-out

National Insurance rates and earnings limits 2006-07 - you do not need to look at					
		Lower Earnings Limit (LEL)		Earnings Threshold	
		£			
		Weekly	84	Weekly	
		Monthly	364	Monthly	
		Annual	4,368	Annual	
Contribution Table letter	Employee's contributions and NIC rebate				
	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	NIC rate
COSR	D	NIL	0%	9.4%	1%
	E	NIL	0%	4.85%	1%
	L (deferment - contracted-out)	NIL	0%	1%	1%
COMP	F	NIL	0%	9.4%	1%
	G	NIL	0%	4.85%	1%
	S (deferment - contracted-out)	NIL	0%	1%	1%

**Need to look at this table if you are using the NI Tables**

Threshold (ET)		Upper Earnings Limit (UEL)			
£		Weekly	Monthly	Annual	£
97		645	2,795	33,540	
420					
5,035					

  

Employer's contributions and NIC rebate					
NIC rebate on earnings above LEL, up to and including ET	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	NIC rebate on earnings above LEL, up to and including ET
	NIL	0%	12.8%	12.8%	<b>NIC rebate not due</b>
<b>NIC rebate not due</b>	NIL	0%	12.8%	12.8%	
	NIL	NIL	12.8%	12.8%	
	NIL	0%	12.8%	12.8%	

**Employer's rates for mariners should be reduced by 0.5%**

**Need to look at this table if you are using the NI Tables**

Threshold (ET)		Upper Earnings Limit (UEL)			
£		Weekly	Monthly	Annual	£
97		645	2,795	33,540	
420					
5,035					

  

Employer's contributions and NIC rebate					
NIC rebate on earnings above LEL, up to and including ET	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	NIC rebate on earnings above LEL, up to and including ET
1.6%	NIL	0%	9.3%	12.8%	3.5%
NIL	NIL	0%	9.3%	12.8%	3.5%
1.6%	NIL	0%	9.3%	12.8%	3.5%
1.6%	NIL	0%	11.8%	12.8%	1%
NIL	NIL	0%	11.8%	12.8%	1%
1.6%	NIL	0%	11.8%	12.8%	1%

**Employer's rates for mariners should be reduced by 0.5%**

## Statutory Sick Pay (SSP)

The **weekly** rate of SSP is £70.05 for employees with average weekly earnings of £84 or more.

The **SSP daily** rate is the weekly rate of SSP divided by the number of qualifying days in the week and then multiplied by the number of qualifying days of incapacity in the week, rounded up to the nearest penny. For SSP purposes, weeks begin on Sunday and end on Saturday.

Unrounded Daily Rates *	Number of Qualifying Days in week	Number of Qualifying Days of incapacity for work in the week							
		1	2	3	4	5	6	7	
£		£	£	£	£	£	£	£	£
10.0071	7	10.01	20.02	30.03	40.03	50.04	60.05	70.05	
11.6750	6	11.68	23.35	35.03	46.70	58.38	70.05		
14.0100	5	14.01	28.02	42.03	56.04	70.05			
17.5125	4	17.52	35.03	52.54	70.05				
23.3500	3	23.35	46.70	70.05					
35.0250	2	35.03	70.05						
70.0500	1	70.05							

\* unrounded daily rates are shown for employers with computerised Payroll Systems.

### Recovery of SSP

In certain circumstances you may be able to recover some of the SSP you pay under the Percentage Threshold Scheme.

You can get back any SSP you have paid over and above **13%** of your NICs liability for the same tax month in which you have paid SSP. For further information, see the Employer Helpbook E14(2006), *What to do if your employee is sick*.

## Statutory Maternity Pay (SMP)

Women expecting a baby on or before 5 April 2006 who satisfy the qualifying conditions are entitled to a maximum of 26 weeks SMP. These include having average weekly earnings of

- £79 if their baby is due on or before 16 July 2005
- £82 if their baby is due on after 17 July 2005

Women expecting a baby on or after 6 April 2006 who satisfy the qualifying conditions are entitled to a maximum of 26 weeks SMP. These include having average weekly earnings of

- £82 if their baby is due on or before 15 July 2006
- £84 if the baby is due on or after 16 July 2006

The weekly rate is:

First 6 weeks of payment	90% of employee's average weekly earnings
Remaining weeks	Pay the <b>lesser</b> of <ul style="list-style-type: none"> <li>- 90% of average weekly earnings, or</li> <li>- £108.85</li> </ul>

For more information see the Employer Helpbook E15(2006), *Pay and time off work for parents*. You can see examples of SMP payments on the Internet at [www.hmrc.gov.uk/employers](http://www.hmrc.gov.uk/employers)

## Statutory Paternity Pay (SPP)

SPP is paid for a maximum of 2 weeks to employees who satisfy the qualifying conditions. These include having average weekly earnings of

- £82 if their baby is due on or before 15 July 2006, or if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or before 2 April 2006
- £84 if the baby is due on or after 16 July 2006, or if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or after 2 April 2006.

The weekly rate is the lesser of £108.85 or 90% of the employee's average weekly earnings.

For more information see the Employer Helpbook E15(2006), *Pay and time off work for parents* if your employee is entitled to SPP because a baby was born. See the Employer Helpbook E16(2006), *Pay and time off work for adoptive parents* for more information if your employee is entitled to SPP because a child was being adopted in the UK or from abroad.

## Statutory Adoption Pay(SAP)

Employees who are adopting a child and are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or after 2 April 2006 who satisfy the qualifying conditions are entitled to a maximum of 26 weeks SAP. These include having average weekly earnings of

- £82 if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or before 1 April 2006
- £84 if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or after 2 April 2006.

The weekly rate is the **lesser of** £108.85 or 90% of employee's average weekly earnings.

For more information see Employer Helpbook E16(2006), *Pay and time off work for adoptive parents*.

## Funding of SMP/SPP/ SAP

All employers are entitled to recover 92% of the SMP/SPP/SAP they pay.

If you qualify for Small Employer's Relief you are entitled to recover 100% of the SMP/SPP/SAP you pay plus 4.5% for payments made on or after 6 April 2006.

The Small Employer's Relief Threshold is £45,000 for payments made on or after 6 April 2006.

For more information see the

- Employer Helpbook E15(2006), *Pay and time off work for parents* where baby is born
- Employer Helpbook E16(2006), *Pay and time off work for adoptive parents* where a child has been adopted in the UK or from abroad
- learning packages on your Employer CD-ROM.

## National Minimum Wage

### From 1 October 2005

- **Main rate £5.05** per hour (22 years and over)
- **Development rate £4.25** per hour (18 - 21 year olds) **and** for workers aged 22 years and over who start a new job and do accredited training (a course approved by the UK Government to obtain a vocational qualification). You can only pay the development rate for the first six months, in these circumstances, and after that you must pay the main rate.
- **Young workers rate** £3.00 per hour (for workers under 18 who are above compulsory school leaving age)

### For up to the minute information

- call the National Minimum Wage Helpline on **0845 6000 678** - Monday to Friday, 08.00 to 18.00
- visit the Department of Trade and Industry (DTI) interactive website at [www.dti.gov.uk](http://www.dti.gov.uk)

## Collection of Student Loans

The Annual Threshold, below which Student Loan repayments are not due, is £15,000.

You can use the calculator on the CD-ROM or the SL3, *Student Loan Deduction Tables*, to calculate deductions.

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



