

Day-to-day payroll in real time

Help and guidance

Help and guidance is available from the following sources.

Real Time Information (RTI)

HMRC introduced Real Time Information (RTI) in April 2013. Employers and pension providers send PAYE information to HMRC online when they pay their employees, instead of yearly. For more information go to www.hmrc.gov.uk/rti/index.htm

The internet

For help with payroll go to www.hmrc.gov.uk/payerti/index.htm

For wider interactive business help go to www.gov.uk/starting-up-a-business

We offer free online presentations (webinars) covering a range of payroll topics. For more information go to www.hmrc.gov.uk/webinars/index.htm

Any page printed from the online version of this helpbook is uncontrolled and may not be the latest version. We recommend that you always check you are referring to the latest online version.

Online services

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

For more help contact the Online Services Helpdesk by:

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

Basic PAYE Tools

The Basic PAYE Tools is software that you download onto your computer. It will help you run your payroll throughout the year. It is designed for employers who have nine or fewer employees, and has been updated so that you can use it to calculate payroll deductions and then report payroll information online in real time. Basic PAYE Tools will:

- record your employees' details
- work out and record your employee's pay, tax, NICs and any Student Loan deductions every payday
- generate the payroll data that you need to send to HMRC in real time, including starter and leaver information
- produce an Employer payment record that works out how much you need to pay HMRC
- contain calculators to help you to work out statutory payments such as Statutory Sick Pay and Statutory Maternity Pay.

Current users of HMRC's Basic PAYE Tools for 'traditional' PAYE should follow the special guidance set out at www.hmrc.gov.uk/BPT2013

Other customers can find further information and download the Basic PAYE Tools for real time reporting from www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

Employer helplines

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

Employer helpbooks and forms

Helpbooks and forms are available to download.

Go to www.hmrc.gov.uk/payerti/forms-updates/forms-publications.htm

Yr Iaith Gymraeg

I lawrlwytho ffurflenni a llyfrynnau cymorth Cymraeg, ewch i www.hmrc.gov.uk/cymraeg/ffurflenniathafenni_defnyddiol.htm#2 a dilyn y cysylltiad i Becyn y Cyflogwr. Os, yn eithriadol, nad oes gennych gysylltiad i'r rhyngrwyd, cysylltwch â'r Ganolfan Gyswllt Cymraeg ar 0300 200 1900.

Forms and guidance in Braille, large print and audio

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

Business Education and Support Team

We have a wide range of free educational products to help and support businesses.

For more information go to www.hmrc.gov.uk/startingup/index.htm or phone 0845 603 2691.

Employer Bulletin online

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

Employer email alerts

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

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

To register, go to www.hmrc.gov.uk/payerti/forms-updates/forms-publications/register.htm

HM Revenue & Customs (HMRC)

If you have a query about your PAYE scheme:

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

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

Your rights and obligations

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

Contents

Introduction	6
Part 1 – When you need to register as an employer	8
Part 2 – When must I set up payroll records? (Formerly forms P11)	9
Part 3 – Working out PAYE	11
Tax codes and how to use them	11
Calculating tax	11
Pay Adjustment Tables, Tables A	11
Taxable Pay Tables, Calculator Method	12
Taxable Pay Tables, Manual Method	12
When to use a code on a week 1/month 1 basis	12
How to use a code on a week 1/month 1 basis	12
Calculating the total pay adjustment to date	13
Examples	14
Unusual circumstances	14
Part 4 – Working out National Insurance contributions (NICs)	15
How Class 1 NICs are made up	15
How to work out NICs	15
Calculating NICs	16
NICs Tables	16
Part 5 – Sending payroll information to HMRC	22
When to check your payroll records match with HMRC's (payroll alignment)	22
Payroll summaries you need to report to HMRC	22
What payroll information to report	23
When to report your payroll information	23
How to report your payroll information	24
Correcting payroll errors	24
Earlier Year Update (EYU)	24
Part 6 – Making payments to HMRC	25
When to make payment	25
How the payments are calculated	25
How to make a payment to HMRC	29
How to apply for funding for tax refunds and statutory payments	30
Payments during a trade dispute	31
Example of payslip P30B	31
Part 7 – Taking on a new employee – first steps	32
Who counts as an employee?	32
Avoiding employing someone illegally	32
National Insurance numbers	32
A new employee gives you a form P45	33
Employee doesn't have a form P45	37
If your employee gives you a form P45 after your first FPS for them	39
Existing employee gives you a form P45	39
Taking on temporary or casual workers	39
Pension and annuity payments and PAYE	39
Check an employee's National Insurance number	41
Part 8 – What you have to do when an employee leaves	42
Example of a completed form P45	44
Other points to note	45

Part 9 – Employee’s tax code changes in the tax year	46
Part 10 – Changes that may affect an employee’s NICs	48
An employee reaches age 16	48
An employee legally changes their recorded gender	48
Female employees entitled to reduced rate NICs	48
An employee joins or leaves your pension scheme	49
An employee has more than one job	49
An employee becomes a director of your company	50
An employee goes abroad to work	50
An employee reaches State Pension age	50
An employee dies	51
Collecting an underpayment from or refunding NICs to your employee	53
Part 11 – Student Loan deductions	55
Working out and paying over student loan deductions	55
When to start making student loan deductions	55
How to make student loan deductions	55
When to stop making student loan deductions	56
Where to get more help and advice	56

Introduction

From 6 April 2013 employers will have to start reporting Pay As You Earn (PAYE) information in real time. You may see this referred to as Real Time Information – or RTI.

Unless HM Revenue & Customs (HMRC) has notified you otherwise, changing to PAYE in real time is mandatory. Each time you pay an employee after 6 April 2013 you must submit details about employee's pay and deductions to HMRC using payroll software.

Only a very small number of employers are exempt from the requirement to report their payroll information online and in real time.

Even if you are exempt (see below) you can still choose to file online. This would mean you filing your information in real time. Many exempt employers already do so because of the greater speed and convenience it offers.

Who is exempt from online filing?

The following groups have the option of sending their payroll submissions to HMRC either online or on paper. If, after reading this information, you believe you may be exempt from reporting your payroll information online and wish to file on paper, then you need to write to HMRC with full details for your application to be considered. Details of how to contact HMRC, including the address to write to, can be found on the Help and guidance pages.

Religious grounds

Practising members of religious societies or orders whose beliefs are incompatible with the use of electronic methods of communication are exempt from online filing requirements.

Provision of care or support services at or from the home

For those employing someone providing care or support services at or from their home, the following conditions must be met:

- the care or support services must be provided to the employer or a member of their family
- the recipient of the services must have a physical or mental disability, or be elderly or infirm
- the employer cannot have received a tax-free payment in respect of online filing in the preceding three years
- the employer must be filing their return themselves, not having someone else (such as a relative or accountant) file it on their behalf.

If you are in either category and want to file your starter/leaver/pension information on paper, you must write to the HMRC National Insurance Contributions & Employer Office (you can find the address on page 3) to tell them why you think you should be exempt from filing online. If HMRC agrees that you are exempt from filing online, they will update their records so that you will avoid a penalty notice for not filing your payroll information online.

If you currently file your returns on paper and operate the 'Simplified Deduction Scheme' you can tell HMRC that you want to continue to report on paper. This only applies if you employ someone to provide care or support services at or from your home and complete 'Care and Support employers: Employer declaration', form RTI 15, you received in the post. For more information go to www.hmrc.gov.uk/payerti/getting-started/domestic-employees.htm

Online filing – benefits and getting started

Online filing is faster, easier, more secure and more reliable than filing using paper forms. You can also use the online service to view details of your payments and other information for example, interest and penalties. So even if you're one of the few employers with the option to continue filing on paper, we still recommend that you move to online filing.

Software packages and other payroll options

You will have to send your information to HMRC in real time. You will need to do this by using either an RTI-enabled payroll software package (some of which can be downloaded for free) or the Basic PAYE Tools which can be downloaded from HMRC's website.

For more information go to

www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

Topics covered in this helpbook

The guidance in this helpbook will help you to:

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

* Some of the guidance and examples in this helpbook are for information only – as your payroll software will carry out many of the calculations automatically.

If your employee:

- is sick, see the E14(2013) *Employer Helpbook for Statutory Sick Pay*
- tells you they or their wife or partner are pregnant, see the E15(2013) *Employer Helpbook for Statutory Maternity Pay*
- tells you that they, or their spouse or partner, are adopting a child, see the E16(2013) *Employer Helpbook for Statutory Adoption Pay*
- tells you that their wife or partner is pregnant or that their spouse or partner are adopting a child, see the E19(2013) *Employer Helpbook for Ordinary and Additional Statutory Paternity Pay*.

If your employee asks you about Payroll Giving:

- phone the Charities Helpline on 0845 302 0203
- go to www.hmrc.gov.uk/payerti/payroll/pay-and-deductions/payroll-giving.htm
- see the CWG2(2013) *Employer Further Guide to PAYE and NICs*.

Regional Employer NICs Holiday for New Businesses

If you set up a new business on or after 22 June 2010 and no later than 5 September 2013 you can find information about the Regional Employer NICs Holiday online, go to www.hmrc.gov.uk/payerti/getting-started/nics-holiday/index.htm

Part 1 - When you need to register as an employer

If you employ someone – even if it's only yourself – you'll usually need to register as an employer with HMRC. Most new employers can register online, but some will need to register by email, by phone, or with an HMRC office.

As soon as you first employ someone, you will need to register as an employer with HMRC if any of the following is true:

- You're paying them at or above the PAYE threshold
- You're paying them at or above the National Insurance Lower Earnings Limit
- The employee already has another job
- They are receiving a state, company or occupational pension
- You're providing them with employee benefits.

You might need to register as an employer even if you're the only person working in your business. So if any of the conditions above apply to you as an employee, you'll need to register – you'll be both the employer and employee.

If you do need to register as an employer – you will need to report the payment details of all employees you pay, no matter how much you pay them – even those earning below the Lower Earnings Limit (LEL), or those paid just once a year.

For more guidance on when and how to register as an employer go to www.hmrc.gov.uk/payerti/getting-started/register.htm

Part 2 - When must I set up payroll records? (Formerly forms P11)

You must set up payroll records for each of your employees. You need to keep these records up-to-date with any changes to tax codes, Income Tax and National Insurance contributions (NICs) rates. HMRC will tell you about any changes you need to make.

You must set up payroll records for all employees you pay during the tax year. Your records must include employees for whom you don't operate PAYE, that is, those earning below £109 per week (NICs Lower Earnings Limit) in 2013–14. Payroll records for these employees are needed for income-related benefits and credits.

You must use payroll software to set up and maintain payroll records, because you need to report your payroll information to HMRC electronically.

You can use either commercial payroll software (some of which is free) or HMRC's Basic PAYE tools to store your employee records and to calculate payments and deductions. For more information on payroll options and software packages go to

www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

Employees earning under the LEL

If you have any employees where deductions of PAYE tax and NICs are required to be reported on an Full Payment Submission (FPS) you must also report the details of all employees you pay, regardless of how much you pay them. This includes those earning under the Lower Earnings Level (LEL). However you do not have to include employees under the age of 16, unless their earnings exceed their personal tax allowance.

If you have not already registered as an Employer with HMRC you must do so. Go to www.hmrc.gov.uk/payerti/getting-started/register.htm

What information to submit in the first FPS

For the employees that are paid under the LEL you must report the same information required for the employee that is paid at or above the LEL.

Go to www.hmrc.gov.uk/payerti/reporting/what-to-report.htm#2

You must report every employee as a new starter and complete the starter declaration even if your employee has been working with you for a number of years. If your employee started work with you prior to 6 April of the current tax year you should report the Starting Date as 6 April.

If the employee started work for you after the 6 April of the current tax year report the date they started work for you. For more information go to www.hmrc.gov.uk/payerti/employee-starting/new-emp-info.htm#1

If you employ someone part way through a tax year where PAYE tax and NICs is payable or an existing employee's pay increases where deductions are now due, you must report all the year-to-date figures for all employees from the beginning of the tax year to the time the first FPS is reported irrespective of their pay.

Tax Codes to report

If the employee has previously completed form P46 or completes the Starter Checklist and declares:

Statement A – This is my first job since last 6 April – use tax code 944L.

Statement B – This is now my only job but since last 6 April I have had another job – use tax code 944L on a week 1/Month 1 basis.

If a P45 that includes the employee's date of leaving after the last 6 April use the tax code on the P45.

If none of these apply please refer to the guidance at www.hmrc.gov.uk/payerti/employee-starting/new-emp-info.htm

Employee who earns at or above the LEL leaves

If there is no PAYE tax or NICs deductions for your remaining employees and you do not require the PAYE scheme to remain open to be able to submit forms P11D *Expenses & Benefits* or recover CIS deductions suffered, you have the option of closing your PAYE scheme.

If you wish to close your scheme you must advise HMRC by entering the indicators – this is the 'Final submission because scheme ceased' and the 'Date scheme ceased' on either an FPS or Employer Payment Summary (EPS).

If you wish the PAYE scheme to remain open you must continue to report details of all payments made to your employees on an FPS regardless of how much you pay them. For more guidance go to www.hmrc.gov.uk/payerti

Part 3 - Working out PAYE

Tax codes and how to use them

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

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

Codes issued by HMRC

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

- a code of one or more numbers followed by the letter L, P, T, or Y, for example, 345L, 456Y, 567P, 0T. This is known as a suffix code. The letter shows how the code should be adjusted to take account of any Budget changes
- a code starting with either the letter
 - D followed by a number, for example D0; this is known as a D code and means that the whole of the employee's pay should be taxed at the higher rate, or
 - K followed by one to four numbers, for example, K123; this is known as a K code and enables additional tax (for benefits for example) to be deducted from the employee's pay
- a code which is letters only, BR or NT
 - BR means that tax will be deducted at the basic rate with no tax-free allowances
 - NT means that no tax is to be deducted.

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

Calculating tax

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

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

Pay Adjustment Tables, Tables A

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

The 'Total pay adjustment to date' figure represents:

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

To use the tables you need to know the:

- employee's tax code, and
- tax week/month number covering the date of payment, see the charts on pages 36 and 37.

Taxable Pay Tables, Calculator Method

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

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

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

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

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

To calculate the PAYE tax deductions at the:

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

Taxable Pay Tables, Manual Method

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

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

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

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

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

- we add a week 1/month 1 marking to any code we tell you to use
- you have a new employee and there is a week 1/month 1 tax code on their P45
- you have a new employee and the instructions on page 35 of this helpbook tell you to use the emergency code on a week 1/month 1 basis
- a weekly payday falls on 5 April or, in a leap year, on 4 or 5 April. If this occurs, see the CWG2(2013) *Employer Further Guide to PAYE and NICs*, under 'Week 53 payments'.

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

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

- Treat each payment you make to the employee separately, you should ignore their previous pay and tax details.
- Regardless of when the pay date is, turn to the page in the tables for week 1/month 1 to work out the employee's 'Pay adjustment to date' figure.

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 pages 36 and 37 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 charts show the week number is 35, the month number is 8.

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

Examples

Employee's code is 500 or less

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

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

Week 35 – code 320

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

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

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

Week 35 – code 1567

1. Code 1567 is split into three units of 500 and a leftover balance of 67.
2. The 'Total pay adjustment to date' figure at week 35 for a leftover balance figure of 67 is **£457.10**.
3. The 'Total pay adjustment to date' figure for three units of 500 at week 35 is $3 \times £3,365.60 =$ **£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 over 501 and divides exactly by 500

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

Week 35 – code 1500

1. Code 1500 is split into two units of 500 with one unit of 500 left over.
2. The 'Total pay adjustment to date' figure at week 35 for the leftover unit of 500 is **£3,371.55**.
3. The 'Total pay adjustment to date' figure for two units of 500 at week 35 is $2 \times £3,365.60 =$ **£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**.

Unusual circumstances

The CWG2(2013) *Employer Further Guide to PAYE and NICs*, under 'pay intervals', gives information about what you should do if:

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

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

Part 4 - Working out National Insurance contributions (NICs)

How Class 1 NICs are made up

Class 1 NICs are made up of two elements:

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

Employee's contribution

An employee's contribution is payable if the employee:

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

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

For exceptions to this rule see pages 48 to 51 in this helpbook.

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

State Pension age for women who were born on or after 6 April 1950 will gradually increase from 60 to 65 between 2010 and 2018.

For more information see page 50 of this helpbook or go to www.gov.uk/calculate-state-pension

Employer's contribution

An employer's contribution is payable if the employee:

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

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

How to work out NICs

To work out NICs you must first decide:

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

Earnings period

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

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

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

For more information about earnings periods, see the CWG2(2013) *Employer Further Guide to PAYE and NICs*, under 'pay intervals'.

Gross pay

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

Gross pay includes such things as:

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

For more details of what should be included as gross pay, see chapter 5 of the CWG2(2013) *Employer Further Guide to PAYE and NICs*.

Contribution category letter

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

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

To identify which contribution Table letter to use, see the flowchart on page 52.

Calculating NICs

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

The same earnings limits and rates are used in both methods. You will find these either in the E12(2013) *PAYE and NICs rates and limits for 2013–14* or the NICs Tables.

Directors' NICs

There are special rules for calculating NICs for directors.

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

NICs Tables

You must use the correct NICs Tables to work out the NICs due on your employee's earnings. Use the flowchart on page 52 to check that you are using the correct tables. The NICs are worked out using whole pounds only.

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

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

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

Exact percentage method

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

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

To work out the employee's contribution

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

Employee's NICs are only payable when the employee's earnings exceed the weekly, monthly or equivalent PT, see the E12(2013) *PAYE and NICs rates and limits for 2013–14*. NICs are due on earnings between the PT and the UAP and then the UAP to the UEL at the appropriate main employee's percentage rate(s). If the employee's earnings exceed the UEL, NICs are also due at the additional employee's percentage rate(s) on all earnings above the UEL.

Earnings are above the PT but do not exceed the UAP

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

Earnings are above the UAP but do not exceed the UEL

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

Earnings exceed the UEL

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

For details of the employee's percentage rates, see the E12(2013) *PAYE and NICs rates and limits for 2013–14*.

To work out the employer's contribution

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

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

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

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

All amounts are added together when the NICs due figure is recorded on the employee's payroll record.

Examples of working out NICs using the exact percentage method

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

You will find details of the rates and limits in the E12(2013) *PAYE and NICs rates and limits for 2013–14*.

Example 1

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

The employee is paid £242.77 on 19 July 2013.

$£242.77 \text{ minus } £148 \text{ (ST)} = £94.77$

$£242.77 \text{ minus } £149 \text{ (PT)} = £93.77$

$£149 \text{ (PT) minus } £148 \text{ (ST)} = £1$

Employee's contribution

$£93.77 \times 12\% = £11.2524$ rounded to £11.25

Employer's contribution

$£1 \times 13.8\% = £0.138$ rounded to £0.14

$£93.77 \times 13.8\% = £12.94026$ rounded to £12.94

The total of employee's and employer's contributions payable is $£11.25 + £13.08 = £24.33$.

Example 2

An employee is monthly paid. NICs are payable under contribution Table letter A. £3,596.88 is paid on 26 July 2013.

Employee's contribution

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

$$£3,337 \text{ (UAP) minus } £646 \text{ (PT)} = £2,691$$

$$£2,691 \times 12\% = £322.92$$

$$£3,454 \text{ (UEL) minus } £3,337 \text{ (UAP)} = £117$$

$$£117 \times 12\% = £14.04$$

$$£3,596.88 \text{ minus } £3,454 \text{ (UEL)} = £142.88$$

$$£142.88 \times 2\% = £2.8576 \text{ rounded to } £2.86$$

$$\text{Employee's NICs} = £322.92 + £14.04 + £2.86 = £339.82.$$

Employer's contribution

$$£646 \text{ (PT) minus } £641 \text{ (ST)} = £5$$

$$£5 \times 13.8\% = £0.69$$

$$£3,337 \text{ (UAP) minus } £646 \text{ (PT)} = £2,691$$

$$£2,691 \times 13.8\% = £371.358 \text{ rounded to } £371.36$$

$$£3,454 \text{ (UEL) minus } £3,337 \text{ (UAP)} = £117$$

$$£117 \times 13.8\% = £16.146 \text{ rounded to } £16.15$$

$$£3,596.88 \text{ minus } £3,454 \text{ (UEL)} = £142.88$$

$$£142.88 \times 13.8\% = £19.71744 \text{ rounded to } £19.72$$

$$\begin{aligned} \text{Employer's NICs} = & \quad £0.69 + £371.36 + £16.15 \\ & + £19.72 = £407.92 \end{aligned}$$

The total of employee's and employer's contributions payable is
 $£339.82 + £407.92 = £747.74.$

Example 3

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

$$\text{LEL} = £109 \times 2 = £218$$

$$\text{ST} = £7,696 \div 52 = £148 \times 2 = £296 \text{ (rounded up to the next whole pound)}$$

$$\text{PT} = £7,755 \div 52 = £149.13461 \times 2 = £299 \text{ (rounded up to the next whole pound)}$$

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

$$\text{UEL} = £41,450 \div 52 = £797.11538 \times 2 = £1,595 \text{ (rounded up to the next whole pound)}$$

An employee is paid every four weeks. NICs are due under contribution Table letter A. The employee is paid £975.08 on 19 July 2013.

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

Secondary Threshold

$$£7,696 \div 52 = £148 \times 4 = £592$$

Primary Threshold

$$£7,755 \div 52 = £149.13461 \times 4 = £597$$

UEL

$$£41,450 \div 52 = £797.11538 \times 4 = £3,189$$

LEL and UAP

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

- LEL = £109 × 4 = £436
- UAP = £770 × 4 = £3,080

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

Employee's contributions

$$£975.08 \text{ minus } £597 = £378.08$$

$$£378.08 \times 12\% = £45.3696 \text{ rounded to } £45.37$$

Employer's contributions

$$£597 \text{ (PT) minus } £592 \text{ (ST)} = £5 \times 13.8\% = £0.69$$

$$£975.08 \text{ minus } £597 \text{ (PT)} = £378.08 \times 13.8\% = £52.17504 \text{ rounded to } £52.17$$

The total of employee's and employer's contributions payable is £45.37 + £52.86 = £98.23.

Contracted-out occupational pension schemes

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

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

Where the employee's National Insurance category letter is D, E, L, N or O, you must report the Scheme Contracted-out number (SCON) to HMRC as part of the Full Payment Submission (FPS).

Employee's NIC rebate

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

Employer's NIC rebate

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

Example

Employee earns £149 per week (contribution Table letter D)

Employee's NICs = Nil (earnings up to and including PT)

Employer's NICs = £1 x 10.40% = £0.10

Employee's NICs rebate = £148 - £109 = £39 x 1.4% = £0.55, Plus £1 (earnings between ST and PT) x 1.4% = £0.01

Total rebate = £0.56

Employer's NICs rebate = £148 - £109 = £39 x 3.4% = £1.33

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

The employer is entitled to the full employee rebate of £0.56, **plus** their own NIC rebate of £1.33 = £1.89.

£1.89 employer rebate offset against £0.10 employer NICs = *minus* £1.79 employer NICs.

You can find more information in the:

- CA39 National Insurance Contributions Tables
- CWG2(2013) *Employer Further Guide to PAYE and NICs* under 'occupational pension schemes'.

Part 5 - Sending payroll information to HMRC

When to check your payroll records match with HMRC's (payroll alignment)

HMRC matches your employee details with the records they hold on your employees. HMRC refers to this as payroll alignment. All existing employers operating PAYE must pass through this matching process when they change to reporting payroll information in real time.

In some instances, HMRC may ask you to submit a separate submission called an Employer Alignment Submission (EAS) before you submit your first FPS. For more information on payroll alignment go to www.hmrc.gov.uk/payerti/reporting/payroll-alignment.htm

Payroll summaries you need to report to HMRC

You submit PAYE reports and requests directly to HMRC using your payroll software, or HMRC's Basic PAYE tools if they are suitable for you.

Your payroll software will determine how these submissions appear on screen and may or may not have the facility to produce printed copies. If in doubt check with your payroll software provider.

The submission types are:

- **Full Payment Submission (FPS)** – sent each and every time you pay your employees.
- **Employer Payment Summary (EPS)** – to report a reduction in the amount you pay to HMRC or if you haven't paid any employees in a pay period.
- **Employer Alignment Submission (EAS)** – to align employee records with HMRC records before you submit other information. An EAS is only required for employers with a large PAYE scheme (over 250 employees) or with a payroll administered by two or more payroll systems.

Earlier Year Update (EYU) – to correct, after 19 April, any of the year to date totals submitted in your final FPS for the previous tax year, providing RTI was used for that tax year. If RTI was not used in the previous tax year then any corrections must be made by using the relevant amendment P14s and P35 process. See the section 'Correcting errors made on forms P35 and P14' on page 25

- **National Insurance number Verification Request** – to verify or obtain a National Insurance number for new employees.

You submit an FPS to tell HMRC each time you're due to pay employees. If you don't have any employees to pay during a pay period you need to submit an EPS instead of an FPS to say no payments have been made in this pay period.

In some cases, you may submit an EPS as well as an FPS where there's a reduction in the amount you pay to HMRC. This may occur if you need to reduce the amount of PAYE or National Insurance contributions (NICs) you pay to HMRC to recover statutory payments, Construction Industry Scheme deductions suffered and NICs holiday.

What payroll information to report

You must report your payroll information – which includes all employees' pay, tax and deductions – to HMRC each time you pay them. This must include payments on standard paydays, and any additional payments or amounts recovered from the employee.

There are other reports you'll need to send in various other situations, for example if you want to recover statutory payments, you pay expenses or benefits, or provide a car.

You report your payroll information by submitting Full Payment Submissions (FPS) and Employer Payment Summaries (EPS). These submissions and other returns and reports are sent electronically by your payroll system to HMRC.

If no payments to employees are made within a pay period, or you want to recover statutory payments, Construction Industry Scheme (CIS) deductions suffered or NICs Holiday, you must send an EPS, including the employer information described at www.hmrc.gov.uk/payerti/reporting/what-to-report.htm#1 and the information described at www.hmrc.gov.uk/payerti/reporting/what-to-report.htm#7 as appropriate. If this is your first EPS since starting to send PAYE information in real time you must include the year to date figures for any recovered payments in the same tax year – and this first EPS must be sent when you've sent your first FPS or by the 19th of the following month.

The reference table at www.hmrc.gov.uk/payerti/reporting/what-to-report.htm lists the information you need to send to HMRC in the FPS and EPS, and tells you where you can find guidance on how to obtain or calculate the information. It also summarises the other reports you need to send.

When to report your payroll information

Almost all employers must report payroll information online to HMRC on or before paying any employee. This information includes details of employees themselves and their pay and deductions.

In addition, you may have to report certain summary information about statutory payments recovered and other deductions each pay period, and if you don't pay anyone in a pay period. You must also report end of year information at the end of the tax year, and certain information if your PAYE scheme closes.

You'll have to report when you provide an employee with a car, or replace or withdraw one. You may also have to report expenses and benefits.

The guide at www.hmrc.gov.uk/payerti/reporting/when-to-report.htm explains when you have to report payday information, and tells you where you can find out what information you need to include. It also tells you about the other summaries and reports you need to submit.

Annual schemes

If you pay your employees annually in a single tax month, you can ask HMRC to treat your PAYE scheme as an 'annual scheme'. For more information go to www.hmrc.gov.uk/payerti/reporting/when-to-report.htm#6

Exceptions to reporting PAYE information 'on or before' paying an employee

On occasions you may find you are unable to report your payroll information each time you pay an employee and HMRC has provided a table to show the situations where an FPS does not have to be submitted on or before a payment is made to an employee, and what employers must do instead. To download 'Situations where employers will not have to report PAYE information 'on or before' the time they pay their employee' go to www.hmrc.gov.uk/payerti/on-or-before.pdf

In all other cases payments must be reported on or before the payment to the employee is made.

How to report your payroll information

Almost all employers must report their payroll information online to HMRC on or before paying an employee.

You don't have to operate your own payroll and report your payroll information yourself – it can be done for you by an agent or payroll bureau.

The guide at www.hmrc.gov.uk/payerti/reporting/how-to-report.htm explains what you need to do before you can report online, and how to report online.

Correcting payroll errors

You must make sure that the figures for pay, tax, National Insurance and the employee details that you report to HMRC on your FPS are accurate. But sometimes mistakes can happen. If you find out that you have made an error in a previous tax year, you must correct it.

If you have reported incorrect information in a previous tax year, what you need to do depends on whether the error was originally made when reporting via forms P35 and P14, or on an FPS or Employer Payment Summary (EPS).

Earlier Year Update (EYU)

You use an EYU to correct data for 2012–13 and later tax years. You can only use an EYU for the tax years where you operated PAYE in real time. If you used forms P35 and P14 in the previous tax year that you need to correct, see the section 'Correcting errors made on forms P35 and P14' on page 25.

If you are correcting an error in a previous tax year when you used FPS and EPS, your EYU should only record the difference between what you had originally submitted and what the figure should be.

For example, if you recorded £100 too little pay on an employee's payroll record, the EYU should show '+£100'. You can only amend year to date data on an EYU.

If you need to submit more than one EYU, each submission must only show the amount of the amendment from the last figures submitted.

For example, if you submit a year to date figure of £10,000 for pay on your last FPS for the year, then realise that the figure should have been £12,000, you will submit an EYU to show '+£2,000'. If you then realise that the actual figure should have been £11,500, you must then submit a second EYU which will show '-£500'.

For more information on correcting payroll errors and to find out what fields you must complete go to www.hmrc.gov.uk/payerti/reporting

Correcting errors made on forms P35 and P14

If you discover an error made relating to a tax year when you reported information using forms P35 or P14, you should submit amended forms that show the difference between what was reported and what should have been reported.

If the mistake was on a form P14, you must also send an amended form P35 for that tax year.

Any amended forms you send to HMRC should contain only the amended information – whether this is a positive or negative amount. Do not file a new form containing the revised totals.

For example, if your original P14 for an employee incorrectly shows a PAYE tax deduction of £100.13 instead of the actual figure of £10.13, you should send HMRC another P14 for the employee. But this second form shouldn't record the correct figure of £10.13. Instead it should show the difference between the original amount and the actual figure. So in this example, the amended P14 should show -£90.00.

You can file amended forms P35 and P14 online for up to six years after you filed the original forms.

Part 6 - Making payments to HMRC

When to make payment

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

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

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

How the payments are calculated

Calculate your payments to HMRC by taking these steps:

1. Add together all of the:
 - tax that you have deducted from your employees
 - employees' and employer's NICs due
 - student loan deductions taken from your employees
2. Subtract any tax refunded to your employees.
3. Add deductions from payments made to subcontractors under CIS, as shown on your CIS return (CIS300).
4. Subtract any:
 - statutory payments and compensation you are entitled to recover
 - NICs holiday you are entitled to deduct under the Regional Employer National Insurance contributions (NICs) Holiday for New Businesses
 - CIS deductions you have suffered (only applies if you are a limited company acting as a subcontractor)

The amounts listed at 4) above are what you reported on the Employer Payment Summary (EPS) during the tax month or quarter.

We recommend that you make all of your payments to HMRC electronically.

If you pay electronically (including through your bank or at a Post Office), your cleared payment for the full amount due must reach our bank account no later than the 22nd of the month following the end of the tax month to which it relates.

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

- Payments made by Bacs Direct Credit normally take three bank working days.
- Payments made via the Faster Payments Service, are received on the same day, with many payments reaching us in a few hours. Your bank will have conditions on the use of the Faster Payment Service, so check with your bank to see
 - whether you can use the Faster Payment Service
 - whether there are any single transaction or daily limits on the amount you can pay, and
 - how much time you need to allow for each payment.

For more information about the Faster Payment Service go to www.hmrc.gov.uk/payinghmrc/fps.htm

- Payments made by CHAPS are completed on the same day.

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

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

Quarterly payment option

If you estimate that your total payment will on average be less than £1,500 per month you can choose to make quarterly, rather than monthly, payments. (Whether you are making payments monthly or quarterly to HMRC – you must still send an FPS each time you pay an employee to advise HMRC how much you've paid them and what deductions you've made.)

The tax quarters end on:

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

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

Annual payment option

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

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

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

Reference numbers

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

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

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

If you make your payment in time to clear by the 22nd of the month following the end of the tax month or quarter to which it relates, then you only need to quote the accounts office reference.

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

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

For example 123PA00012345**1403** (this reference is only an example and should not be used to make payment) **1403** indicates the payment is for 2013–14 month 03, or quarter 1, ending 5th July 2013.

If you send a payment without the additional numbers for 2013–14 month 03, due on 22 July and we receive it:

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

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

For more information about paying HMRC go to www.hmrc.gov.uk/payerti/paying/index.htm

Interest and penalties on late payments

We charge interest from:

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

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

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

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

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

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

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

From October 2013, Generic Notification Service (GNS) will be introduced to inform employers (or whoever submits payroll information on their behalf) when the payment does not match liability, or that a submission or payment is late and if you have to pay a penalty.

For more information about late penalties go to www.hmrc.gov.uk/payerti/paying/deadline.htm

Appeals

You can appeal against the penalty if:

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

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

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

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

Reasonable excuse

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

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

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

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

Keeping records of payments made to HMRC (formerly P32)

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

For more information on what PAYE records need to be kept go to www.hmrc.gov.uk/payerti/payroll/record-keeping.htm

Nil payment due

If you don't let HMRC know you have no PAYE/NICs payment to make HMRC may contact you asking for payment.

If you paid no employees in a tax month then you must send an EPS to HMRC. The deadline for this is the **19th of the month** following the end of the tax month for that pay period. Use the 'No payment due as no employees paid in this pay period' tick box on the EPS.

If you run your payroll more or less frequently than monthly then you still only need to submit one EPS in a tax month.

For more information about EPS go to www.hmrc.gov.uk/payerti/reporting/what-to-report.htm

If you anticipate that you will not be making any payments to employees for a period exceeding a tax month, then you should let HMRC know.

Tell HMRC that you will not be submitting an FPS or making monthly/quarterly payments for a future period by completing the 'Period of inactivity' fields on the EPS.

If you've overpaid or underpaid in error

It's important that all your payments to HMRC reconcile with what you've reported on your Full Payment Submission (FPS) and Employer Payment Summary (EPS).

If you have underpaid or overpaid HMRC in error in respect of PAYE (including Income Tax, National Insurance contributions (NICs), Student Loan or Construction Industry Scheme deductions), what you need to do depends on the type of error and whether HMRC has already been in touch with you about it.

The guide on HMRC's website will tell you what to do in the most common situations where you have made an overpayment or underpayment in error. Go to www.hmrc.gov.uk/payerti/paying/errors.htm

How to make a payment to HMRC

We accept payment by a range of methods but recommend payments are made electronically. Electronic payments are generally more efficient and secure than payments by post. It is mandatory for employers with 250 or more employees to make their payments electronically.

You can pay electronically:

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

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

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

See the example of a payslip P30B on page 31.

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

If you do not receive your P30BC *Employer Payment Booklet* in time to make your payment, you may need to consider paying by an alternative method until your booklet arrives. We recommend that you make your payments electronically.

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

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

To request a new payment booklet, please phone **0845 366 7816**. It will normally be dispatched within three weeks, however during peak periods, it may take longer to arrive.

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

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

How to apply for funding for tax refunds and statutory payments

Funding for tax refunds

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

www.hmrc.gov.uk/payerti/payroll/payroll-funding-for-employees.htm#3

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

Your application must include:

- the name of your HMRC accounts office (either Cumbernauld or Shipley)
- your accounts office and Employer PAYE reference numbers (these are shown on the front cover of your P30BC *Employer Payment Booklet*)
- your employer name
- the name, phone number and, if applying online, email address of yourself or someone with whom HMRC already has authority to discuss your business
- the name and National Insurance number of the employee you made the refund payment to
- the reason for the refund being made to the employee
- the total amount of funding you are claiming – this is the difference between the total deductions (of PAYE, tax, NICs and so on) you have made from all employees or subcontractors and the total refunds you have to make.

Funding for statutory payments

If you pay an employee:

- Statutory Sick Pay (SSP)
- Statutory Maternity Pay (SMP)
- Ordinary Statutory Paternity Pay (OSPP)
- Additional Statutory Paternity Pay (ASPP)
- Statutory Adoption Pay (SAP)

you can usually recover the cost, from the payroll deductions you send to HMRC, by submitting an Employer Payment Summary (EPS) showing the recoverable statutory payments you made.

You must always submit an EPS whenever you wish to deduct statutory payments from your monthly PAYE as reported on your Full Payment Submission (FPS). If you do not, then HMRC will not take your deduction into account and expect you to pay the full amount shown on your FPS.

If you don't have sufficient deductions available to cover your statutory payments, then you can claim funding from HMRC to cover the balance.





We recommend that you make your funding application online by completing the relevant form on HMRC's website. Alternatively, you can apply for funding by post or fax.

The guide on HMRC's website explains how the funding process works and tells you what information you'll need to provide if making a claim. Go to www.hmrc.gov.uk/payerti/employee/statutory-pay/funding.htm

Payments during a trade dispute

There are special rules about making payments during a trade dispute. For details see the CWG2(2013) *Employer Further Guide to PAYE and NICs*, under 'trade disputes'.

Example of payslip P30B

 Bootle Merseyside L30 4UA Year 2013-14				Payslip		 HM Revenue & Customs Amount due (no fee payable at PO counter)		bank giro credit  Period ending 05 May 2013	
Reference 131 PE 00045678 1401		Credit account number 157 8049		£ 2213 05		CHEQUE ACCEPTABLE		For official use	
Signature _____		Date _____		For official use		CASH		CHEQUE	
2010/01 Cashier's stamp and initials		57-80-49		£		P30B HMRC 05/12		Please do not fold this payslip or write or mark below this line	
131PE000456781401 &7241578049 000000000 74 X									

Part 7 - Taking on a new employee - first steps

Who counts as an employee?

It's your responsibility to decide on the correct employment status of someone who works for you. If you get their employment status wrong you might have to pay extra tax, National Insurance contributions (NICs), interest and a penalty.

You must decide whether someone who is going to work for you is an employee or self-employed. You can't simply accept that someone's self-employed because they say they are. A person's employment status depends on the terms of the contract between you and them:

- a contract of service usually makes them an employee
- a contract for services usually makes them self-employed.

For more information on how to decide whether someone is employed or self-employed go to www.hmrc.gov.uk/payerti/employee-starting/status.htm

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

Avoiding employing someone illegally

If you're going to employ someone, you must make sure that they're entitled to work in the UK before they start working for you. Just because they can give you a National Insurance number doesn't prove that they're entitled to work in the UK.

The UK Border Agency recommends that employers conduct checks on entitlement to work for all new employees to prevent illegal migrant working. If you don't complete these checks, you could be charged a civil penalty of up to £10,000 for each illegal worker. If as part of these checks you have reviewed the employee's passport, you should make a note of the passport number because you need to include it in the employee's first Full Payment Submission (FPS) to report their payroll information to HMRC. For more information go to www.gov.uk/legal-right-to-work-in-the-uk

National Insurance numbers

Importance of National Insurance numbers

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

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

As long as your employee is eligible to work in the UK, you can continue to pay them even if they do not have an NI number. You must still send their details on the first FPS that includes a payment to them – but you **must** leave the National Insurance number field **blank** for that employee. You **must not** use an incorrect or dummy National Insurance number.

When you submit the FPS HMRC will try to match the employee's details to their National Insurance number. If a match is made, you and the employee will be notified of the correct National Insurance number.

If you do not receive a message from HMRC telling you the correct National Insurance number continue to leave the National Insurance number field blank for that employee until notified.

HMRC use your employee's National Insurance number to keep their entitlements to benefits like tax credits and the State Pension up to date.

It's essential that you use the correct National Insurance number when you make Full Payment Submissions (FPS) to report an employee's payroll information to HMRC. If you use the wrong National Insurance number, your employee's entitlement to benefits may be adversely affected.

Identifying the NI number

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

It will look something like this: QQ123456A.

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

If the NI number is not shown on the P45 in this format or the employee can't remember their NI number, see 'Check an employee's National Insurance number' on page 41.

A new employee gives you a form P45

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

If a new employee doesn't give you a P45

If your new employee does not give you a P45 when they first start work for you, you must follow the guidance on page 38.

What is a P45?

A P45 is a certificate providing details from your employee's previous employment. An example of Part 2 of the P45 is on page 34.

The P45 is a three-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. You **must not** use the details on the Part 1A when setting up the payroll record.

1 Employer PAYE reference Office number Reference number 1 3 1 / V 3 0	5 Student Loan deductions <input type="checkbox"/> Student Loan deductions to continue
2 Employee's National Insurance number Q Q 1 2 3 4 5 6 A	6 Tax Code at leaving date 9 4 4 L If week 1 or month 1 applies, enter 'X' in the box below. Week 1/Month 1 <input type="checkbox"/>
3 Title - enter MR, MRS, MISS, MS or other title MR Surname or family name JOHNSON First or given name(s) PETER ANDREW	7 Last entries on P11 Deductions Working Sheet. Complete only if Tax Code is cumulative. If there is an 'X' at box 6, there will be no entries here. Week number 6 Month number Total pay to date £ 2 1 0 0 . 0 0 Total tax to date £ 2 5 3 . 6 0
4 Leaving date DD MM YYYY 1 6 0 5 2 0 1 3	

To the employer

This form is important to you. Take good care of it and keep it safe. Copies are not available. Please keep Parts 2 and 3 of the form together and do not alter them in any way.

Going to a new job

Give Parts 2 and 3 of this form 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 HM Revenue & Customs (HMRC) office immediately with a letter saying so and giving the name and address of your new employer. HMRC can make special arrangements, but you may pay too much tax for a while as a result of this.

Going abroad

If you are going abroad or returning to a country outside the UK ask for form P85 *Leaving the United Kingdom* from any HMRC office or Enquiry Centre.

Becoming self-employed

You must register with HMRC within three months of becoming self-employed or you could incur a penalty. To register as newly self-employed see The Phone Book under HM Revenue & Customs or go to www.hmrc.gov.uk to get a copy of the booklet SE1 *Are you thinking of working for yourself?*

Claiming Jobseeker's Allowance or

Employment and Support Allowance (ESA)

Take this form to your Jobcentre Plus 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 or

Employment and Support Allowance (ESA)
If you have paid tax and wish to claim a refund ask for form P50 *Claiming Tax back when you have stopped working* from any HMRC office or Enquiry Centre.

Help

If you need further help you can contact any HMRC office or Enquiry Centre. You can find us in The Phone Book under HM Revenue & Customs or go to www.hmrc.gov.uk

To the new employer

Check this form and complete boxes 8 to 18 in Part 3 and prepare a form P11 *Deductions Working Sheet*.

Follow the instructions in the Employer Helpbook E13 *Day-to-day payroll* for how to prepare a P11 *Deductions Working Sheet*. Send Part 3 of this form to your HMRC office immediately. Keep Part 2.

Information that you'll need from a P45

The information from your new employee's P45 that you must use to set them up on your payroll and report to HMRC correctly is their:

- full name
- National Insurance number
- leaving date from the previous employment
- tax code (including week 1/month 1, if appropriate)
- total pay and tax paid to date for the current tax year
- student loan deduction status (if applicable)

Checking form P45

- ensure you have a National Insurance number for your new employee
- check that items 6 and 7 of Part 3 of the P45 agree with Part 2 – if they don't, contact HMRC's Employer Helpline
- check the total tax paid to date is correct (item 7 on the P45) if the P45 is for the current tax year
- make sure that the pay and tax fields are blank if the P45 shows a week 1/month 1 code number.

You can continue to pay an employee who does not give you an NI number. You must make sure that you set up a payroll record and then enter the NI number once it has been traced.

Set up a payroll record (Formerly form P11)

You must use payroll software to set up and maintain payroll records, because you need to report your payroll information to HMRC electronically.

You can use either commercial payroll software (some of which is free) or HMRC's Basic PAYE tools to store your employee records and to calculate payments and deductions. For information on payroll options and software packages go to www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

To make sure that your records are accurate, wherever possible verify your employee's personal details from an official source such as a birth certificate, passport or official documents from HMRC or the Department for Work and Pensions (DWP). Please make sure that you provide the full forename(s) and surname and that you have spelt the names correctly.

Payroll ID – You can include a Payroll ID to make it easier for you to identify the employee, and HMRC will then use this number in correspondence with you. If the employee has two or more employments under the same PAYE scheme, you must fill in this field and use a different Payroll ID for each employment under the scheme. Also, if you re-employ a former employee in the same tax year, you must specify a different Payroll ID to distinguish this employment from the previous one.

Using the right tax code for new employees

You must work out and apply the right tax code for your new employee. The tax code you need to use depends on when they left their previous employer and their starting date with you.

The table on HMRC's website explains how to work out what tax code to use for your new employee. Go to www.hmrc.gov.uk/payerti/employee-starting/new-emp-info.htm

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 rate of National Insurance that applies to your new employee look at the flowchart on page 52, then return to this page.
- Enter the appropriate contribution Table letter under which NICs are due in the employee's payroll record.

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

- The weekly and monthly charts on the next page will help you to 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.

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

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

When you report new employees (formerly Part 3 of form P45)

When you take on a new employee, you don't need to tell HMRC straightaway – but you do need to send a report on or before the employee's first payday. You can take on an employee at any point during a pay period, but whenever you take on an employee you should record their start date and report it to HMRC in the first FPS for that employee.

It's a good idea to set up your new employee's details on your payroll as soon as you receive them, so you have their details ready for your first FPS.

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

You can now start to work out any tax and NICs due. To find out how to work out tax, turn to Part 3 on page 11 of this helpbook. To find out how to work out NICs, turn to Part 4 on page 15 of this helpbook.

Employee doesn't have a form P45

You must use the right tax code for new employees and report their details to HMRC on a Full Payment Submission (FPS) the first time you pay them.

Usually you will get this information from your new employee's form P45 from their previous employer. There may be occasions when your new employee won't be able to give you a P45.

Information you need from your new employee if they don't have form P45

If your new employee doesn't have a P45, you need to obtain from them their:

- full name
- gender
- date of birth
- full address (including postcode)
- National Insurance number (if they know it)

If your new employee doesn't know their National Insurance number, you can ask them for an old payslip or form P60. If they can't give you any of these, you can use HMRC's National Insurance Number Verification service.

New Starter questions if your new employee doesn't have a form P45 (Formerly P46)

If your new employee doesn't have a P45, you must:

- get them to declare their employment situation when they join
- find out if you need to deduct student loan repayments from their pay.

You need these details to work out what tax code to use.

In the declaration, you ask the new employee to declare which one of the following applies to their situation:

- A. This is their **first** job since last 6 April and they have not been receiving taxable Jobseeker's Allowance, Employment and Support Allowance, taxable Incapacity Benefit, State Pension or occupational pension.
- B. This is their **only** job, but since last 6 April they have had another job, or have received taxable Jobseeker's Allowance, Employment and Support Allowance or taxable Incapacity Benefit. They do not receive state or occupational pension.
- C. They have another job or receive a state or occupational pension.

You must keep a written record of their answers and report this information to HMRC on your FPS. HMRC has a Starter Checklist you can use but this form, or any other records you keep, must not be sent to HMRC. Keep these records for at least two years.

To download the Starter Checklist go to www.hmrc.gov.uk/forms/starterchecklist.pdf

Student loan repayments

You must also ask your new employee to confirm if they left a course of UK Higher Education before last 6 April and received their first student loan instalment on or after 1 September 1998. You also need to find out if they have not fully repaid their student loan (but you don't need to know about loans being repaid by agreement with the UK Student Loans Company by monthly Direct Debit from a bank or building society account).

If your new employee says 'yes' to the student loan question, you should start making student loan deductions from their pay.

Using the right tax code for new employees without a form P45

You will need to decide which tax code to use for your new employee's first payday. You decide this by using your new employee's answer to the New Starter questions (above). Use the letter A, B or C from the table on HMRC's website, depending on your new employee's answer. Go to www.hmrc.gov.uk/payerti/employee-starting/new-employee-nop45.htm#2

Sending starter information to HMRC – FPS

You must send details of new employees to HMRC when you make your first payment to the employee. You do this by including them on the first FPS you make after they join.

You can set up new employees on your payroll before you make your first payment to them once you have gathered all of the required information – you only need to report their details when you first pay them.

It's important to remember that you must:

- enter the tax code you are using based on the starter questions on your first FPS that includes your new employee
- include your employee's employment situation – statement A, B or C – on your first FPS that includes your new employee.

For more details about the payroll data you need to report go to page 22 of this helpbook.

If your employee gives you a form P45 after your first FPS for them

Sometimes your new employee may give you a P45 after you have made your first FPS that includes them. If this happens, you can find out what to do in the guide 'Notifying and getting new employee information right' go to www.hmrc.gov.uk/payerti/employee-starting/new-emp-info.htm

Existing employee gives you a form P45

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

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

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

Taking on temporary or casual workers

You must follow the same payroll procedures for temporary or casual employees as you do for your permanent employees. The length of their employment with you or the amount they are paid doesn't make any difference to your payroll responsibilities.

If you employ people on a temporary or casual basis and your business pays them, you must:

- calculate, record and deduct PAYE tax and National Insurance contributions in the same way as any other employee
- include the employee's details on your Full Payment Submissions when you pay them.

Pension and annuity payments and PAYE

Employee who has just retired

If you start paying a new pension to an employee who has just retired from working with you, you can normally continue paying them using the existing payroll record – but you'll need to make some changes to it, and include some new information.

Setting up the payroll record

You must set up the following in their payroll record so that you calculate the right PAYE tax and send the right details to HMRC when you report your first pension payment:

- indicate 'Yes' in the occupational pension indicator field
- the date the pension started – don't set a leaver date for leaving the employment
- the annual amount of the occupational pension – enter the full amount of the annual pension, do not pro rata it from the start date
- a Payroll ID – if you used a Payroll ID for this employee while they were working for you, you must choose a new one for their pension payments
- the Payroll ID change indicator if you have set a pension Payroll ID
- tax code – unless you're told to use a new tax code by HMRC, continue to use the same tax code you were using for the individual's employment income, but on a week 1/month 1 basis
- remember that you don't deduct or pay any Class 1 NICs.

Employee who still works for you

If you start paying a new pension to an individual who is continuing in employment with you, you'll need to set up an entirely new payroll record for the pension payments, much in the same way as you would for a new employee.

Setting up the payroll record

You must set up the pension recipient's personal information in their payroll record so that you calculate the right PAYE tax and send the right details to HMRC when you report your first pension payment. The process to follow is very similar to that for a new employee, as described in the guide 'Notifying and getting new employee information right'.

You must include with the first pension payment:

- indicate 'Yes' in the occupational pension indicator field
- the date the pension started
- the annual amount of the occupational pension – enter the full amount of the annual pension, do not pro rata it from the start date
- tax code – unless you're told to use a new tax code by HMRC, use code 0T on a week 1/month 1 basis
- a Payroll ID, which must be different from the Payroll ID for the employment payroll record, if you use one.

New pension to deceased employee's dependant

If your new pension payment is to a dependant of a deceased employee, follow the steps outlined below, but use the personal details and National Insurance number of the dependant, and not the personal details or National Insurance number of the deceased.

You'll also have to set the indicator to say that the pension is being paid because they are a recently bereaved spouse or civil partner; so that this information is sent to HMRC next time you report your payroll information.

You must set up the pension recipient's personal information in their payroll record so that you calculate the right PAYE tax and send the right details to HMRC when you report your first pension payment. The process to follow is very similar to that for a new employee, as described in the guide on HMRC's website – 'Notifying and getting new employee information right'. Go to www.hmrc.gov.uk/payerti/employee-starting/new-emp-info.htm

You must include with the first pension payment:

- indicate ‘Yes’ in the occupational pension indicator field
- the date the pension started
- the annual amount of the occupational pension – enter the full amount of the annual pension, do not pro rata it from the start date
- tax code – unless you’re told to use a new tax code by HMRC, use the emergency tax code on a week 1/month 1 basis
- Payroll ID
- If the pension is to be paid by the trustees of a pension fund as the employer treat the employee as leaving your employment.

Additional guidance for other pension and annuity payers is included in the CWG2(2013) *Employer Further Guide to PAYE and NICs*.

Check an employee’s National Insurance number

If you want to check an employee’s National Insurance number (for example you want to make sure it’s right before including it on the employee’s payroll record), you can do so by sending a National Insurance number verification request (NVR) via the payroll software you use. You cannot send an NVR until you have started to send PAYE information in real time – wait a few days after sending your first FPS before sending an NVR.

If you’re using commercial software and you’re not sure how to send a National Insurance number verification request, you should check with your supplier.

The replies to your requests will be sent through the National Insurance number verification submission route. To find out how to view these, go to www.hmrc.gov.uk/payerti/getting-started/using-payee-online.htm

HMRC’s systems automatically check the National Insurance numbers on every FPS you send. If HMRC finds the number you have is wrong they will let you know and tell you to stop using it. You may then need to get more details from your employee. If your employee can’t tell you the correct number they can ask HMRC to send them written confirmation of it by completing form CA5403 at www.hmrc.gov.uk/forms/ca5403.pdf

For help and guidance relating to this form go to www.hmrc.gov.uk/ni/intro/number.htm

If your employee has never had a National Insurance number

If your employee is between 16 and 20 years old and hasn’t received a National Insurance number, they should contact the HMRC National Insurance Helpline. For contact details go to www.hmrc.gov.uk and click on the ‘Contact Us’ link.

Any other employees who don’t have a National Insurance number should contact their Jobcentre Plus office (Social Security or Job Benefits office in Northern Ireland). You can find out more about applying for a National Insurance number by going to www.hmrc.gov.uk/ni/intro/number.htm

You must still send their details on the first FPS that includes a payment to them – but you **must** leave the National Insurance number field **blank** for that employee. You **must not** use an incorrect or dummy National Insurance number.

Part 8 - What you have to do when an employee leaves

When an employee leaves

When someone leaves your employment, you must include the date of leaving on the Full Payment Submission (FPS) when you make their final payment. You must also give the employee a form P45.

Updating the employee's payroll record

Whether you are using a commercial payroll package or HMRC's Basic PAYE Tools, the only change you need to make is to enter the employee's leaving date. For details on how to do this, check the user guide for your payroll software or ask your provider for more details.

Late amendments

If an employee who has left your employment changes their mind, or you mistakenly take an employee off the payroll and have already notified HMRC on an FPS you should continue making payments, using the same Payroll ID, and submit FPS but do not enter a new start date.

You cannot use this method if you have given the employee a P45 – in this case you will need to make the employee a new starter and give them a different Payroll ID.

PAYE tax and NICs on payments to an employee who's leaving

Payments to an employee who is leaving or retiring are treated differently, depending on whether they count as standard payments (for example salary, wages, holiday pay and bonuses) or one-off payments (including redundancy payments and retirement lump-sums). If your employee dies, see page 51 for details of how to treat the final payment.

PAYE tax on standard payments

In most cases you must work out, record and deduct PAYE tax as usual on any standard payments you make to your employees and include any leaving details on your final FPS.

Payment after leaving: For any further payments after they have left your employment – including share-based payments – complete the following steps.

- Deduct PAYE tax using code 0T on a week 1/month 1 basis.
- Enter this as the amended code, including the payment and the PAYE tax and NICs you've deducted on the employee's payroll record.
- Include this additional payment and the tax deducted on the FPS and in the pay and tax in this period – ensure the revised year to date figures include the additional payment. If you make a payment after leaving in a subsequent tax year the year to date figures on the FPS should only reflect the additional payment.
- Give the employee a letter showing the date of the payment, the gross amount, and the PAYE tax you have deducted and confirmation that the payment is a post-leaving payment.
- Include the details, set the 'Payment after leaving' indicator and show the original date of leaving on the FPS when you make the payment. You must not give the employee another form P45.

NICs on standard payments

If you make a final standard payment to an employee at the time they leave your business you must calculate, record and deduct NICs in the normal way. Don't forget to include the date of leaving on the final FPS when you make the final payment.

Payment after leaving: If you make the payment after the employee leaves, then the NICs treatment depends on what the payment includes:

- **wages or salary** – work out the NICs due using the normal earnings period and National Insurance category letter, and the contribution rates and limits current at the time of payment
- **irregular payment** (such as an unexpected bonus or accrued holiday pay) – use the usual rates, limits and National Insurance category letter but with a weekly earnings period.

Remember to include the details, set the 'Payment after leaving' indicator and show the original date of leaving on the FPS when you make the payment.

For more help, please see the HMRC publication CWG2, '*Employer Further Guide to PAYE and NICs*' go to www.hmrc.gov.uk/guidance/cwg2.pdf

PAYE tax and NICs on one-off payments (including redundancy)

Different types of one-off payments to employees leaving your business are treated differently, and separate rules apply for working out the PAYE tax and NICs due. For NICs purposes, one-off leaving payments are either wholly liable to NICs or not liable at all. Unpaid salary and holiday pay are treated as earnings for the purposes of tax and NICs.

Some types of leaving payment are tax-free, some taxable in full, and some taxable only above £30,000. Most redundancy payments are tax-free up to £30,000 and not liable for NICs.

For a list of the PAYE tax and NICs rules covering the most common types of one-off leaving payments, read the HMRC publication CWG2, '*Employer Further Guide to PAYE and NICs*'. For more guidance on the tax treatment of payments and benefits on redundancy, see 'Redundancy – guidance for employers' (link below).

One-off Payments

For any one-off payments where you have shown the date of leaving on a previous FPS – complete the following steps:

- Deduct PAYE tax using code 0T on a week 1/month 1 basis.
- Calculate NICs if appropriate.
- Make sure the year to date figures on the FPS only reflect the one-off payment.
- Give the employee a letter showing the date of the payment, the gross amount, and the PAYE tax you have deducted.
- Set the pay frequency as 'one-off' on the FPS when you make the payment. You must not give the employee a form P45.

For more information on redundancy go to www.hmrc.gov.uk/employers/redundancy-er.htm

Example of a completed form P45

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

Enter your PAYE reference (now known as Employer PAYE reference).

You must enter the employee's NI number if known.

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 or you have refunded more tax than has been paid, enter £0.00 in this box.

Do not enter any refunds made or negative amounts.

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.

P45 Part 1A
Details of employee leaving work
 Copy for employee



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

2 Employee's National Insurance number
Q Q 1 2 3 4 5 6 A

3 Title - enter MR, MRS, MISS, MS or other title
MR
Surname or family name: JOHNSON
First or given name(s): PETER ANDREW

4 Leaving date DD MM YYYY
1 6 0 5 2 0 1 3

5 Student Loan deductions
 Student Loan deductions to continue

6 Tax Code at leaving date
9 4 4 L
If week 1 or month 1 applies, enter 'X' in the box below.
Week 1/Month 1

7 Last entries on P11 *Deductions Working Sheet*.
Complete only if Tax Code is cumulative. If there is an 'X' at box 6 there will be no entries here.
Week number: Month number:
Total pay to date: £ 2 1 0 0 . 0 0
Total tax to date: £ 2 5 3 . 6 0

8 This employment pay and tax. If no entry here, the amounts are those shown at box 7.
Total pay in this employment: £ .
Total tax in this employment: £ .

9 Works number/Payroll number and Department or branch (if any)
1 6 0 3

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

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

12 Employee's private address
18 BARCLAY STREET
LONDON
Postcode: S E 1 7 6 P B

13 I certify that the details entered in items 1 to 11 on this form are correct.
Employer name and address: VFM LTD, 36 SOHO GARDENS, LONDON
Postcode: V 1 W 4 L D
Date DD MM YYYY: 1 8 0 5 2 0 1 3

To the employee
The P45 is in three parts. Please keep this part (Part 1A) safe. Copies are not available. You might need the information in Part 1A to fill in a Tax Return if you are sent one. Please read the notes in Part 2 that accompany Part 1A. The notes give some important information about what you should do next and what you should do with Parts 2 and 3 of this form.

Tax credits
Tax credits are flexible. They adapt to changes in your life, such as leaving a job. If you need to let us know about a change in your income, phone 0845 300 3900.

To the new employer
If your new employer gives you this Part 1A, please return it to them. Deal with Parts 2 and 3 as normal.

P45(Manual) Part 1A HMRC 04/08

Enter the last tax code shown on the payroll record.

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 at item 7 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.

You must show the date of birth and gender on all forms P45.

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 or E) complete form CA4139 (CF383) or CF380A with the information requested on the form and return it to her.

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 and keep 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 more information see the E14(2013) *Employer Helpbook for Statutory Sick Pay*.

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 report the SMP in the FPS. For more information see the E15(2013) *Employer Helpbook for Statutory Maternity Pay*.

Employee receiving OSPP

If you have already started paying OSPP and your employee leaves, you must carry on paying for the one/two weeks they are entitled to as long as they do not work for another employer during the OSPP period. Record the OSPP in the relevant field in the FPS. For more information see the E19(2013) *Employer Helpbook for Ordinary and Additional Statutory Paternity Pay*.

Employee receiving ASPP

If you have already started paying ASPP and your employee leaves, you must carry on paying ASPP until the end of the Additional Paternity Pay Period, as long as they do not work for another employer during the ASPP pay period. Record the ASPP in the relevant field in the FPS.

Employee receiving SAP

Your liability to pay SAP does not end when your employee leaves. You must pay them the SAP, and record it in the FPS. For more information see the E16(2013) *Employer Helpbook for Statutory Adoption Pay*.

Form P45 lost or incorrect

If a former employee loses their P45 tell them to contact HMRC immediately. If you realise you have issued an incorrect P45, send a written explanation to:

HM Revenue and Customs
Pay As You Earn and Self Assessment
PO Box 1970
LIVERPOOL
L75 1WX

You must never complete a further form P45 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(2013) *Employer Further Guide to PAYE and NICs*, under 'Employees – leaving', or 'Employees – death'.

PAYE if your business closes or changes


There are a number of potential changes to your business that have implications for your operation of PAYE. The guide on HMRC's website sets out what you must do in some of the most common cases such as

- ceasing to employ anyone
- closing your business, or
- selling the business on to someone else.

Go to www.hmrc.gov.uk/payerti/business-close-or-change.htm

Part 9 - Employee's tax code changes in the tax year

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

**HM Revenue & Customs**

**Notice of your employee's tax code
(or amended code) and previous pay and tax**

VFM Ltd 36 Soho Gardens London W1V 4LD	Issued by HM Revenue & Customs Minister Government Buildings High Street Minister MR2 8QT
---	---

Employer PAYE reference
1 3 1 / V 3 0

Please use this reference if you write or call. It will help to avoid delay.

Use this tax code for the tax year shown

Employee's name	WHITE MRS M
National Insurance number	Q Q 1 2 3 4 5 6 A
Works or payroll number	1624
Tax code; this employee's code is amended to	650L
<i>Please use this tax code from the next payday</i>	
for the year to 5 April	2 0 1 4
<i>Please read the notes on the back of this form.</i>	

Previous pay and tax	Previous pay £5000.00	Previous tax £783.00
----------------------	--------------------------	-------------------------

Please turn over

P6 Page 1 HMRC 01/10

If an employee's tax code changes during the tax year, HMRC will notify you by sending you a form P6, either online through PAYE Online or by post.

You should use the new tax code you've been sent for all PAYE tax calculations from the first payment you make after you receive the new tax code, unless HMRC tells you otherwise.

This guide tells you how you can expect to receive your employee's new tax code from HMRC and what you should do with it.

Receiving tax codes from HMRC

HMRC sends your P6 tax code notices online once you have registered for PAYE Online. If you have signed up for email reminders, you will receive an email to alert you that there is a notice waiting for you.

There are three ways of accessing the tax codes that HMRC sends online to you:

- Log in to PAYE Online and choose the 'tax code notices' option from the left-hand menu.
- Use the PAYE Desktop Viewer (PDV). This is an application that you can download and install from the HMRC website. It is particularly suitable for employers expecting to receive a lot of tax code notices from HMRC because it allows you to sort and search the code numbers.
- Your Payroll software may be able to access the P6 tax code notices directly.

You can opt out of receiving your tax code notices online by updating your preferences within PAYE Online, although it's not usually a good idea to do so.

For guidance on using PAYE Online go to www.hmrc.gov.uk/payerti/getting-started/using-payee-online.htm

Using Payroll software or HMRC's Basic PAYE tools

Using commercial Payroll software or HMRC's Basic PAYE tools makes dealing with new tax codes quick and simple:

- if you're using commercial software the precise steps you need to take will differ from package to package – check with your software provider if you're unsure.
- if you're using the Basic PAYE Tools, when recording your first payment to an employee after receiving a form P6 from HMRC, make sure you answer 'yes' when asked 'Have you received a P6 coding notice since their last pay day?'

Part 10 - 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 flowchart on page 52 of this helpbook and the flowchart at the beginning of the NICs tables will also help you to identify which contribution Table letter and set of tables you should use.

Main changes

The main changes that may happen are an employee:

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

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

An employee reaches age 16

When an employee reaches age 16, and provided the earnings they receive are more than the Primary Threshold (PT), NICs are payable on all earnings above the PT. NICs are payable on the first payment made to the employee after reaching age 16.

For example, an employee is paid monthly and receives payment on the 28th of the month. They reach age 16 on the 20th and earnings are above the PT. NICs are payable on the full monthly payment they receive on the 28th.

Enter the appropriate contribution Table letter in the relevant field of the FPS.

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

An employee legally changes their recorded gender

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

For more information see CWG2(2013) *Employer Further Guide to PAYE and NICs*, Chapter 1.

Female employees entitled to reduced rate NICs

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

For more information go to www.hmrc.gov.uk/payerti/employee-starting/special-situations/female-reduced-nics.htm

Giving up the right to pay reduced rate NICs

If an employee tells you that she now wishes to pay NICs at the standard rate you should:

- return the certificate of election to her after completing part 2
- calculate full-rate NICs on your subsequent payments to her
- include the details on the Full Payment Submission (FPS) when you make the payment.

The employee must return the certificate to NIC&EO after completing part 1. If appropriate, she must also send a completed form CF9 (for married women) or CF9A (for widows).

Losing the right to pay reduced rate NICs

A woman loses the right to pay reduced rate NICs if she:

- gets divorced
- has her marriage annulled
- becomes a widow but is not entitled to certain bereavement benefits after an initial period
- has not in any two consecutive years since 6 April 1978 had any earnings on which Class 1 NICs were payable or treated as paid and has not been self-employed.

An employee joins or leaves your pension scheme

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

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

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

When an employee joins, or leaves, a pension scheme look at the flowchart on page 52 or the flowchart at the beginning of the NICs Tables, to check which contribution Table letter you should use.

For more information see the CWG2(2013) *Employer Further Guide to PAYE and NICs*, under ‘occupational pension schemes’.

An employee has more than one job

An employee has more than one job with different employers

If one of your employees has one or more jobs with other employers and you don’t carry on business in association with any of those employers, you don’t have to do anything special. Continue to calculate, record and report their PAYE tax and NICs in the usual way.

But if you carry on business in association with one or more of their other employers, you might have to use a procedure – known as ‘aggregation of earnings’ – to calculate NICs and to work out what information you must send HMRC for that employee.

An employee has more than one job with you

If an employee has more than one job with you, you might have to follow the procedure for aggregation of earnings. For more information go to www.hmrc.gov.uk/payerti/employee-starting/special-situations/multiple-jobs.htm

You might not have to do this if it is not ‘reasonably practicable’ for you to do so – for more about this, go to

www.hmrc.gov.uk/manuals/nimmanual/nim10009.htm

An employee becomes a director of your company

If an employee starts or stops a directorship, the way you work out their National Insurance contributions (NICs) will differ from that for your other employees. This is because directors' NICs are calculated on the basis of an annual earnings period, rather than the normal payment intervals (usually weekly or monthly) used for other employees.

PAYE tax is still deducted in the same way for directors as it is for any other employee.

The guide on HMRC's website explains how to work out NICs for directors and how to complete your payroll records so the correct information is sent to HMRC when you report your payroll information. Go to www.hmrc.gov.uk/payerti/employee/changes/directorship.htm

An employee goes abroad to work

How you calculate and pay PAYE tax and National Insurance Contributions (NICs) for employees who are going to work abroad depends on where they're working and how long you expect them to be working there.

For information go to

www.hmrc.gov.uk/payerti/employee/changes/work-abroad.htm

An employee reaches State Pension age

Employees over State Pension age do not have to pay NICs from the first payment made to the employee on or after the date they reach State Pension age.

For example, an employee is paid weekly and receives payment on a Thursday. They reach State Pension age on the Wednesday. The employer must operate NICs category letter C on the full weekly payment they receive on the Thursday and no employees NICs should be deducted.

However, employer's contributions are still due and are payable at the not contracted-out rate, even if the employer operated a contracted-out scheme prior to State Pension age.

Working out State Pension age

Currently, the State Pension age is 65 for men. For women born on or before 5 April 1950, State Pension age is 60.

The State Pension age for women born between 6 April 1950 and 5 November 1953 will increase gradually to 65 between now and 2018.

From November 2018 the State Pension age will be 65 for both men and women.

This means your female employees born between 6 April 1950 and 5 November 1953 will have a slightly different State Pension age. You can check the State Pension age using the State Pension age calculator tool on the GOV.UK website at www.gov.uk/calculate-state-pension

All you need is your employee's date of birth and gender.

Checking State Pension age

As an employer, you are responsible for ensuring that the correct contributions are paid.

Before you stop deducting employee NICs, you must have seen proof that your employee has reached State Pension age.

This proof can be a:

- birth certificate
- passport
- certificate of exception (form CA4140 or CF384).

Forms CA4140 and CF384 are issued by either the National Insurance Contributions and Employer Office – part of HMRC – or the Department for Work & Pensions (DWP). Certificates issued by DWP are sometimes in paper format rather than card, but are equally acceptable for proof of age.

Reporting employee NICs for employees who have reached State Pension age

How you need to report employee NICs for employees who have reached State Pension age depends whether you use commercial payroll software or HMRC's Basic PAYE Tools. In all cases, you should use National Insurance category letter C for employees over State Pension age.

If you use HMRC's Basic PAYE Tools

If you use HMRC's Basic PAYE Tools, the Employer Database will automatically prompt you to update the National Insurance category letter of employees who have reached State Pension age. You should use letter C.

If you use commercial payroll software

If you use commercial payroll software, it will usually handle employee's reaching State Pension age and use National Insurance category letter C for you. If you're not sure if it does, or how it does it, you should check with your software provider.

An employee dies

In the event that an employee dies, you must make any final payment due to the deceased's personal representative. This is usually the executor of their will. You should only show the deceased's personal details on their last Full Payment Submission (FPS) – not those of their representative. Because there is no specific date of death field on the FPS you must provide a date of leaving, which in this instance will be the employee's date of death.

There is no need for you to tell us that your employee has died as we will receive notification of this from other government sources. You do not give the personal representative a form P45.

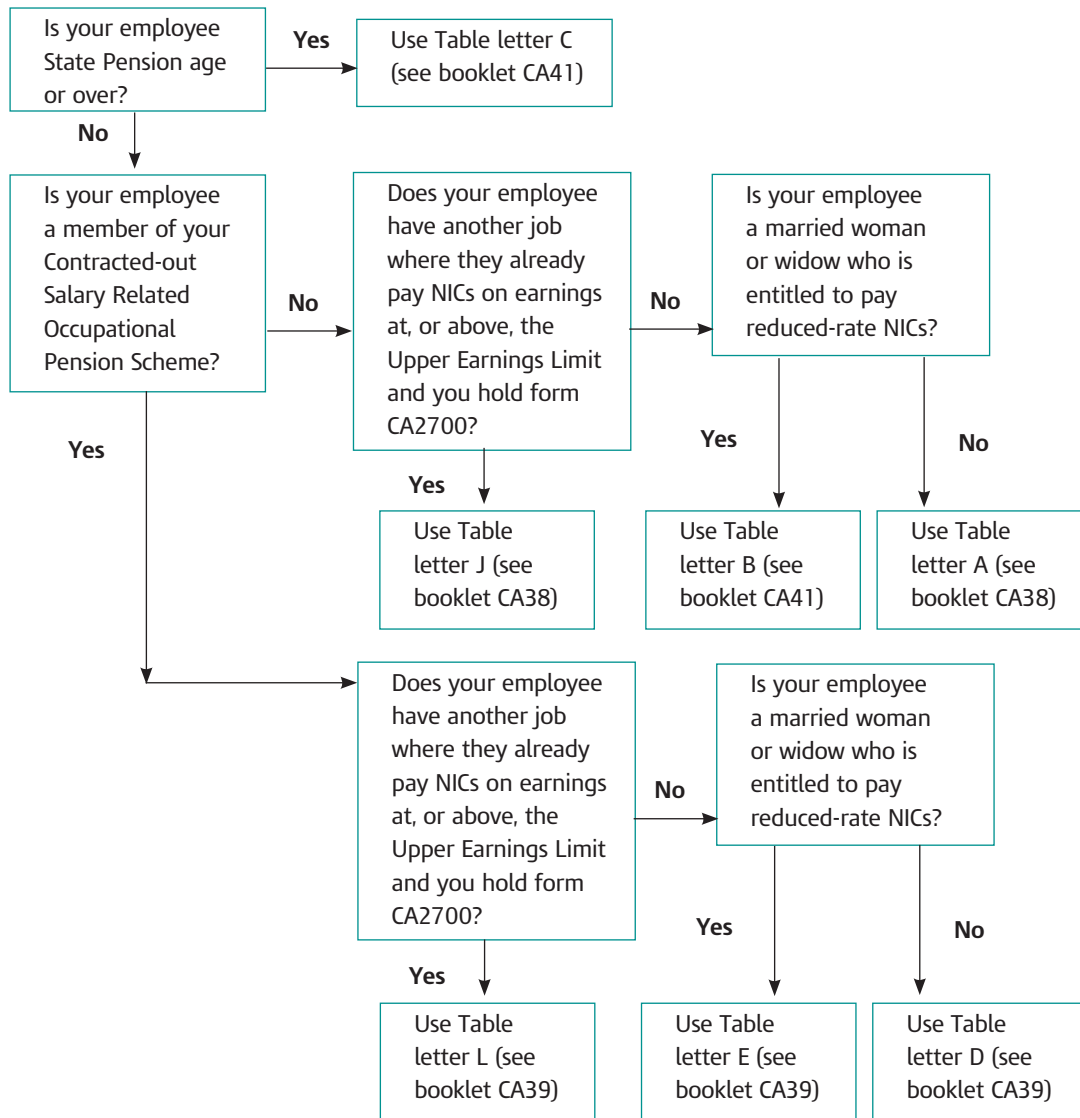
For more information see the CWG2(2013) *Employer Further Guide to PAYE and NICs*, under 'Death of employee'.

Which National Insurance contributions (NICs) tables to use

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

Check you are using the tables for 2013–14.

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



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

Important – please note

- NICs tables are renewed every tax year.
- Check you are using the Tables for 2013–14.
- You must use the correct Tables when working out the NICs due on your employee's earnings.

Collecting an underpayment from or refunding NICs to your employee - current tax year

If you have deducted too much NICs from your employee, simply refund the extra amount on their next payday.

If your employee paid too little NICs you must pay the underpaid NICs to HMRC as soon as you know you have paid too little.

Sometimes you can recover the amounts the employee has underpaid if you have made an error in good faith, but there are strict rules about when you can do this. You must contact HMRC's Employer Helpline before you recover any from your employee.

If you are able to recover from your employee you need to make sure that both the following apply:

- the extra deduction you make is no greater than the employee's NICs due on each payday
- you only make extra deductions in the remainder of the tax year in which the error was discovered or the following tax year.

Correcting payroll reporting errors - current tax year

You must send an FPS every time you pay your employees to let HMRC know who has been paid, how much they have been paid and the deductions made for PAYE tax and NICs. If you have made a mistake in the current tax year or you discover that information you have already reported is incorrect, the action you need to take depends on when you discover the error.

If you need to correct an error in a previous tax year, you can find out how to do it by going to

www.hmrc.gov.uk/payerti/reporting/errors/previous-year.htm

If you discover the error before you submit your next FPS

You can either:

- correct the error by using revised year to date figures on your next regular FPS – this is often the easiest way to handle the correction
- show the adjustment by submitting an additional FPS for the pay period for the employee(s) the error relates to.

If the correction necessitates an additional payment to the employee outside of the regular payroll cycle you must submit an additional FPS on or before the date of the additional payment.

If you use the second method, and submit an additional FPS to correct an under reported amount of pay or deductions:

- the 'in this pay period' fields must only contain the difference between what had been originally reported and what the figure should be on that payment date
- you must update the year to date figures to reflect the correct year to date position for that pay period and previous pay periods
- bear in mind that a change to a payment amount or PAYE tax deduction may have an additional effect on the employee's NICs if they're near the Lower Earnings Limit (LEL), the Primary Threshold (PT) or the Upper Accrual Point (UAP)
- make sure that the additional FPS is clearly marked with the payment date it relates to.

If you submit an additional FPS, your payroll software should work out the correct values that you will be reporting.

If the over or under reporting means you have paid the wrong amount to HMRC, you should adjust the amounts of PAYE tax and NICs due for the next tax month or quarter to correct the earlier mistake.

If you discover the error after you've submitted a subsequent FPS

If you discover an error after you've submitted a later FPS, but still in the same tax year – for example you notice an error made in month three during month seven – you must amend the error by adjusting your next payroll. However if the error necessitates an additional payment to the employee outside of the regular payroll cycle, then you must submit an additional FPS on or before the additional payment is made. For example, if you find out before sending the FPS for month seven that an employee was under or over reported pay of £100 in month three, you must adjust the month seven 'year to date' figures to reflect the correct year to date position.

If you discover the error after the employee has stopped working for you

If the error relates to an employee who has left your business, you must include the employee on the next available FPS, showing updated year to date figures reflecting the correct year to date position at their date of leaving. The original leaving date must be shown again on the FPS and the payment date must be the same as, or later than, the original payment date shown on the employee's last FPS.

For examples and more information on correcting current year payroll errors go to www.hmrc.gov.uk/payerti/reporting/errors.htm

Part 11 - Student Loan deductions

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

Working out and paying over Student Loan deductions

If you employ a borrower who also has an Attachment of Earnings Order, refer to the E17(2013) *Collection of Student Loans* before making Student Loan deductions.

When to start making Student Loan deductions

You make Student Loan deductions if any of the following apply:

- a new employee gives you a P45 stating that Student Loan deductions need to continue
- when you check, a new employee tells you that they are repaying a Student Loan
- HMRC sends you a Start Notice form SL1 as an employee is now eligible to start repaying their Student Loan.

HMRC sends you form SL1 when they identify a new employee who is or should be repaying a Student Loan. You should then apply that notice as soon as an employee's pay, liable for National Insurance contributions (NICs), exceeds the student loan threshold. From 6 April 2013 the income threshold for starting to make repayments is £16,365 a year (£1363 a month or £314 a week). If your employee's pay for employer Class 1 NICs already exceeds these amounts you must start making loan deductions from the first payday after the start date HMRC gives you on form SL1.

How to make Student Loan deductions

When repayments start you deduct 9 per cent of an employee's income over the threshold towards repaying their loan. From 6 April 2013 the income threshold for starting to make repayments is £16,365 a year (£1363 a month or £314 a week). Payroll software will automatically calculate and make these deductions for you, update your payroll records and send the figures to HMRC when you report your payroll information.

Deductions should be calculated on the same gross pay amount used to calculate NICs. So if you have to aggregate earnings because the employee has another job with you, or with another employer you are carrying on business in association with, you should make the deductions based on the aggregated earnings. You can find out whether you should be aggregating earnings by following the guidance at www.hmrc.gov.uk/payerti/employee-starting/special-situations/multiple-jobs.htm

You pay any Student Loan deductions you make to HMRC as part of your single monthly payment of PAYE tax, NICs and Student Loans deducted during the same pay period.

When to stop making Student Loan deductions

HMRC will automatically send you a Stop Notification form SL2 when it's time to stop making Student Loan deductions from an employee's pay. Deductions must stop from the first available payday after the stop date stated on the form.

You may also be asked to stop making deductions by the Student Loans Company. This may occur if you're an education institution or local authority in England and Wales and a teacher you employ joins the Repayment of Teachers Loan Scheme.

You should not stop making deductions just because an employee asks you to. If an employee thinks they shouldn't be making loan repayments they should call the Student Loans Company on 0870 240 6298.

If you have a query about whether Student Loan repayments should stop you can contact the HMRC Employer Helpline.

Where to get more help and advice

There is more detailed guidance at www.hmrc.gov.uk/payerti/payroll/pay-and-deductions/student-loan.htm and in the Employer Helpbook E17(2013) *Collection of Student Loans*. To download go to www.hmrc.gov.uk/helpsheets/e17.pdf

There are legal requirements that mean employers must comply with their obligations. At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met. It was last updated March 2013.

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HMRC 03/13