

Day-to-day payroll

E13(2006)

Employer Helpbook

Includes

- Working out and recording tax and NICs on form P11
- Making payments to HM Revenue & Customs
- Taking on a new employee
- What to do when an employee leaves
- Employee's tax code changes in the year
- Changes that may affect an employee's NICs
- Student Loan Deductions

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

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

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 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

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
- 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
- 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.

Contents

Day-to-day payroll	2	Taking on a new employee for one week or less	24
Do it online	2	Tracing National Insurance numbers	24
Part 1 Working out and recording PAYE on form P11		Part 5 What to do when an employee leaves	
Tax codes and how to use them	3	Which forms you have to complete	26
<i>Employer CD-ROM</i>	3	Example of a completed form P45	26
<i>P11 Calculator</i>	3	Other points to note	27
<i>PAYE Tax Calculator</i>	3	Part 6 Employee's tax code changes in the tax year	28
<i>Pay Adjustment Tables, Tables A</i>	3	Part 7 Changes that may affect an employee's NICs	
<i>Taxable Pay Tables, Calculator Method</i>	3	An employee reaches age 16	29
<i>Taxable Pay Tables, Manual Method</i>	3	An employee legally changes their recorded gender	29
When to use a code on a week 1/month 1 basis	3	A married woman or widow who is entitled to pay reduced rate NICs	29
How to use a code on a week 1/month 1 basis	4	An employee joins or leaves your pension scheme	30
Calculating the total pay adjustment to date	4	An employee has more than one job	30
Examples	4	An employee becomes a director of your company	30
Filling in the 'PAYE Income Tax' section on form P11	5	An employee goes abroad to work	30
Unusual circumstances	8	An employee reaches or is over State Pension age	30
Part 2 Working out and recording NICs on form P11		An employee dies	30
How Class 1 NICs are made up	9	Which National Insurance Tables to use	31
How to work out NICs	9	Recalculating NICs following changes	32
Methods of working out NICs	10	Part 8 Student Loan Deductions	
Filling in a form P11 - NICs	12	Start notification, form SL1	33
Part 3 Making payments to HM Revenue & Customs		New employee, forms P45 and P46	33
When to make payment	15	Working out and paying over Student Loan Deductions	33
How the payments are calculated	15	Stop notification	33
Keeping records	16	Where to get further help and advice	33
Making a payment	16		
Further information about payments and payslips	17		
Part 4 Taking on a new employee - including someone who has worked for you before			
Who to treat as an employee	19		
National Insurance numbers	19		
A new employee gives you a form P45	19		
A new employee doesn't give you a form P45	22		
Employee gives you a form P45 after the first pay day	24		

Day-to-day payroll

This Helpbook helps you to

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

If your employee

- is sick
 - see the Employer Helpbook E14, *What to do if your employee is sick*, included on your Employer CD-ROM or available from the Employer Orderline
- tells you they (or in the case of a male employee, their wife or partner) is pregnant
 - see the Employer Helpbook E15, *Pay and time off work for parents*, included on your Employer CD-ROM or available from the Employer Orderline
- tells you that they, or their spouse or partner, are adopting a child
 - see Employer Helpbook E16, *Pay and time off work for adoptive parents*, included on your Employer CD-ROM or available from the Employer Orderline.

Do it online

PAYE Online for Employers is a secure, convenient and quick way to send and receive day to day information about your employees. It is more reliable and efficient than using paper, and can cut down on storage space, post and administration.

Doing it online can benefit your employees too. It means employees can get the right tax code more quickly and pension and benefit records are updated faster at the end of the tax year.

You can send and receive forms and returns online using

- the Internet - you can choose either
 - HM Revenue & Customs' free product, 'Online Return and Forms - PAYE',
 - 3rd party payroll software
- Electronic Data Interchange (EDI) - more suitable for large employers
- the online services of an agent or payroll bureau.

To help you choose payroll software, we have a Payroll Standard that software can be evaluated against. Software that meets this standard will display the HM Revenue & Customs' Payroll Standard logo.

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

You can view a list of Payroll Standard accredited products and their suppliers at www.hmrc.gov.uk/ebu/acclist.htm or you can phone our Payroll Standard Helpline on **0845 9 159 146** (09.00 to 17.00 Monday to Friday).

The forms you can send include

- P45(1) - employee leaving work
- P45(3) - employee starting work
- P46 - employee starting work (with no P45)
- P46(Car) - car provided for the private use of an employee or director

and receive

- P6 - notice to employer of employee tax code (or amended code) and previous pay and tax
- P9 periodic - amended code (new tax year)
- SL1 and SL2 - Student Loan notifications.

When you register to use PAYE Online for Employers - Internet we will automatically send your notices and reminders like P6s and P9s to your online Secure Mailbox, unless you tell us after you register that you want to continue getting them on paper.

You access your secure mailbox by going to www.hmrc.gov.uk then

- selecting 'PAYE for Employers' under the heading 'do it online'.
- enter your password and your User ID
- select 'View your notices and reminders'.

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

- visit our website at www.hmrc.gov.uk
- contact our Online Services Helpdesk
 - Email helpdesk@ir-efile.gov.uk
 - Phone **0845 60 55 999**
 - 08.00 to 22.00 Monday to Friday
 - 10.00 to 18.00 Weekends and Bank Holidays

Part 1 Working out and recording PAYE on form P11

Tax codes and how to use them

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

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

Codes issued by HM Revenue & Customs

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

- a code of one or more numbers followed by the letter L, P, T, V or Y, for example, 345L, 456V, 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 and so on 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 and so on, to be deducted
- a code which is letters only, **BR** or **NT**
 - **BR** means that tax will be deducted at the basic rate with no tax-free allowances
 - **NT** means that no tax is to be deducted.
Do not refund any tax deducted from an employee before the issue of an NT code, unless your HM Revenue & Customs office tells you to.

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

Employer CD-ROM

There are two calculators on your Employer CD-ROM that you will find very useful

1 P11 Calculator

Use this to work out how much tax and NICs to deduct from your employee's pay. You can save the results on screen and update them each time you pay your employee.

At the end of the tax year you can use the figures on the P11 to help you fill in your Employer's Annual Return (P35 and P14s).

2 PAYE Tax Calculator

Use the PAYE Tax Calculator to calculate the pay adjustment and tax due from your employee's pay. The calculator works out tax in the same way as Pay Adjustment Tables A and PAYE Tax Tables SR & B to D. It works for all the tax codes and will save you the job of using the tables and doing the calculations, but you will have to put the figures on your employee's P11.

Pay Adjustment Tables, Tables A

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

The 'Total pay adjustment to date' figure represents

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

To use the tables you need to know the

- employee's tax code, and
- tax week/month number covering the date of payment - see the 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 pay day.

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
- 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.

For

- code BR cases, multiply the whole pay (rounded down to the nearest whole pound) by the rate for code BR, shown on page 2 of the tables, to calculate the PAYE tax deductions at the Basic Rate - code BR means there are no tax-free allowances
- D code cases, multiply the whole pay (rounded down to the nearest whole pound) by the rate for the D code, shown on page 2 of the tables to calculate the PAYE tax deductions at the Higher Rate on a week 1 or month 1 basis.

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.

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

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

- your HM Revenue & Customs office either
 - tells you to use a D code, or
 - adds a week 1/month 1 marking to any other code they tell you to use
- you have a new employee and the instructions on page 23 of this Helpbook tells you to use the emergency code on a week 1/month 1 basis

- a weekly pay day falls on 5 April or, in a leap year, on 4 or 5 April. If this occurs, see the CWG2, *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, and

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

Examples

Employee's code is 500 or less

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

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

Week 35 – code 320

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

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

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

Week 35 – code 1567

- 1 Code 1567 is split into 3 units of 500 and a leftover balance of 67.
- 2 The 'Total pay adjustment to date' figure at week 35 for a leftover balance figure of 67 is **£457.10**.
- 3 The 'Total pay adjustment to date' figure for 3 units of 500 at week 35 is $3 \times \text{£}3,365.60 = \text{£}10,096.80$.
- 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 2 units of 500 with 1 unit of 500 left over.
- 2 The 'Total pay adjustment to date' figure at week 35 for the leftover unit of 500 is £3,371.55.
- 3 The 'Total pay adjustment to date' figure for 2 units of 500 at week 35 is $2 \times \text{£}3,365.60 = \text{£}6,731.20$.
- 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**.

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 which follow use Week 35 to illustrate the procedures.

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

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

PAYE Income Tax																						
Week number	Pay in the week or month including statutory payments (SSP/SMP/SPP/SAP)		Total pay to date		Total 'free pay' to date as shown by Tables A *		K codes only Total 'additional pay' to date as shown by Tables A		Total taxable pay to date: column 3 <i>minus</i> column 4a or column 3 <i>plus</i> column 4b *		Total 'tax due' to date as shown by Calculator Tables or Tables SR + 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		For Employer's use	
	2	£ p	3	£ p	4a	£ p	4b	£ p	5	£ p	6	£ p	6a	£ p	6b	£ p	7	£ p	8	£ p		
1																						
2																						
3																						

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), Statutory Paternity Pay (SPP) and Statutory Adoption Pay (SAP) *minus* any **authorised deductions** under the 'net pay arrangements' for superannuation contributions, payroll giving schemes or profit-related pay. For further details see the CWG2, *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.

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

Suffix code cases - cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	Enter the 'Total pay adjustment to date' figure from the 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. Take the lower amount away from the higher amount to give the 'tax deducted or refunded in the week or month'. If the amount you now enter 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 - are always operated on a 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 Table D at page 11 of the Manual Tables the amount shown in column 2 to find the amount of tax to deduct

Code BR cases - cumulative basis	
Column 3	Add the amount you recorded in column 2 to the last previous amount in column 3 to give the 'Total pay to date'.
Column 4a	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	<p>Leave blank.</p> <p><i>The exception is where your HM Revenue & Customs office has told you to refund any tax deducted. Enter the amount of any tax refunded and mark the entry 'R'</i></p>

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 pay day after 5 April copy the amount in column 6.</p> <p>For other pay days</p> <ul style="list-style-type: none"> • take the figure in column 6 and compare it with the amount in column 6 for the previous pay day • take the lower amount away from the higher amount, and - if the amount in column 6 for the previous pay day is the lower amount, add to the result any entry in column 8 for the previous pay day. Enter the figure obtained as the 'Tax due at end of current period'. - if the amount in column 6 for the previous pay day is the higher amount, take away from the result any entry in column 8 for the previous pay day. Enter the figure obtained in column 6a. The amount you have just entered in column 6a is the tax to refund for this week/month and should be marked 'R'. <p><i>The exception to this is where the amount in column 8 for the previous pay day is greater than the difference between the higher and lower amounts in column 6, when a tax deduction is then appropriate.</i></p>
Column 6b	Enter 50% of the 'Pay in the week or month'. This is the 'Regulatory limit'.
Column 7	The amount of 'Tax deducted' you enter in this column is the lower of the figures you have entered in 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, <i>Tables A</i> . This is the figure you enter for 'Total additional pay to date'.
Column 5	Add the amount recorded in column 4b to the amount in column 2 to give the 'Total taxable pay to date'.
Column 6	Leave blank.
Column 6a	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, *Employer Further Guide to PAYE and NICs*, under 'pay intervals', gives information about what you should do if

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

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

Part 2 Working out and recording NICs on form P11

How Class 1 NICs are made up

Class 1 NICs are made up of two elements

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

Employee's contribution

An employee's contribution is payable if the employee

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

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

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

Employer's contribution

An employer's contribution is payable if the employee

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

An employer's contribution is payable on all earnings above the ET, 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 ET 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, *Employer Further Guide to PAYE and NICs*, under 'pay intervals'.

Gross pay

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

Contribution category letter

NICs are divided into classes and there are differing 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 Tables and is referred to as a **contribution Table letter**.

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

Methods of working out NICs

There are two methods of working out NICs.

You can either use the NI Tables or the exact percentage method. You can use payroll software or the NI calculators on the Employer CD-ROM to work out the correct amount of NICs. The NI calculator uses the exact percentage method and will save you the job of working out the figures yourself.

The same earnings limits and rates are used in both methods. You will find these either in the Employer Helpbook E12, *PAYE and NICs rates and limits 2006-07*, or in the NI Tables on your Employer CD-ROM.

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

NI Tables

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

In the NI Tables earnings are based on steps of £1 (weekly) and £4 (monthly) between the Lower Earnings Limit (LEL) and Upper Earnings Limit (UEL). With the exception of the LEL, Earnings Threshold (ET) and UEL, NICs are worked out on the mid-point of each step. For example, in the weekly table, NICs for earnings between £109 and £109.99 are worked out on £109.50.

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

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

Filling in the form P11 using the NI Tables

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

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

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 ET, see the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07*. NICs are due on earnings between the ET and UEL at the appropriate main employee's percentage rate. If the employee's earnings exceed the UEL, NICs are also due at the additional employee's percentage rate on all earnings above the UEL.

Earnings are above the ET but do not exceed the UEL

- Deduct the weekly or monthly ET 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 exceed the UEL

- Deduct the weekly or monthly ET from the weekly or monthly UEL, and multiply this amount by the appropriate main employee's percentage rate.
- Deduct the weekly or monthly UEL from the total earnings and multiply this amount by 1% (the additional employee's percentage rate).
- Add both amounts together to work out the employee's NICs due.

Round the calculation to the nearest penny, disregarding £0.005 or less.

For details of the employee's percentage rates, see the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07*, on your Employer CD-ROM.

To work out the employer's contribution

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

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

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

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

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

Examples of working out NICs using the exact percentage method

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

You will find details of the rates and limits in the Employer Helpbook E12, *PAYE and NICs rates and limits 2006-07*.

Example 1

An employee is weekly paid. NICs are due under contribution Table letter A. The employee is paid £232.77 on 21 July 2006.

$$£232.77 \text{ minus } £97 \text{ (ET)} = £135.77$$

Employee's contribution:

$$£135.77 \times 11\% = £14.934 \text{ rounded to } £14.93$$

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

Employer's contribution:

$$£135.77 \times 12.8\% = £17.378 \text{ rounded to } £17.38$$

The total of employee's and employer's contributions payable is $£14.93 + £17.38 = £32.31$

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

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

1a LEL £84

1b ET *minus* LEL £97 - £84 = £13

1c Employee's earnings *minus* ET
£232.77 - £97 = £135.77

Example 2

An employee is monthly paid. NICs are payable under contribution Table letter A. £2,860.88 is paid on 31 July 2006.

Employee's contribution:

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

$$£2,795 \text{ (UEL) minus } £420 \text{ (ET)} = £2,375$$

$$£2,375 \times 11\% = £261.25$$

$$£2,860.88 \text{ minus } £2,795 \text{ (UEL)} = £65.88$$

$$£65.88 \times 1\% = £0.658$$

$$£261.25 + £0.658 = £261.908 \text{ rounded to } £261.91$$

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

Employer's contribution:

$$£2,860.88 \text{ minus } £420 \text{ (ET)} = £2,440.88$$

$$£2,440.88 \times 12.8\% = £312.432 \text{ rounded to } £312.43$$

The total of employee's and employer's contributions payable is $£261.91 + £312.43 = £574.34$

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

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

1a LEL £364

1b ET *minus* LEL £420 - £364 = £56

1c UEL *minus* ET £2,795 - £420 = £2,375.

Example 3

An employee is paid every 4 weeks. NICs are due under contribution Table letter A. The employee is paid £923.08 on 21 July 2006.

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

Earnings Threshold

$$£5,035 \div 52 = £96.83 \times 4 = £388$$

LEL and UEL

You then work out the LEL and UEL for the four weekly earnings period by multiplying the weekly limits by the number of weeks in the earnings period, in this example 4.

- LEL = £84 x 4 = £336

- UEL = £645 x 4 = £2,580

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

Employee's contributions

$$£923.08 - £388 = £535.08$$

$$£535.08 \times 11\% = £58.858 \text{ rounded to } £58.86$$

£58.86 is the figure to be entered in column 1e on form P11.

Employer's contributions

$$£923.08 - £388 = £535.08 \times 12.8\% = £68.490 \text{ rounded to } £68.49$$

The total of employee's and employer's contributions payable is $£58.86 + £68.49 = £127.35$

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

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

1a LEL £336

1b ET *minus* LEL £388 - £336 = £52

1c Employee's earnings *minus* ET
£923.08 - £388 = £535.08

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 NI Tables for contracted-out pension schemes or use the calculator on your Employer CD-ROM, the 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 ET. The employee is entitled to that portion of his rebate that can be offset against his 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 also calculated on earnings between the LEL and the ET. The employer is entitled to his own rebate plus any balance of employee's NIC rebate not offset.

Example

Employee earns £98 per week (contribution Table letter D)

Employee's NICs = £1 x 9.4% = £0.09

Employer's NICs = £1 x 9.3% = £0.09

Employee's NICs rebate = £97 - £84 = £13 x 1.6% = £0.21

Employer's NICs rebate = £97 - £84 = £13 x 3.5% = £0.45

The employee is entitled to £0.09 of their NIC rebate, which reduces their NIC liability to nil. £0.00 is the figure to be entered in column 1e on form P11.

The employer is entitled to the balance of £0.12, plus their own NIC rebate of £0.45 = £0.57.

£0.57 employer rebate offset against £0.09 employer NICs = minus £0.48 employer NICs. £0.48 is the figure to be entered in column 1d on form P11.

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

Further information can be found in

- CA39 and CA43, *National Insurance Tables*
- CWG2, Employer Further Guide to PAYE and NICs under 'occupational pension schemes'.

Filling in a form P11 - NICs

NICs

If, during any earnings period in the year, the employee earns below the LEL, do not enter these earnings in columns 1a to 1c 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 year end. This is to protect the employee's entitlement to benefits, which is linked to earnings at the LEL, and for working out average weekly earnings for Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay.

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

Where an employee's earnings exceed the UEL, only record in column 1c of the P11 the earnings from the ET 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 1d.

Month number		National Insurance contributions							Statutory payments				Student Loan Deduc (whole pound)
For Employer's use	Week number	Earnings details			Contribution details				Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Statutory Paternity Pay (SPP)	Statutory Adoption Pay (SAP)	
Bt/fwd Mth 7	Bt/fwd Wk 30	1a	1b	1c	1d	1e	1f	1g	1h	1i	1j		
£	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p		
Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	Bt/fwd	
31													
32													

Earnings details

Column 1a Earnings at the LEL

If the employee earns at or above the Lower Earnings Limit (LEL), enter the LEL figure.

If the earnings do not exceed the LEL there will be no NICs payable and columns 1b to 1e will be left blank.

Column 1b Earnings above the LEL, up to and including the Earnings Threshold

Enter any earnings above the LEL, up to and including the Earnings Threshold (ET). If the earnings are constantly above the ET, the figure entered here will be the same each earnings period.

If NI 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 ET in which case the entry will be in whole pounds only.

If the earnings do not exceed the ET there will be no NICs payable and columns 1c to 1e will be left blank.

Column 1c Earnings above the Earnings Threshold, up to and including the UEL

Enter any earnings above the ET, up to and including the Upper Earnings Limit (UEL).

If the earnings are constantly above the UEL, the figure entered here will be the same in each earnings period.

Do not include those earnings above the UEL.

If NI 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 1d Total of employee's and employer's contributions payable

Enter the combined total of both the employee's and employer's NICs, not just the employer's NICs. Where NICs are due under contribution Table letter D, F, L or S, the amount to be entered is the combined total after deduction of any employee's and employer's NIC rebates.

Column 1e Employee's contribution payable on earnings in 1c

This column should show only the employee's NICs payable included in column 1d. Include any employee's NICs payable on earnings above the UEL, where appropriate.

If there are no employee's NICs payable, leave blank.

If contribution Table letter D, F, L or S 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), Statutory Paternity Pay (SPP), Statutory Adoption Pay (SAP) and Student Loan Deductions

The Employer CD-ROM has learning programs that will take you step-by-step through the process of deciding when to pay SSP, SMP, SPP, SAP and when to make Student Loan Deductions.

You will also find calculators to help speed up your calculations of the above and save you the job of calculating the figures yourself.

Column 1f 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 Employer Helpbook E14, *What to do if your employee is sick*.

Column 1g Statutory Maternity Pay

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

For more information see the Employer Helpbook E15, *Pay and time off work for parents*

Column 1h Statutory Paternity Pay

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

For more information if your employee is entitled to SPP because a baby was born see the Helpbook E15, *Pay and time off work for parents*.

For more information if your employee is entitled to SPP because a child was being adopted see the Helpbook E16, *Pay and time off work for adoptive parents*.

Column 1i Statutory Adoption Pay

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

For more information see the Helpbook E16, *Pay and time off work for adoptive parents*.

Column 1j Student Loan Deductions

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

The figure to be entered is the amount of Student Loan Deductions worked out using the *Student Loan Deductions Tables, SL3*. Amounts should be rounded down to whole pounds.

To find out what you need to do when you receive a Start notification, see page 33.

Part 3 Making payments to HM Revenue & Customs

When to make payment

Each tax month you must pay your Accounts Office all the amounts due for that tax month for

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

The day your payment needs to reach us depends on what payment method you use

- If you pay electronically or through your bank or Post Office, your cleared payment for the full amount due must reach our account no later than 22nd of the month. Where the 22nd falls on a weekend or is a bank holiday, your cleared payment must reach us on the previous bank working day.
- Employers who are not subject to the mandatory electronic payment rules and who continue to pay by post must ensure that payment reaches us no later than 19th of the month.

When paying electronically you need to allow enough time for your payment to reach us. Except for CHAPS which is a sameday payment transfer facility, it normally takes three bank working days for payment to reach us. Some banks and building societies take longer. You will need to check how long your bank or building society takes and what their cut-off time is for initiating payment. Billpay payment reaches us on the third bank working day after your transaction.

Interest and Surcharge

We charge interest on

- any payment made electronically or through your bank or Post Office that reaches us after 22 April following the end of the tax year, and
- for employers not subject to the mandatory electronic payment rules any cheque payment that reaches us after 19 April following the end of the tax year.

Large employers who are subject to the mandatory electronic payment rules are liable to surcharge if any portion of their payment is late.

Payslip booklet

You need a payslip booklet to pay through your Bank, a Post Office or if you post us a cheque. You do not need a payslip booklet if you pay us electronically.

To stop us issuing booklets for future years

- follow the guidance on our website at www.hmrc.gov.uk/howtopay/pay.htm

or

- contact your Accounts Office.

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

Quarterly payment option for small employers

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

The tax quarters end on

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

which means your cleared electronic payments are due by 22nd of the month in which the quarter ends or, if you pay by cheque, by the earlier date of the 19th of that month.

If you choose to pay quarterly, please contact your Accounts Office to arrange this facility quoting your Accounts Office reference. **This is shown on your Payslip Booklet cover** or on the P30B letter issued in place of your Booklet.

How the payments are calculated

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

PAYE

- adding together all the
 - tax that you have deducted from or refunded to your employees
 - deductions from payments made to subcontractors
 - Student Loan Deductions made from your employees

NICs

- adding together all the employees' and employer's NICs due, and
- subtracting any
 - SSP you are entitled to recover
 - SMP/SPP/SAP and/or NIC compensation you are entitled to recover.

Correcting an error

Unless the error relates to Working Tax Credit, if you make a mistake when working out how much to pay to your Accounts Office, you can put it right by adjusting your next payment, or when you pay any balance due at the end of the tax year.

If you have made any payment of Working Tax Credit to any of your employees after 31 March 2006 you should contact the Employer Helpline on **08457 143 143** without delay so that we can reimburse you.

You must not deduct the amount of the tax credit payment from the monthly or quarterly payment you make to your Accounts Office.

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

- the Employer Helpline by calling **0845 7 143 143** for advice about NICs, SSP, SMP/SPP/SAP, Student Loan Deductions or
- your HM Revenue & Customs office for advice about PAYE.

Keeping records

We may ask to inspect your records to make sure that you have paid all the tax and NICs due. If you have not, we may make estimates that you will have to pay. Both the P32, *Employer Payment Record* and the P30BC, *Payslip Booklet*, pages 4 and 5, are designed to

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

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

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

Making a payment

Large employers, those who have 250 or more employees whom we have notified, have to make their monthly payments electronically. They can also pay by Bank Giro or at the Post Office.

We accept payment by a range of methods but we recommend payment is made electronically through your bank's Internet/telephone banking service, by BACS Direct Credit or CHAPS. We also offer a service called Billpay where you can pay by debit card over the Internet. Electronic payments are generally more efficient and secure than payment by post.

We also treat as electronic any payment made by Bank Giro or at the Post Office. Again payment made by these methods is more secure than a payment sent in the post.

Where a payment is made by post, please send it with your completed payslip, P30B, to the Accounts Office in one of the envelopes we sent you.

For more information about how to pay please

- visit our website www.hmrc.gov.uk/howtopay
- contact your Accounts Office.
 - Accounts Office Shipley
Tel **01274 539328**
Fax **01274 539616**
E-mail aos.directpayments@hmrc.gsi.gov.uk
 - Accounts Office Cumbernauld
Tel **01236 783631**
Fax **01236 783016**
E-mail aoc.directpayments@hmrc.gsi.gov.uk

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 top right of P30B)
- showing how the payment is made up between net Income Tax and net National Insurance (payment by post only).

See the example of payslip P30B on page 18.

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

P30B box heading	P30BC or P32 column number
Net Income Tax	3
Net National Insurance	13
Amount due	14

If, at the end of a month/quarter

- you have no payments to make, tell your Accounts Office by returning a 'Nil' P30B for the relevant period.
- the total recoverable SSP/SMP/SPP/SAP and/or NIC compensation claimed is more than the NICs payable, enter the excess in column 13 of your P32 or P30BC with the letter 'M' (for minus) in front. Where you are paying by Bank Giro, at a Post Office, or by post, complete the Net National Insurance box on your P30B (from column 13 of your P32 or P30BC) with the letter 'M' (for minus) in front.
- the 'Amount due' in column 14 of your P32 or P30BC is a **minus** figure, recover the amount you are owed from the following month's/quarter's payment and return a 'NIL' P30B for the relevant period to your Accounts Office to prevent the unnecessary issue of a reminder for payment.

If it is not possible to recover the amount you are owed from the following month's/quarter's payment, write to your Accounts Office, explaining how you have worked out the amount owed and ask for it to be paid to you. Quote your Accounts Office reference shown on the front of your P30BC, *Payslip Booklet* or P30B letter.

Further information about payments and payslips

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

If you need to post a payment to the Accounts Office and do not have a payslip (for example, if the payment is for an earlier year), please send your cheque with a covering letter showing

- your address and telephone number
- your Accounts Office reference, shown on the front of your P30BC, *Payslip Booklet*, or on the P30B letter
- the period the payment is for
- the amount of PAYE and NICs you are paying.

There is a reference checker on our website at www.hmrc.gov.uk/howtopay/converter.htm which you will find useful if you are paying electronically through your bank's Internet or telephone banking service or by BACS Direct Credit. It will help ensure your payment is allocated correctly, particularly if your payment is for an earlier year.

Example of P32 (extract)

HM Revenue & Customs **Employer Payment Record**

Employer name: _____ Accounts Office reference: _____

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

For guidance on making payments to HM Revenue & Customs please see Part 3 of Employer Helpbook E13 Day-to-day payroll.

Period	Week no	Income Tax (inc. subcontractor deductions)	Student Loan Deductions	Net Income Tax (1 + 2)	Gross National Insurance contributions (NICs)	Statutory Sick Pay (SSP) recovered	Statutory Maternity Pay (SMP) recovered	NIC compensation on SMP	Statutory Paternity Pay (SPP) recovered	NIC compensation on SPP	Statutory Adoption Pay (SAP) recovered	NIC compensation on SAP	Total deductions from NICs (total of boxes 5 to 11)	Net NICs (4 minus 12)	Amount due (3 + 13)	Date paid
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
6 April to 5 May	1															
	2															
	3															
	4															
Month 1	Total	1234.50	60.00	1294.50	1094.38		168.25	7.58					175.83	918.55	2213.05	8/5/06
6 May to 5 June	5															
	6															

Example of P30BC (extract of page 4)

Calculation of net Income Tax – monthly payments

Date	Income Tax including subcontractor deductions	Student Loan Deductions	Net Income Tax (1 + 2)	Gross NIC	Statutory Sick Pay (SSP) recovered	Stat. Maternity Pay (SMP) recovered	NIC compensation on SMP
	1	2	3	4	5	6	7
5 May	£ 1234.50	£ 60.00	£ 1294.50	£ 1094.38			£ 7.58
5 Jun							
5 July							

Example of P30BC (extract of page 5)

Calculation of net National Insurance contributions – monthly payments

Stat. Paternity Pay (SPP) recovered	NIC compensation on SPP	Stat. Adoption Pay (SAP) recovered	NIC compensation on SAP	Total deductions from NIC (total of boxes 5 to 11)	Net NIC (4 minus 12)	Amount due (3 + 13)	Date paid
8	9	10	11	12	13	14	
£	£	£	£	£ 175.83	£ 918.55	£ 2213.05	8/5/06
							5 Jun

Alliance & Leicester Trans Payslip **HM Revenue & Customs** Net Income Tax ▶ 1294.50 **bank giro credit**

COMMERCIAL BANK Bootle Merseyside GIR 0AA Year 2006-07 Net National Insurance ▶ 918.55 Period ending 05 May 2006

Reference: 159 209 24 131 PE 00045678 0701 Credit account number: 610 5041 Amount due (no fee payable at PO counter) CHEQUE ACCEPTABLE £ 2213.05

Cashier's stamp and initials: _____ Signature: _____ Date: _____

P30B IMS 08/05 **10-50-41** **BANK OF ENGLAND** HEAD OFFICE COLLECTION A/C **HM REVENUE & CUSTOMS**

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

131PE000456780701 &7241105167 00000000 74 X

Part 4 Taking on a new employee - including someone who has worked for you before

Who to treat as an employee

Anyone you employ under a contract of service should be treated as an employee, including

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

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

For more information on how to decide whether someone is employed or self-employed, please go to the HM Revenue & Customs website www.hmrc.gov.uk/employment-status/index.htm.

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

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

National Insurance numbers

Importance of National Insurance numbers

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

You should ask your employee for their NI number and they must let you know what it is, if known, when you ask for it. It is essential that you show the full and correct NI number on all documents on which you record NICs. Anyone who does not have an NI number must apply for one when they start work by contacting their local Jobcentre Plus office.

The NI number is important because it helps to link the information you will send us at the end of the year to your employee's National Insurance account, 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 National Insurance number

The HM Revenue & Customs will no longer accept 'temporary' National Insurance numbers, for example TN220157M for a male born on 22 January 1957. This applies no matter which method you use to submit your forms and returns (for example paper, online) so in all cases you should try to obtain the correct National Insurance 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: AB123456C.

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

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

A new employee gives you a form P45

Form P45 is available to send online. For more information go to

www.hmrc.gov.uk/efiling/payee/payee_software_forms.htm

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

If a new employee doesn't give you a P45

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

What is a P45?

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

Example of a completed form P45

Inland Revenue		Details of employee leaving work		P45	
		Copy for new employer		Part 2	
1 Previous PAYE Reference	Office number	Reference number			
	131	V30			
2 Employee's National Insurance number	AB 12 34 56 C				
3 Surname	JOHNSON MR				
First name(s)	PETER ANDREW				
4 Leaving date	Day	Month	Year	5 Continue Student Loan Deductions(Y)	
	12	5	2006		
6 Tax Code at leaving date. 'X' in the box means Week 1 or Month 1 basis applies.	Code		Week 1 or Month 1		
	462L				
7 Last entries on Deductions Working Sheet (P11) If there is an 'X' at item 6, there will be no entries here.	Week or month number				
	6				
	Total pay to date	£	1765	50	p
	Total tax to date	£	241	88	p

To the employee

This form is important to you. Take good care of it. Copies are not available. Keep Parts 2 and 3 of the form together and do not alter them.

Going to a new job
Give this form (Parts 2 and 3) to your new employer, or you will have tax deducted using the emergency code and may pay too much tax. If you do not want your new employer to know the details on this form, send it to your Inland Revenue office immediately with a letter saying so and giving the name and address of your new employer. The Inland Revenue office can make special arrangements, but you may pay too much tax for a while as a result.

Going abroad
If you are going abroad or returning to a country outside the UK ask for *Income Tax form for those Leaving the United Kingdom* (form P85) from any Inland Revenue office or Enquiry Centre.

Becoming self-employed
You must register with the Inland Revenue within 3 months, or you could incur a penalty. To register, get a copy of *Thinking of working for yourself* (leaflet P/SE/1) from your Inland Revenue office or call 08459 154515.

Claiming Jobseeker's Allowance
Take this form to the Benefit Office. They will pay you any tax refund you may be entitled to when your claim ends, or at 5 April if this is earlier.

Not working and not claiming Jobseeker's Allowance
If you have paid tax and wish to claim a refund ask for *Claim for income tax repayment* (form P50) from any Inland Revenue office or Enquiry Centre.

To the new employer

Check this form, complete items 8 to 17 in Part 3 and prepare a *Deductions Working Sheet* (form P11). Follow the instructions in the Employer's Help Book *'Day-to-day payroll, E13'* for how to prepare a P11.

Detach Part 3 of this form and send it to your Inland Revenue office immediately. Keep Part 2.

What you will need

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

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

Step 1 Checking form P45

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

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

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

Step 2 Preparing a form P11

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

Step 3 Deciding which tax code to use

This part of the process may be subject to Budget change and is therefore detailed in the PAYE section on page 2 of the current Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07*.

Use the guidance shown there and then return to this page to continue with **Step 4**.

Step 4 Deciding which rate of NICs to deduct

- All employees aged 16 or over and below State Pension age are liable to pay a standard rate of NICs known as contribution Table letter 'A' unless certain conditions apply.
- To help you decide the right rate of National Insurance that applies to your new employee look at the flowchart on page 31, then return to this page.
- Enter the appropriate contribution Table letter under which NICs are due in the 'End of Year Summary' section on the reverse side of the form P11.

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

- The weekly and monthly charts on page 21 will help you identify which week or month pay period number you should use for the first payment to your new employee.
- Look at these charts now and identify which pay period number **includes the date of payment**. This is the period to use. Now go to Step 6.

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

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

Step 6 Entering the P45 details on form P11

If the P45 is for the 2006-07 tax year and there is an 'X' in box 6

- enter 'NIL' as the previous pay and tax details in Columns 3 and 6 of the P11 on the line above the one you will use for the employee's first payment.

If there is no 'X' in box 6

- enter in column 3 of the P11 on the line immediately above the one you will use for the employee's first payment, the 'Total pay to date' shown at item 7 of the P45.

- do not enter the 'Total tax to date' figure, shown at item 7 of the P45, in column 6 of the P11. Instead, using the

- week or month number shown on the P45
- the appropriate code number (from step 3) and
- the figure of 'Total pay to date'

work out the tax due according to the Calculator Tables or Tax Tables SR + B to D and complete columns 4a, 5 and 6 of the P11. You can find out how to do this on pages 5 to 8 of this Helpbook.

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 SR + B to D.

- To work out the 'total taxable pay to date' for column 5 and 'total tax due to date' for column 6, see Part 1 of this 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, continue Student Loan Deductions (for whatever year)

- Enter '✓' in Box J of the form P11.
- Start making Student Loan Deductions, if appropriate, from the first pay day. See Part 8 of this Helpbook.

Step 7 Fill in Part 3 of the form P45

- Start at item 8 of the P45
 - Item 8 - enter your PAYE reference (now known as Employer's PAYE reference)
 - Item 10 - only tick this box if you use works/payroll numbers and want that information to appear on any tax code notifications
 - Item 12 - enter the code you are using if it is not the same as the one shown on the P45
 - Item 13 - enter the figure of tax due if it is not the same as the amount shown at item 7 of the P45.

- Send **Part 3** to your HM Revenue & Customs office that deals with you as an employer **immediately** after you have completed the above actions.
- Keep **Part 2** of the P45 for **at least three years** after the end of the tax year it is for.

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

A new employee doesn't give you a form P45

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

You can send forms P46 to us online using the Internet. For more information go to www.hmrc.gov.uk/efiling/payee/payee_software_forms.htm

You can also use the interactive form P46 or print blank copies from the 'Forms and Helpbooks' section of your Employer CD-ROM.

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 advice on page 24 of this Helpbook 'Taking on a new employee - for one week or less.'

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

- Ask your employee to contact their previous employer to get a P45 if they have worked in the UK in the current tax year, *unless a P45 has already been given to the employee, who has then lost it.*
- Give your employee a form P46 and ask them to complete Section one. Your employee **must** complete and return this form to you in time for their first payday.

Example of a completed form P46

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

Section one To be completed by the employee
Please complete section one and then hand back the form to your present employer. If you later receive a form P45 from your previous employer, please hand it to your present employer.

Your details Please use capitals

National Insurance number
This is very important in getting your tax and benefits right.
A B 12 34 56 C

Date of birth
08 08 1955

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

Address
Postcode
W11 6PD

House or flat number
25

Rest of address including house name or flat name
SAVILLE STREET
LONDON

First or given name(s)
ROBERT
IAN

Are you male or female?
 Male Female

Your present circumstances
Please read all the following statements carefully and tick the one that applies to you.

A - This is my first job since last 6 April and I have not been receiving taxable Jobseeker's 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 or 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
If you left a course of Higher Education before last 6 April and received your first Student Loan instalment on or after 1 September 1998 and you have not fully repaid your student loan, tick box D. (If you are required to repay your Student Loan through your bank or building society account do not tick box D.) D

Signature and date
I can confirm that this information is correct

Signature
Date
05 06 2006

P46(2006) Page 1 HMRC 11/05

Filling in form P46

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

Section one - to be completed by the employee.

There are four parts to Section one and your employee should be asked to complete each part as appropriate.

YOUR DETAILS Your employee **must** provide their personal details. If your employee does not know their NI number, follow the guidance under 'Tracing National Insurance numbers' on page 24 of this Helpbook. You can send in a P46 without a NI number if you have followed the steps on page 24

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

STUDENT LOAN Your employee **must** read the Section and tick box D if it applies.

SIGNATURE AND DATE Your employee **must** sign and date Section 1 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 details, including your PAYE reference. You can find your PAYE reference on correspondence from your HMRC office and on your yellow P30 Paying-in booklet.

In the **TAX CODE USED** section you should

- Tick the box A, B or C in line with the box your employee ticked
- Refer to the table on page 23 to find out what tax code to use if you are unsure
- Write the tax code you have used in the **Tax code used** box

Section two To be completed by the employer
Guidance on how to complete this form, including what to do if your employee has not entered their National Insurance number on page 1, is in your Employer Helpbook E13 Day to day payroll and at www.hmrc.gov.uk/employers/working_out.htm#part4

Employee's details Please use capitals

Date employment started
05 06 2006

Works/payroll number and Department or branch (if any)
1592

Job title
FITTER

Employee's details Please use capitals

Employer's PAYE reference
131/V30

Address
Postcode
W11 6PD

Employer's name
VFM LTD

Building number
36

Rest of address
SOHO GARDENS
LONDON

Tax code used
If you do not know the tax code to use or the current tax threshold, please go to www.hmrc.gov.uk/employers/rates_and_limits.htm

Box A ticked
Emergency code on a cumulative basis A

Box B ticked
Emergency code on a non-cumulative Week 1/Month 1 basis B

Box C ticked
Code BR C

Tax code used
BR

Please send this form to your HM Revenue & Customs office on the first pay day. However, if the employee has ticked box A or box B and their earnings are below the tax threshold, do not send the form until their earnings exceed the tax threshold.

Page 2

Exceptionally, if your employee has not completed the form P46 in time for their first pay day please refer to the table below to find out which tax code to use. Prepare a form P11 when you first pay the employee.

On the form P46	Tax code to use
Box A ticked	*Emergency code on a cumulative basis
Box B ticked	*Emergency code on week 1/month 1 basis
Box C ticked	BR code on a cumulative basis
No box ticked	BR code on a cumulative basis
Form not signed	BR code on a cumulative basis

*Use the emergency tax code shown in the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07*.

On receipt of the completed form P46 from your employee you must complete Section two and continue in accordance with the instructions given below.

What to do with the completed and signed 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 Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07* on your Employer CD-ROM)

- 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 on this page.

2. Employee ticked box A or B and earnings in the week or month are equal to or less than the tax threshold but equal to or more than the NICs Lower Earnings Limit (see the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07* on your Employer CD-ROM)

- note the employee's address
- prepare a form P11
- enter NI in the 'Tax Code' box K
- 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
- fill in columns 1a and 1b
- keep form P46 for future use.

If the rate of pay increases at a later date to more than the tax threshold

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

Use the existing form P11 and take all the payments into account if you deduct tax on a cumulative basis.

3. Employee ticked box A and earnings in the week or month are more than the tax threshold (see the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07* on your Employer CD-ROM)

- prepare a form P11 if one not already prepared
- 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 not sure which NI Table Letter to use
- send the P46 to your HM Revenue & Customs office on your employee's first pay day.

4. Employee ticked box B and earnings in the week or month are more than the tax threshold (see the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07* on your Employer CD-ROM)

- prepare a form P11 if one not already prepared
- 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 NI Table Letter to use
- send the P46 to your HM Revenue & Customs office on your employee's first pay day.

5. 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 NI Table Letter to use
- send the P46 to your HM Revenue & Customs office on your employee's first pay day.

6. Employee ticked box D

- start making Student Loan deductions from the next pay day using the calculator on your CD-ROM or the SL3, *Student Loan Deduction Tables*, also on your CD-ROM.

Preparing a form P11

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

Employee gives you a form P45 after the first pay day

If an employee gives you a P45 after the first pay day and you have already received the employee's code from your HM Revenue & Customs office, destroy the P45. In all other circumstances follow steps 1 to 7 of the section headed 'A new employee gives you a form P45' starting on page 19.

On the next pay day, 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.

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, **but if you are a farmer** first see the CWG2, *Employer Further Guide to PAYE and NICs*, under 'Farmers'.

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

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

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

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

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

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

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

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

* Details of the PAYE threshold and National Insurance Lower Earnings Limit are included in the Employer Helpbook E12, *PAYE and NICs rates and limits for 2006-07*, on your Employer's CD-ROM. If you are reading this section after the end of April 2006, see the revised version on your CD-ROM Budget Pack Edition.

Tracing National Insurance numbers

If the employee can't remember or can't find their NI number

- check any documentation you may have for the employee 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 and first name(s) – address, date of birth, gender, and
- if you have to send a form P46 to your HM Revenue & Customs office, take no further action as they will automatically trace the employee's NI number and tell you what it is. If the NI number cannot be traced, your HM Revenue & Customs office will ask the HM Revenue & Customs National Insurance Contributions Office to carry out a clerical trace, which may involve writing to your employee.

If the NI number is traced, the HM Revenue & Customs National Insurance Contributions Office will confirm to you what it is on form P46-5, and confirm to your employee what it is on form P217.

If the NI number cannot be traced, see **Employee with no NI number**.

If you do not have to send form P46, you can ask your HM Revenue & Customs office to trace a NI number or, use the National Insurance number tracing service.

To use the National Insurance number tracing service you can either fill in form CA6855, which you can get from

- www.hmrc.gov.uk/forms/ca6855.pdf
- your Employer CD-ROM
- the Employer Orderline on **0845 7 646 646**

or prepare your own schedule.

Preparing your own schedule to trace NI numbers

This should clearly set out the information in the following order

- 1 Employee's title
- 2 Surname
- 3 First name(s)
- 4 Address
- 5 Date of birth
- 6 Gender
- 7 Works/payroll number
- 8 Date employment started
- 9 Date employment ended (if applicable)
- 10 Employer's PAYE reference.

If you require this information to be sent 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
National Insurance Contributions Office
Additional Business Workstream
Room BP1 102
Benton Park View
Newcastle Upon Tyne
NE98 1ZZ

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

They will return form CA6855 or the schedule, showing the correct National Insurance number for each employee, or indicate where an NI number cannot be traced (see **Employee with no NI number**).

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 the National Insurance Contributions Office is 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 their nearest Jobcentre Plus office (Jobcentre Plus is part of the Department for Work and Pensions).

Your employee must arrange an interview with the Jobcentre Plus office in order to complete an application form to be issued with a NI number. They will be told what evidence to take with them to the interview, to establish their identity.

After the interview they should make sure they are given the front page of their application form, CA5400, *Your National Insurance Number*. This front page confirms that they have applied for a NI number and provides a reference number in case they need to get back in touch with the Department before they receive their NI number card.

For certain types of employment, the Department for Work and Pensions will offer a 'fastpath' route for registering the employee with a NI number. Which employers and employment are suitable will depend on many things, including the employer's recruitment process. For more information go to the Department for Work and Pensions website www.dwp.gov.uk

Part 5 What to do when an employee leaves

Which forms you have to complete

Form P11

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

Form P45

Form P45 is available to send online. For more information go to www.hmrc.gov.uk/efiling/payee/payee_software_forms.htm

- Fill in a form P45
 - even if the employee says they will not be working when they leave you
 - for any employee leaving for whom you have completed a form P11, **unless you have used the P11 to record only NICs**

- When filling in a form P45 make sure you use a four-part version, use CAPITALS and make sure all parts are legible.
- If you have been told to make Student Loan Deductions enter a 'Y' in Box 5 'Continue Student Loan Deductions' of the form P45. However, if you have received a Stop notification for this employee **do not** enter 'Y' in the box.
- Give Parts 1A, 2 and 3 of form P45 to your employee when they leave.
- Send Part 1 to your HM Revenue & Customs office **immediately**.

Example of a completed form P45

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

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

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

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

You must enter the employee's address if known.

Inland Revenue		Details of employee leaving work Copy for Inland Revenue office		P45 Part 1
1 PAYE Reference	Office number	Reference number		
	131	V30		
2 Employee's National Insurance number	AB 12 34 56 C			
3 Surname (in CAPITALS)	JOHNSON			
First name(s) (in CAPITALS)	PETER ANDREW			
4 Leaving date (in figures)	Day	Month	Year	5 Continue Student Loan Deductions(Y)
	12	5	2006	
6 Tax Code at leaving date. If Week 1 or Month 1 basis applies, write 'X' in the box marked Week 1 or Month 1	462L			
7 Last entries on Deductions Working Sheet (P11). Complete only if Tax Code is cumulative. Make no entry here if Week 1 or Month 1 basis applies. Go to item 8.	Week or month number	6		
	Total pay to date	£ 1765, 50 p		
	Total tax to date	£ 241, 88 p		
8 This employment pay and tax. No entry is needed if Tax Code is cumulative and amounts are the same as item 7 entry.	Total pay in this employment	£ , p		
	Total tax in this employment	£ , p		
9 Works number/ Payroll number	1603		10 Department or branch, if any	
11 Employee's private address and Postcode	16 BARCLAY STREET LONDON SE17 6PB			
12 I certify that the details entered above in items 1 to 10 are correct.	Employer's name, address and Postcode			
	VFM LTD, 36 SOHO GARDENS LONDON W1V 4LD			
	Date			
	12/5/2006			
To the employer		Please complete with care ★		
<ul style="list-style-type: none"> • Complete this form following the instructions in the Employer's Help Book, 'Day-to-day payroll, E13'. ★ Make sure the details are clear on all four parts of this form. Make sure your name and address is shown on Parts 1 and 1A. • Detach Part 1 and send it to your P45 		<ul style="list-style-type: none"> • Inland Revenue office immediately. • Hand Parts 1A, 2 and 3 (unseparated) to your employee when he or she leaves. • If the employee has died, write 'D' in this box and send all four parts of this form (unseparated) to your Inland Revenue office immediately. 		

Enter your PAYE Reference (now known as Employer PAYE reference). You must enter the **employee's** NI number if known.

Enter the **last tax code** shown on **form P11**.

The totals at item 8 are the amounts of employee's pay and tax deducted for your employment in the current year.

If the 'Total tax in this employment' figure is nil, enter £0.00 in this box. Do not enter any refund made.

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

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

Other points to note

Employee pays reduced rate NICs

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

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

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

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

Employee receiving SSP and still sick

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

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

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

For further information see the Employer Helpbook E14, *What to do if your employee is sick*.

Employee receiving SMP

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

For further information see the Employer Helpbook E15, *Pay and time off work for parents*.

Employee receiving SPP

If you have already started paying SPP and your employee leaves you must carry on paying for the two weeks they are entitled to. Record the SPP in column 1h and include it in column 2 on the P11.

For further information see the Employer Helpbook E15, *Pay and time off work for parents* if your employee is entitled to SPP because a baby was born. See the Employer Helpbook E16, *Pay and time off work for adoptive parents* if your employee is entitled to SPP because a child is being adopted.

Employee entitled to or receiving SAP

Your liability to pay SAP does not end when your employee leaves. You must pay them the SAP, and record it in column 1i and include it in column 2 on the P11.

For further information see the Employer Helpbook E16, *Pay and time off work for adoptive parents*.

Form P45 lost or incorrect

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

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

Payment to a former employee

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

When you no longer have employees

Tell your HM Revenue & Customs office when

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

If yours is a limited company and you no longer have employees, the HM Revenue & Customs office will ask for special information before deciding whether or not to cancel your PAYE scheme.

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

If your employee's tax code changes during the tax year your HM Revenue & Customs office will send you a form P6. Form P6 is available to be received online. For more information go to www.hmrc.gov.uk/payrollsoftware

Inland Revenue

Employer's PAYE reference
131/V30
Please use this reference if you write or call. It will help to avoid delay.

Issued by
HM Revenue & Customs
Minster
Government Buildings
High Street
Minster

VFM Ltd
36 Soho Gardens
London
W1V 4LD

Here is a notice of your employee's tax code (or amended code) and previous pay and tax. You should use this tax code for the tax year shown below.

Employee's name: JONES MR B

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

Works or payroll number: 1624

Tax code: 510L
Please use this tax code from the next pay day

for the year to 5 April: 2007

Please read the notes on the back of this form.

Previous pay and tax		Previous pay	Previous tax
£	1788	00	£ 234 62

P6 BS1/04

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

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

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

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

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

pay day you use it.

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

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

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

On the first pay day

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

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

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

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

For pay days after the first pay day

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

Part 7 Changes that may affect an employee's NICs

During 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 NI tables will also help you to identify which contribution Table letter and set of tables you should use.

Main changes

The main changes that may happen are an employee

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

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

An employee reaches age 16

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

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

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

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

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

An employee legally changes their recorded gender

The Gender Recognition Act 2004, which came into effect from 4 April 2005, 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 further information see CWG2, *Employer Further Guide to PAYE and NICs*, Chapter 1.

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

Prior to 1977 some married women or widows were able to choose to pay NICs at a lower rate. Provided they applied prior to 1977 they may still be able to pay at the reduced rate. The authority for them to do so is given by the HM Revenue & Customs National Insurance Contributions Office in the form of a 'certificate of election'. This will be form CA4139(CF383) or CF380A. If your employee says that they pay the reduced rate they must give you a valid certificate of election.

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

Your employee wishes to pay full rate

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

Divorce

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

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

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

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

An employee joins or leaves your pension scheme

Occupational pension schemes which satisfy certain legal requirements can contract-out of the State Second Pension. There are three methods of contracting-out of State Second Pension.

- Contracted-out Salary Related (COSR) scheme
- Contracted-out Money Purchase (COMP) scheme
- Contracted-out Money Purchase Stakeholder Pension (COMPSP) 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 at the appropriate contracted-out rate.

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

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

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

For further information see CWG2, *Employer's 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 you should only deduct NICs at 1% 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 the HM Revenue & Customs National Insurance Contributions Office for permission to defer paying some of the NICs in their other jobs.

The HM Revenue & Customs National Insurance Contributions Office will send you form CA2700 if it agrees 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 1% on all earnings you pay to the employee that exceed the ET, 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 further information see CWG2, *Employer Further Guide to PAYE and NICs*, under 'deferment of payment of employee's contributions'.

An employee has more than one job with the same employer

There are special rules about calculating NICs in these circumstances. For further information see CWG2, *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 booklet CA44, *National Insurance for Company Directors*, which you can get from the Employer Orderline on **0845 7 646 646** or from your Employer CD-ROM.

An employee goes abroad to work

If you have an employee who goes abroad to work, see the booklet CWG2, *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 (60 for women, 65 for men) they no longer have to pay NICs.

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

Before you stop deducting employee NICs from the employee's wages, you must see some proof of their date of birth, for example a passport or birth certificate, to show that they have reached State Pension age. It would be helpful if you keep a record of the proof you have seen. Alternatively, they can provide you with one of the following certificates of age exception – CA140 or CF384.

If you stop deducting employees' contributions before you have seen proof, or continue to pay employer contributions at the contracted-out rate, you are responsible for any underpayment.

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

An employee dies

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

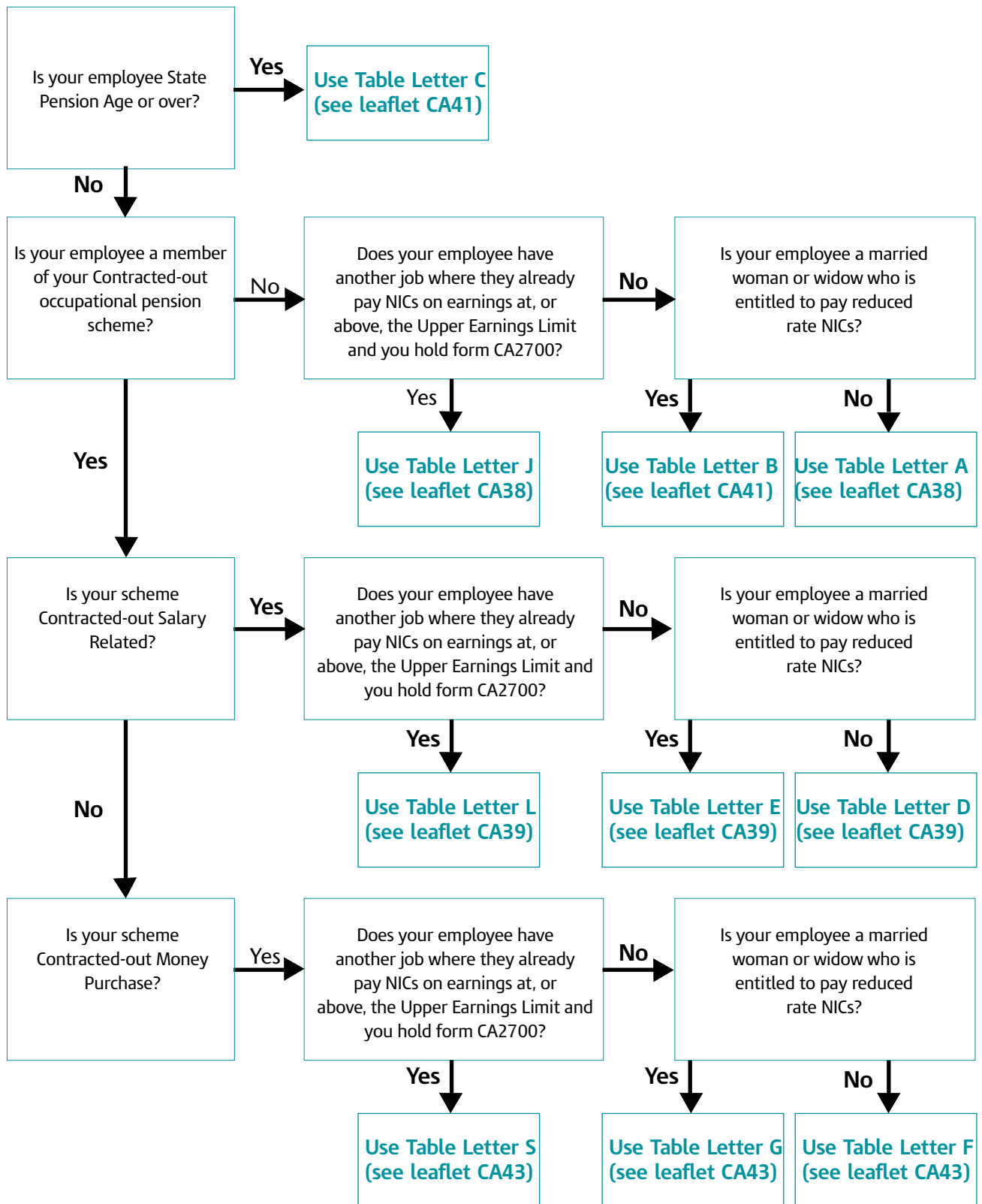
For further information see CWG2, *Employer Further Guide to PAYE and NICs*, under 'Death of employee'.

Which National Insurance Tables to use

You must use the correct Tables in calculating the NICs due on your employee's earnings

Check you are using the Tables for 2006-07.

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



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

Important - please note:

NIC Tables are updated every Tax Year. These are available on your Employer CD-ROM or can be requested from the Employer Orderline on **0845 7 646 646**.

Check you are using the Tables for 2006-07.

You must use the correct Tables when calculating the NICs due on your employee's earnings.

Recalculating NICs following changes

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

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

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

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

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

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

If you are recalculating NICs from a **previous date within the same tax year**, amend the form P11 by

- drawing a line through each of the entries that you are adjusting so that the original entry can still be read
- recording the right amounts alongside
- entering the amended totals of columns 1a to 1e up to the date of change in the boxes next to the entry for the original contribution Table letter in the 'End of Year Summary' section on page 2 of the P11
- entering the new contribution Table letter on the next line of the 'End of Year Summary' section.

If as a result of the change NICs have been overpaid, refund the difference to the employee.

If you adjust the NICs and find that the employee has underpaid NICs, you can recover the arrears by making extra deductions from your employee's earnings for the remainder of the tax year. The extra deductions can only be

- to recover NICs due on the current tax year, and
- as much as the contributions due on later earnings.

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

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

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

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

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

- and you have not yet sent in your *Employer's Annual Return* and final payment to your Accounts Office, make a refund of the difference to the employee and adjust your final payment, or
- if you have sent in your *Employer's Annual Return* and final payment, you must apply to HM Revenue & Customs National Insurance Contributions Office for a refund of employer contributions. A refund of employee contributions will be made to your employee(s) automatically.

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

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

For further help on what to do if a mistake is discovered during the tax year or after the tax year has ended (including errors made in good faith) see CWG2, *Employer Further Guide to PAYE and NICs*, under 'Mistakes in amount of NICs or PAYE'.

Part 8 Student Loan Deductions

We are responsible for collecting repayments of 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 '✓' in Box J, headed 'Student Loan Deductions case' on the employee's form P11
- keep the form SL1 in your wages records
- use the calculator on your Employer CD-ROM or the SL3, *Student Loan Deduction Tables*, to work out how much the Student Loan Deduction will be from the first pay day after the start date shown on the Start notification.

You can view and print off a copy of the SL3, *Student Loan Deduction Tables* from your Employer CD-ROM or order one from the Employer Orderline on **0845 7 646 646**.

New employee, forms P45 and P46

If a new employee gives you a form P45 and there is a 'Y' in box 5, the 'Continue Student Loan Deductions' box, or if the employee completes a form P46 and there is a '✓' in box D, **STUDENT LOANS**

- use the Collection of Student Loans Calculator on your Employer CD-ROM or the Student Loan Deduction Tables, also on your Employer CD-ROM, to start making Student Loan Deductions
- enter a '✓' in box J, 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 booklet Employer Helpbook E17, *Collection of Student Loans* before making Student Loan Deductions.

You can view and print off a copy of the guide from your Employer CD-ROM or order one from the Employer Orderline on **0845 7 646 646**.

Working out pay for Student Loan Deduction purposes

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

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

At the end of each pay period

Each pay day

- work out the employee's gross pay for Student Loan Deduction purposes
- use the SL3, *Student Loan Deduction Tables* or the calculator on your Employer CD-ROM, to work out the amount of Student Loan Deductions
- enter the amount of the Student Loan Deduction on the employee's P11 in column 1j at the appropriate week or month.

At the end of each tax month or quarter

See page 15 of this Helpbook.

Stop notification

When you receive a Stop notification from us

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

Where to get further help and advice

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

You can view and print off a copy of the guide from your Employer CD-ROM or order one from the Employer Orderline on **0845 7 646 646**.

There is a step-by-step teach yourself Student Loan Deductions package on your Employer CD-ROM.

