

Paying someone for the first time

Use with Basic PAYE Tools from 6 April 2012

Updated on 11 July 2012

Help and guidance

Help and guidance is available from the following sources.

The internet

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

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

Online services

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

For more help contact the Online Services Helpdesk by:

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

Basic PAYE Tools

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

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

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

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

To download the Basic PAYE Tools, go to www.hmrc.gov.uk/paye/tools/basic-payee-tools.htm

Employer helplines

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

Employer helpbooks and forms

Helpbooks and forms are available to download.

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

Exceptionally, if you don't have access to the internet, some of our helpbooks and forms are available from the Employer Orderline on **08457 646 646**.

Yr Iaith Gymraeg

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

Forms and guidance in Braille, large print and audio

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

In person

We offer free workshops covering some payroll topics. These workshops are available at locations throughout the UK.

For more information:

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

Employer Bulletin online

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

Employer email alerts

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

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

To register, go to

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

HM Revenue & Customs (HMRC)

If you have a query about your PAYE scheme:

- phone the Employer Helpline on **08457 143 143**, or
- write to:

HM Revenue & Customs
Customer Operations Employer Office
BP4009
Chillingham House
Benton Park View
NEWCASTLE
NE98 1ZZ

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

Real Time Information (RTI)

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

Your rights and obligations

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

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Introduction

This helpbook will help you to get started, and in most circumstances gives you all the information that you will need to pay your employee(s).

As an employer, you are responsible for calculating and deducting Pay As You Earn (PAYE) tax and National Insurance contributions (NICs) from your employees' pay.

To help you to make your calculations and keep your records, download the Basic PAYE Tools from www.hmrc.gov.uk/payee/tools/basic-payee-tools.htm

There are calculators within the Basic PAYE Tools that will help you with your payroll, including the P11 Calculator which will work out and record your employees' tax and National Insurance contributions.

This helpbook gives you step-by-step guidance on how to:

- set up your payroll using either the Basic PAYE Tools or a manual P11 *Deductions Working Sheet*
- calculate PAYE tax and NICs
- issue a payslip to your employee
- make payments to HM Revenue & Customs (HMRC), and
- do business with us online, including making payment by Direct Debit Online.

How to use this guidance

To make it easier for you we have colour-coded each section of this helpbook. When you have decided how you are going to maintain your payroll, you must read the **blue** 'Getting started' section then:

- the **pink** 'Using the Basic PAYE Tools' section if you are using the Basic PAYE Tools, followed by the **purple** 'What next?' section, or
- the **green** 'Manual wages records' section if you are using a manual wages record, followed by the **purple** 'What next?' section.

We recommend that you work your way through this helpbook in the order that it has been written, returning to the appropriate page when you have carried out each task.

You will find a list of terms and abbreviations used throughout this helpbook on pages 85 to 87.

Quick guide to paying someone for the first time

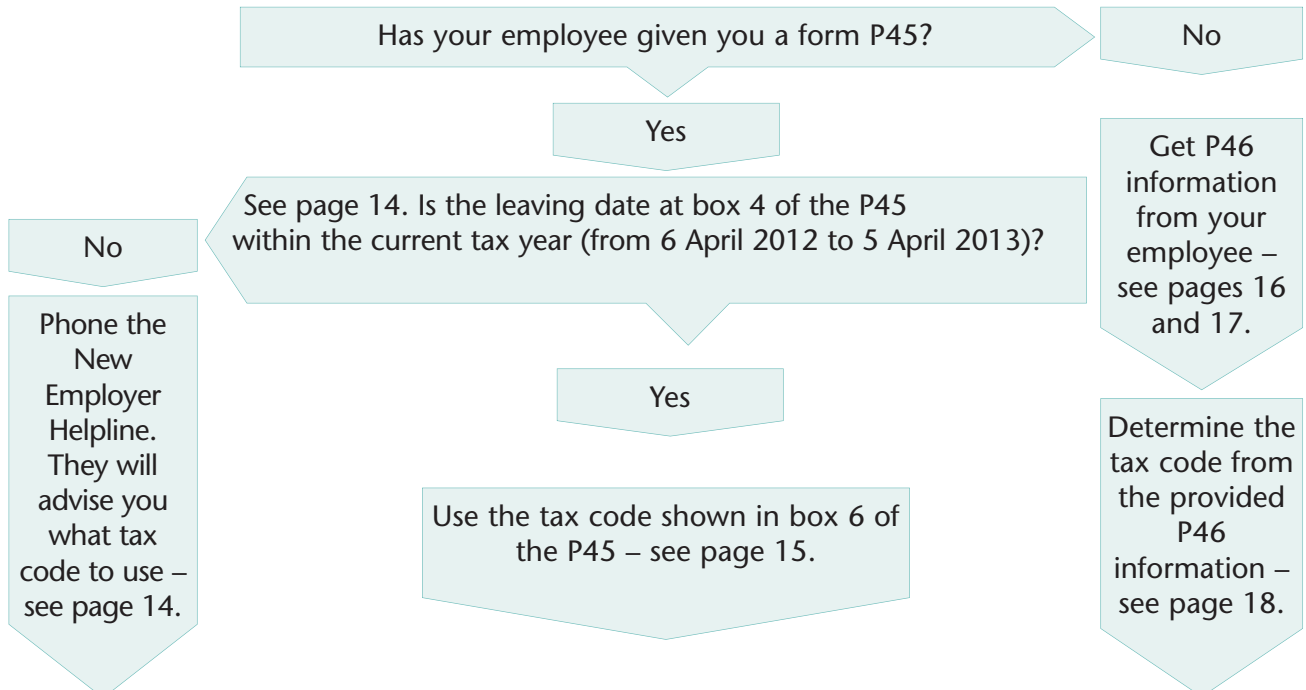
The flowchart opposite may help you to get your payroll started quickly, before reading the contents of this helpbook in detail. It describes the first payroll tasks you must perform when you pay your employee for the first time, however you will need to complete other payroll tasks throughout the year.

Before you begin

When you take on someone new, there are some important checks that you have to make before you pay them. You need to:

- decide whether they are an employee or self-employed – see page 10
- check their identity and that they can legally work for you – see page 11.

Working out what tax code to use



Setting up your payroll

You are now ready to set up your payroll. If you:

- want to use the P11 Calculator in the Basic PAYE Tools (which works out the tax and National Insurance contributions for each employee for every pay period) download the tools onto your computer.
- If you are using a manual P11 *Deductions Working Sheet* you will need to order this form from the Employer Orderline. Once received go to page 52.

Paying your employee and HMRC

Calculate the PAYE tax and NICs on your employee's gross pay. You **must** pay most of your workers at least the National Minimum Wage rates, for further information see page 11. Check your employee's form P45 or P46 information. If box 5 of the form P45 (see pages 14 and 15) or the P46 information (see pages 16 and 17) indicates that you need to make Student Loan deductions from your employee's pay, the P11 Calculator in the Basic PAYE Tools will calculate the deductions for you – see page 34. If you are operating a manual payroll phone the New Employer Helpline.

Finally, you will need to:

- issue a payslip to your employee – see page 76, and
- make payments to HMRC – see page 77.

First things first – operating your payroll

The first thing that you need to do is decide how you are going to keep and maintain your payroll records. There are different choices available to you.

You can:

- **ask a bookkeeper, agent or a payroll bureau** to operate your payroll for you
- **use a payroll software package.** These can be purchased off-the-shelf from most software retailers or from the Internet.
- **operate the payroll yourself** using either:
 - the P11 Calculator in the Basic PAYE Tools.
If you are not using payroll software this is the easiest and quickest way to maintain your payroll
 - a manual wages record – P11 *Deductions Working Sheet* and the PAYE tax and NICs calculators go to www.hmrc.gov.uk/paye/more-tools.htm
 - a manual wages record – P11 *Deductions Working Sheet* and the manual PAYE tax and NICs tables.
If you wish to use a manual wages record it is much easier and quicker to use the PAYE tax and NICs calculators on our website to work out the PAYE tax and NICs due. *

* While you have the option of maintaining a manual payroll, your Employer Annual Return (P35 and P14s) and employee starter and leaver forms P45 and P46 **must** be filed online. If you have not already registered and enrolled for our PAYE Online service, you must do this now so that you can file your forms and returns online. Please do not send us any forms or returns on paper as you may be charged a penalty – see page 20 for further details.

Whatever option you choose it is important to remember that you, as the employer, are still responsible for your payroll, even if you don't prepare the records yourself.

We offer a range of help and support to help you with your payroll, see 'Help and guidance' on page 2.

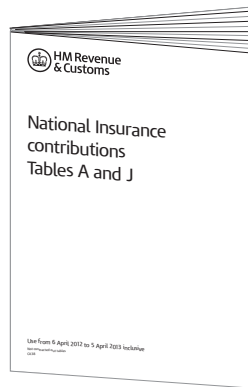
Our Business Education and Support Team offer free workshops covering all payroll topics. These workshops are available at locations nationwide. For more information go to www.hmrc.gov.uk/bst or phone the business, education and event booking service on **0845 603 2691**.

How do I get started?

If you are:

- using a bookkeeper, agent or a payroll bureau to operate your payroll you must pass details of your employees on to them
- using the Basic PAYE Tools to operate your payroll – download the tools to your computer from www.hmrc.gov.uk/payee/tools/basic-payee-tools.htm Finish reading the blue section of this helpbook then go to page 23.
- operating a manual payroll you will need to use a P11 *Deductions Working Sheet* which you can order from the Employer Orderline. If you are not using the calculators on our website you will also need to order the manual tables listed on page 8 Finish reading the blue section of this helpbook then go to page 52.

Note: It is much easier and quicker to use the P11 Calculator on the Basic PAYE Tools.



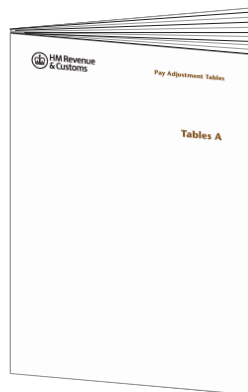
National Insurance contributions Tables

There are many different types of NICs tables. For most men and women aged 16 or over and under State Pension age you will use the *CA38 National Insurance contributions Tables A and J* pictured aside.

However you will need to contact the New Employer Helpline to ask which tables you need to order if:

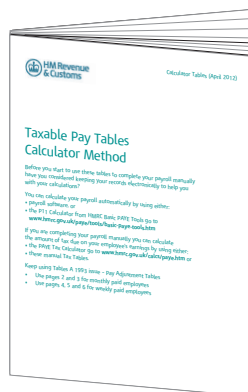
- your employee is a married woman or widow who tells you that they are entitled to pay reduced rate NICs
- your employee is State Pension age or over
- you operate a company pension scheme.

The NICs tables work out how much NICs you and your employee have to pay.



Tables A Pay Adjustment Tables

Use these tables to work out how much of your employee's pay is tax-free.



Taxable Pay Tables Calculator Method

Use these tables to work out how much tax is due. You need a calculator to use these tables.

Employer helpbooks

The flowchart on page 5 describes the first payroll tasks you must perform when you pay your employee for the first time, however, you will need to complete other payroll tasks throughout the year.

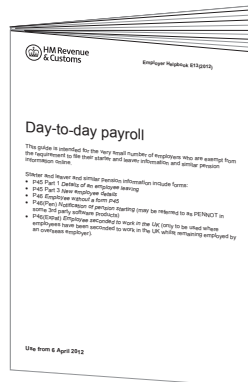
The following helpbooks will help you with these tasks. They are available from www.hmrc.gov.uk/paye/forms-publications.htm

If, exceptionally you cannot access them online contact the Employer Orderline.

E13 Day-to-day payroll

This helpbook is for the very small number of employers who are exempt from the requirement (see page 19 for a summary of exempt employers) to file their starter and leaver information and similar pension information online. It gives guidance on day-to-day payroll tasks, for example:

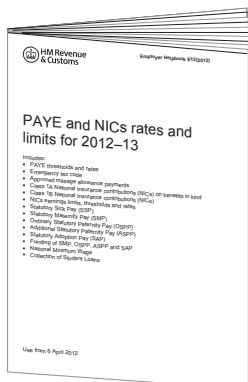
- what action to take when an employee leaves
- what to do when you are notified of a change to an employee's tax code
- how to identify the correct rate of NICs if there is a change in an employee's circumstances.



E12 PAYE and NICs rates and limits for 2012–13

This helpbook gives details of:

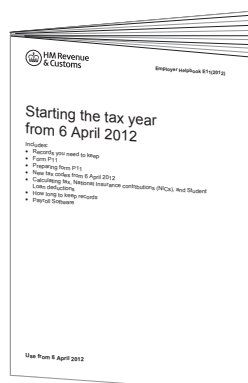
- PAYE thresholds and rates
- mileage payments
- Class 1 National Insurance rates and earnings limits
- Class 1A National Insurance rate
- Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Ordinary Statutory Paternity Pay (OSPP), Additional Statutory Paternity Pay (ASPP) and Statutory Adoption Pay (SAP) rates
- National Minimum Wage rates
- collection of Student Loans.



E11 Starting the tax year from 6 April 2012

This helpbook tells you what you need to do to prepare for the start of 2012–13, for example:

- what records you need to keep from 2012–13
- how to change your employee's tax code from the start of 2012–13
- how long to keep the records.



Once you have set up your payroll you may have to deal with Student Loan deductions, SSP, SMP, OSPP, ASPP and SAP, stakeholder pensions and Payroll Giving. If you come across any of these, phone the New Employer Helpline.

Once you take on an employee, you are responsible for calculating and deducting PAYE tax and NICs from their pay. Before you do this, you have to recognise who counts as an employee.

Who counts as an employee

An employee is anyone you employ under a contract of service, and includes full-time, part-time and casual workers. If someone working for you says they are self-employed you must check that this is actually the case. It is not a matter of choice. This is because the tax and National Insurance rules for self-employed people are different to the rules for employees.

It is your responsibility as an employer to ensure that you have the correct employment status for everyone working for you.

For more information on how to determine a worker's employment status go to www.hmrc.gov.uk/payee/employees/start-leave/status.htm or phone the New Employer Helpline for advice.

Directors of limited companies are also employees of the company so you must deduct tax and NICs from their pay. There are special rules for directors – phone the New Employer Helpline for advice.

What counts as pay

The main things that count as pay are:

- wages
- salary
- overtime payments
- bonuses.

But there are others. Please phone the New Employer Helpline for advice if you:

- pay expenses to directors and/or your employee(s), or
- supply extras, such as a car or private medical insurance.

National minimum wage

Most people working in the UK for an employer are entitled to be paid a minimum amount defined by law. This is called the national minimum wage. To find out more about the national minimum wage, including how much this is:

- go to www.hmrc.gov.uk/payee/payroll/day-to-day/nmw.htm or
- phone the Pay and Work Rights Helpline on **0800 917 2368**.

Identity checks

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

For more information:

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

Stakeholder pensions

Stakeholder pensions are a way for your employees to save for their retirement and increase their income in later life.

If you employ five or more people you may have to make a stakeholder pension scheme available to those employees unless you are exempt. You are exempt if you offer your employees access to an occupational pension scheme or contribute at least 3 per cent of their pay into a personal pension scheme.

However, employees do not have to join the scheme if they don't want to, and employers do not have to contribute to the pension (although they can if they wish). For further information go to www.thepensionsregulator.gov.uk

Your employee's tax code and National Insurance number

You will need the following information from your employee.

Tax code

You will usually get this from item 6 of their form P45.

If your employee does not give you a form P45, you and your employee must complete a form P46 or you must obtain the information required by the form P46 from your employee – see the example on pages 16 and 17. You will be able to determine your employee's tax code from the P46 information supplied by your employee.

If your new employee gives you a form P45, please turn to pages 14 and 15.

If your new employee does not have a form P45, please turn to pages 16 and 17.

National Insurance number

You will normally get this from item 2 of their form P45 – see the example on pages 14 and 15.

If your employee does not give you a form P45, you may need to send us P46 information – see pages 16 and 17.

If you send us P46 information we will automatically trace the National Insurance number and let you know what it is.

If the P45 does not show the National Insurance number, ask your employee if they can find the number on any other documentation they have, for example, written confirmation of their National Insurance number from HMRC, payslips, or a form P60 *End of Year Certificate* from their previous employer. If your employee has never had a National Insurance number they must contact their Jobcentre Plus office on **0845 600 0643** and arrange to get one.

If you have been unable to obtain your employee's National Insurance number you will need to complete a form CA6855 *Employee's National Insurance number trace* to enable us to trace the number for you.

Your employee's date of birth and gender

Date of birth and gender

You should always enter your employee's correct date of birth and gender on the form P11 *Deductions Working Sheet* (or equivalent record) do not enter a default date of birth or make up a date of birth – see pages 21, 52 and 53 for further information on completing the form P11 *Deductions Working Sheet*.

All new employees who come to you from another job, or from a period on state benefits, should bring with them a completed form P45.

The P45 provides details from your new employee's previous employment. Your employee must keep Part 1A of the P45 and give you Part 2 and Part 3.

When you are given a form P45 the first thing you must do is check that the information on the P45 is correct because details provided from a previous employer could be wrong. It is always best to check the personal information you need from official sources like a birth certificate, passport or official documents from HMRC or the Department for Work and Pensions (DWP).

This diagram explains the form and gives details of the checks that you must make.

The instructions at the bottom of page 15 tell you what to do with Parts 2 and 3 of the form P45.

National Insurance number

Always enter the correct National Insurance number. Do not make up a number, use a default or use one that belongs to someone else.

Name

Make sure you give the full first name(s) and surname and that you have spelt the names correctly.

Item 4

See which tax year the P45 is for. To check the year of the P45 look at the leaving date at item 4.

- If the leaving date is in the current tax year, in the period 6 April 2012 to 5 April 2013, use the tax code on the P45.
- If the leaving date is in a previous tax year, phone the New Employer Helpline for advice.

Check tax

If the P45 is for the current tax year and there is an entry at item 7, 'Total tax to date', you must check this figure is correct. There is a 'P45 checker' in the Calculator Section of the Basic PAYE Tools which will check this figure for you. Otherwise, call the New Employer Helpline and ask them to check the 'Total tax to date' figure for you.



1	Employer PAYE reference Office number Reference number
	0 0 0 / 9 8 7 6
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
	Smith
	First or given name(s)
	John
4	Leaving date DD MM YYYY
	2 2 0 5 2 0 1 2

To the employee

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 your name and address of your previous employer.

Items 6 and 7

Check that the entries on both pages of the P45 at items 6 and 7 are the same. If they are not, phone the New Employer Helpline.

Student Loan deductions to continue

If there is a 'Y', an 'X' or a tick shown at item 5 you will need to work out any Student Loan deductions.

- If you are creating a P11 *Deductions Working Sheet* using the P11 Calculator in the Basic PAYE Tools simply indicate that the employee is a Student Loan borrower in the Employer Database and the P11 Calculator will work out any deductions for you, see page 34.
- If you are using a manual P11 *Deductions Working Sheet* you can use the Student Loan Calculator in the Basic PAYE Tools, or the SL3 Student Loan deduction tables to work out the deduction for you but you will need to enter the deduction in column 11 of the P11 *Deductions Working Sheet* or equivalent record.
- If you are not using the Basic PAYE Tools to maintain your payroll, phone the New Employer Helpline for advice.

P45 Part 2
Details of employee leaving work
Copy for new employer

5 Student Loan deductions
 Student Loan deductions to continue

6 Tax Code at leaving date

 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
 £ .
 Total tax to date
 £ .

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* from your nearest HMRC office or Enquiry Centre.

Tax code

You will use either the tax code shown on the P45, or the tax code given to you by the New Employer Helpline (see item 4 on page 14) when you set up your payroll record – form P11 *Deductions Working Sheet*.

Codes D, K or NT

If the code number you are using starts with a D, K or is NT, call the New Employer Helpline for advice.

What to do with Parts 2 and 3 of form P45

Complete and file a P45 part 3 online.

You must be registered for our PAYE Online for Employers service, so that you can complete the P45 online. See page 20 for more details or go to www.hmrc.gov.uk/payee/employees/start-leave/notify-online.htm

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

Once you have checked the form P45 and have your employee's tax code you are ready to set up your payroll and work out how much to deduct from your employee's pay. Please turn to page 21.

There are various reasons why your employee may not be able to give you a form P45, for example:

- they have lost it
- this is their first job
- they are continuing in an existing job as well as working for you.

If your employee does not give you a P45 and they are:

- a student working for you solely during their holidays, or
- intending to work for you for one week or less, with no expectation of coming back in the current tax year.

Phone the New Employer Helpline for further advice.

In all other circumstances if your new employee doesn't have a P45, you and your employee must complete a form P46 or your employee must give you the equivalent information.

Filling in a P46

The P46 is divided into two sections.

Section **one** is for **employee** information.
Section **two** is for **employer** information but only needs to be completed if you are exempt from the requirement to file online and can submit the P46 on paper (see page 17).

Getting P46 information from your employee

Your employee must give you the P46 information before their first payday. It is important to make sure that you send us the correct information about your employees. Always try to check the information you need from an official source like a birth certificate, passport or official documents from HMRC or the Department of Work and Pensions (DWP).

HM Revenue & Customs P46

Section one To be completed by the employee
Your employer will need this information if you don't have a form P45 to complete this form or provide the same information in another form. Use capital letters when completing this form.

Your details

National Insurance number
This is very important in getting your tax and benefits right

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

Surname

First name(s)

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

Your present circumstances
 Read all the following statements carefully and enter 'X' in the one box that applies to you.

A - This is my first job since last 6 April and I have not been receiving taxable Jobseeker's Allowance, Employment and Support Allowance or taxable Incapacity Benefit or a state or occupational pension. A

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

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

P46 Pag

Section two To be completed by the employer
 Almost all employers must file employee starter information online. Guidance for employers who must file online can be found at [www.gov.uk/employers](#).
 Employers exempt from filing online should send this form to the address on page 17. For more information see the E13 [Employer Helpbook Day to day payroll](#).

Employee's details

Date employment started DD MM YYYY

Job title

Employer's details

Employer PAYE reference
 Office number Reference number

 Employer name

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

Box A
 Emergency code on a cumulative basis A

Box B
 Emergency code on a non-cumulative basis B

Box C
 Code BR unless employee falls to complete section one then code DT C

For employees who complete Box A or Box B starter notification, the lower earnings limit applies.

Pag

You can either ask your employee to:

- complete section one with their personal details which must include their date of birth and gender
- read statements A, B and C and enter a 'X' in the one that applies
- read the Student Loans section and tick box D if it applies.

You will find a form P46 in the 'fill in forms' section in the Basic PAYE Tools. Or, ask your employee to give you all the information detailed in section one. You can get this information either by email or on your own stationery but you must keep an audit trail to confirm how this information was obtained. You can decide whether you need a signature for your own purposes.

If your employee does not know their National Insurance number we will automatically trace their number and let you know what it is.

Exceptionally, if your employee has not given you this information in time for their first payday, do not delay sending us the P46 information. Complete one of the statements on the form P46 on behalf of your employee, use tax code 0T on a week 1 or month 1 basis and send the P46 information to us on the employee's first payday.

Student Loan deductions

If you need to make Student Loan deductions (in accordance with the P46 information supplied), phone the New Employer Helpline and they will tell you what you need to do.

Sending P46 information to HMRC

You must send us P46 information on your employees first payday.

Almost all employers are required to send their P46 information online. There are very few exceptions to this, see page 19. If you are exempt from the requirement to file online you may send us a paper form P46. Please see the Employer Helpbook E13(2012) *Day-to-day payroll* for information on how to complete and submit a paper form P46.

You must be registered for PAYE Online for Employers to file the P46 online. For further information see page 20 or go to www.hmrc.gov.uk/payee/employees/start-leave/notify-online.htm

If box A or box B has been ticked do not send the form P46 until your employee's earnings are equal to the National Insurance Lower Earnings limit (LEL) of £107 per week or £464 per month.

Employee without a form P45

Form P45 from your previous employer. Your employer may ask you for a copy of your P45 in a specific format. If you later receive your P45, hand it to your present employer.

**Filling in a P46
continued**

Which tax code to use

The following table will give you the tax code to use based on the information given by your employee. If you are using the P11 Calculator in the Basic PAYE Tools the tax code will automatically be given when you input the P46 information.

On the form P46	Tax code to use
Box A ticked	810L cumulative
Box B ticked	810L week 1 or month 1
Box C ticked	BR cumulative unless employee fails to complete section one then code OT week 1/month 1 basis
No box ticked	OT week 1 or month 1

You will use this tax code when you set up your payroll records – form P11 *Deductions Working Sheet*. (Don't worry if you don't understand the code numbers at the moment, these will be explained in detail later.)

Once you have determined your employee's tax code you are ready to set up your payroll and work out how much tax and NICs to deduct from their pay, see page 21.

Do it Online

Almost all employers are required to send their Employer Annual Return (P35 and P14s) and employee starter and leaver information (P45 and P46) and similar pension information online.

There are very few exceptions to this. Only the following employers have the option of filing their Employer Annual Return and starter/leaver/pension information either online or on paper:

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

If you are in category b) or c) and want to file on paper you must write to the HMRC employer office giving details of why you consider yourself exempt from filing online. Our records can then be updated and it will avoid you receiving a penalty notice for not filing your returns online.

See the following helpbooks for further information - E10(2012) *Finishing the tax year to 5 April 2012* and E13(2012) *Day-to-day payroll*.

If you have not already registered and enrolled for our PAYE Online service you must do so now so that you can file your forms and returns online. Please do not send us any forms or returns on paper or you may be charged a penalty.

Do it Online continued

When you register for PAYE Online for Employers you are given instant access to the Direct Debit Online service. This allows you to set up a Direct Debit Instruction that you can use to pay your monthly or quarterly PAYE and NICs payments.

You can send and receive forms and returns online using:

- our PAYE Online for Employers – Internet service. You can choose either
 - the P11 Calculator in the Basic PAYE Tools. If you are using the calculator for up to and including nine employees at 5 April you can send your Employer Annual Return (P35 and P14s) online. You can also send us your P45 and P46 starter and leaver forms online from the P11 Calculator
 - our free 'Online Return and Form – PAYE' product (this is designed for small employers who have fewer than 50 employees and do not send large numbers of forms to us), or
 - third party (commercial) payroll software
- Electronic Data Interchange (EDI) - more suitable for large employers.

An agent or payroll bureau can file online on your behalf using our 'PAYE Online for Agents' service.

Before you can file or pay by Direct Debit, you need to register with us. When you register you are given immediate access to Direct Debit Online. For more information:

- go to www.hmrc.gov.uk/payee/onlinefiling.htm and select 'Register for PAYE Online for Employers', or
- refer to the Basic PAYE Tools – it has a learning package on all aspects of PAYE Online.

Setting up your payroll

You will now need to set up your payroll.

When you pay someone for the first time you must keep a record of all the payments you make and calculate the tax and NICs to deduct from these payments. You must record this information each time you make a payment.

If you are going to operate your payroll yourself you will need to prepare and maintain a P11 *Deductions Working Sheet* (or equivalent record) when:

- you pay your employee
 - *£107, or more in any week (NICs weekly LEL)
 - *£464, or more in any month (NICs monthly LEL), or
- your employee has given you a form P45 with a date of leaving in the current tax year, or
- you have paid your employee and you have to operate tax code **BR** or **OT** in accordance with the P46 procedures, see pages 16 to 18, or
- you have paid your employee and HMRC has sent you a tax code.

* (If your pay period is other than weekly or monthly please phone the New Employer Helpline.)

If your employee has worked for you previously in the tax year you must complete a new form P11 *Deductions Working Sheet* for their latest spell of employment.

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

The P11 *Deductions Working Sheet* is a double-sided form. The left-hand columns are used to record NICs and the right-hand columns to record tax deductions. You must use a separate form for each employee. The illustration on pages 52 and 53 shows an example of a manual form P11 *Deductions Working Sheet*.

If you are using the P11 Calculator in the Basic PAYE Tools you do not need to order a manual P11 *Deductions Working Sheet*. If you are operating a manual payroll you will need to order a paper P11 *Deductions Working Sheet* from the Employer Orderline.

Using the Basic PAYE Tools to run your payroll

If you are going to operate the payroll yourself there are three ways to complete a form P11 Deductions Working Sheet.

This is the easiest and quickest way to complete a form P11 *Deductions Working Sheet*. The P11 Calculator will:

- work out the tax deductions, Student Loan deductions and NICs for you
- complete the on-screen equivalent of the paper P11 *Deductions Working Sheet*
- allow you to save the details on your computer and update the P11 *Deductions Working Sheet* each time you pay your employee
- allow you to send your Employer Annual Return online if you have up to and including 9 employees. You must download the Basic PAYE Tools to use the P11 Calculator.

Using the manual tax and NICs tables and a paper form P11

If you are completing a paper form P11 *Deductions Working Sheet* and are not using the Basic PAYE Tools you will need to calculate the tax and NICs using the tax and NICs tables.

If you have decided to use the P11 Calculator in the Basic PAYE Tools please go to page 23.

If you have decided to use the manual tax and NICs tables please turn to page 52.

What's in the Basic PAYE Tools

The Basic PAYE Tools contains calculators to help you run your payroll. If you are not using payroll software, this is the easiest and quickest way to maintain your payroll. The Basic PAYE Tools contains:

- the P11 Calculator – which works out the tax and NICs for each employee every pay period and has been developed with the small employer in mind. If you are using the P11 Calculator for up to and including 9 employees at 5 April you will be able to send us forms online straight from the P11 Calculator
- an employer and employee database for keeping details such as National Insurance numbers, dates of birth and home addresses
- interactive forms that will pre-populate from the database and will do the calculations for you
- a range of calculators that work out, for example, statutory payments
- a Learning Zone which contains teach yourself packages on a wide range of payroll tasks.

The following pages in this section show you how to set up the database and how to use the P11 Calculator. This section also outlines:

- the information you need from your new employee
- how you can send us their information online
- how you can calculate their tax and NICs each time you pay them, and
- how you can calculate how much to pay HMRC each month.

Using the P11 Calculator

You can calculate and record PAYE tax and NICs using the P11 Calculator in the Basic PAYE Tools.

What does the P11 Calculator do?

The P11 Calculator:

- works out and records each employee's tax deductions, Student Loan deductions and NICs
- completes all relevant columns on the P11 *Deductions Working Sheet* for you
- produces an up-to-date P11 summary
- gives you the detail you will need to complete your End of Year Return
- gives a summary of amounts of tax and NICs due to HMRC each month on the P32 *Employer Payment Record*
- can save your payroll data to a spreadsheet.

Due to continuing improvements the screens in the Basic PAYE Tools may look different to those shown within this helpbook.

Preparing to use the P11 Calculator

Before you can use the P11 Calculator you must first set up your **Employer Database**.

You can access the following areas from the Employer Basic PAYE Tools Home Screen.

- The Employer Database.
- The P11 Calculator is in the Calculators section on the Home Screen.



You will need the following details to set up the database.

Employer details

- Name and address.
- PAYE reference.
- Accounts office reference.

Employee details

- Name and address.
- National Insurance number.
- National Insurance category letter (see page 56 for more on this).
- Tax code.
- Date of birth.
- Their P45 or completed form P46.

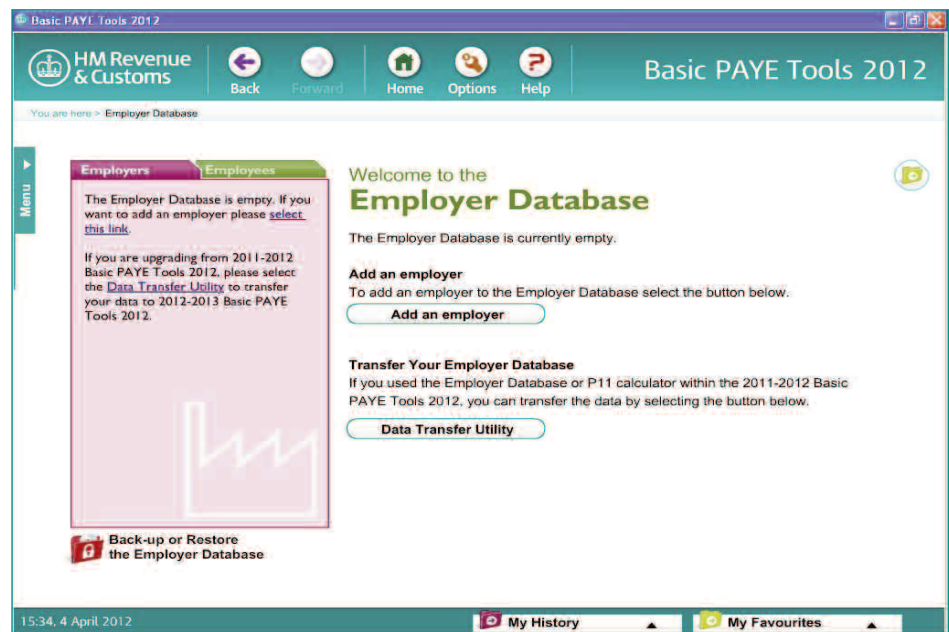
Preparing to use the P11 Calculator continued

You will also need to enter frequency of pay, (for example weekly or monthly paid), a works/payroll number (if applicable) and employment start date if they started on or after 6 April 2012, plus details of previous pay and tax if the new employee has given you a P45.

The following pages describe the process for setting up an employer and employee database. You can also view a demonstration in the Basic PAYE Tools. Select the 'Help' section then select 'How to use the Basic PAYE Tools'.

You can access the Employer Database from the main menu on the Home Screen or from the P11 Calculator.

Select 'P11 Calculator' and then select 'Add an employer'.



Add your employer name and address then select 'Next' to add your Employer PAYE reference and accounts office reference.

Basic PAYE Tools 2012

HM Revenue & Customs

Back Forward Home Options Help

You are here > Employer Database

Menu

Add an Employer

The Employer Database is empty. If you want to add an employer please [select this link](#).

If you are upgrading from 2011-2012 Basic PAYE Tools 2012, please select the [Data Transfer Utility](#) to transfer your data to 2012-2013 Basic PAYE Tools 2012.

Back-up or Restore the Employer Database

Employer Details

Please enter the name and address of this employer and then select Next. If you need to correct any details during the process, please select the Back button. * denotes a required field.

Name * ABC Ltd

Address Line 1 1 High Street

Address Line 2 London

Address Line 3

Postcode WW1 1AA

Next

15:37, 4 April 2012

My History My Favourites

You will find your Employer PAYE reference and accounts office reference on the letter that we sent you when you first registered. Select 'Next' to save your details.

Basic PAYE Tools 2012

HM Revenue & Customs

Back Forward Home Options Help

You are here > Employer Database

Menu

Add an Employer

The Employer Database is empty. If you want to add an employer please [select this link](#).

If you are upgrading from 2011-2012 Basic PAYE Tools 2012, please select the [Data Transfer Utility](#) to transfer your data to 2012-2013 Basic PAYE Tools 2012.

Back-up or Restore the Employer Database

Tax and Reference Details of ABC Ltd

Please enter the office reference details of ABC Ltd and then select Next. If you need to correct any details during the process, please select the Back button. * denotes a required field.

Employer PAYE reference * 123 / A123

Accounts office reference * 123PP1234

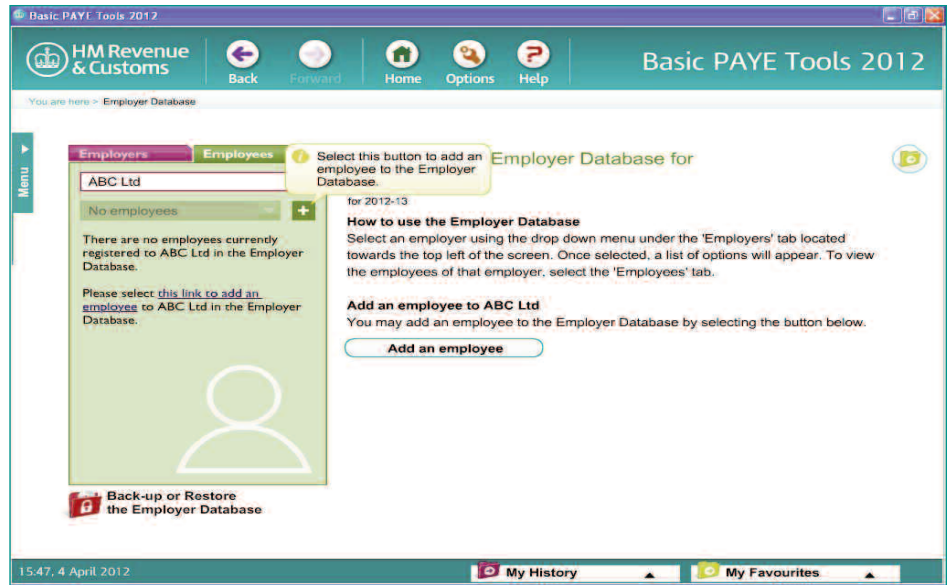
Cancel Back Next

15:38, 4 April 2012

My History My Favourites

Preparing to use the P11 Calculator continued

You now need to add your employee(s) to the database. Select 'Add an employee'.



Once you have entered name, gender and date of birth, select 'Next'.

Basic PAYE Tools 2012

HM Revenue & Customs

You are here > Employer Database

Employers Employees

ABC Ltd

No employees

There are no employees currently registered to ABC Ltd in the Employer Database.

Please select [this link to add an employee](#) to ABC Ltd in the Employer Database.

Back-up or Restore the Employer Database

Add an Employee

ABC Ltd

Personal Details
Please enter the personal details of this employee and then select Next.
If you need to correct any details during the process, please select the Back button.
* denotes a required field.

Title ?

First Name * ?

Middle Initials ?

Surname * ?

Gender * Male Female ?

Date Of Birth * / / ?

Next

15:48, 4 April 2012

My History My Favourites

Now add the employee's National Insurance number and address and select 'Next'.

Basic PAYE Tools 2012

HM Revenue & Customs

You are here > Employer Database

Employers Employees

ABC Ltd

No employees

There are no employees currently registered to ABC Ltd in the Employer Database.

Please select [this link to add an employee](#) to ABC Ltd in the Employer Database.

Back-up or Restore the Employer Database

Add an Employee

ABC Ltd

Personal Details
Please enter the personal details of this employee and then select Next.
If you need to correct any details during the process, please select the Back button.
* denotes a required field.

National Insurance Number ?

Address Line 1 ?

Address Line 2

Address Line 3

Postcode

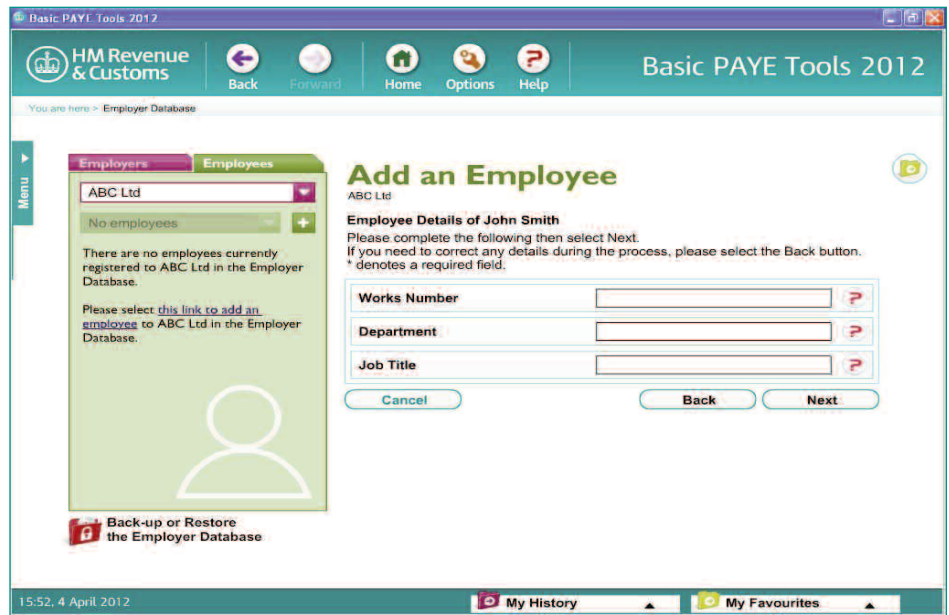
Cancel Back Next

15:50, 4 April 2012

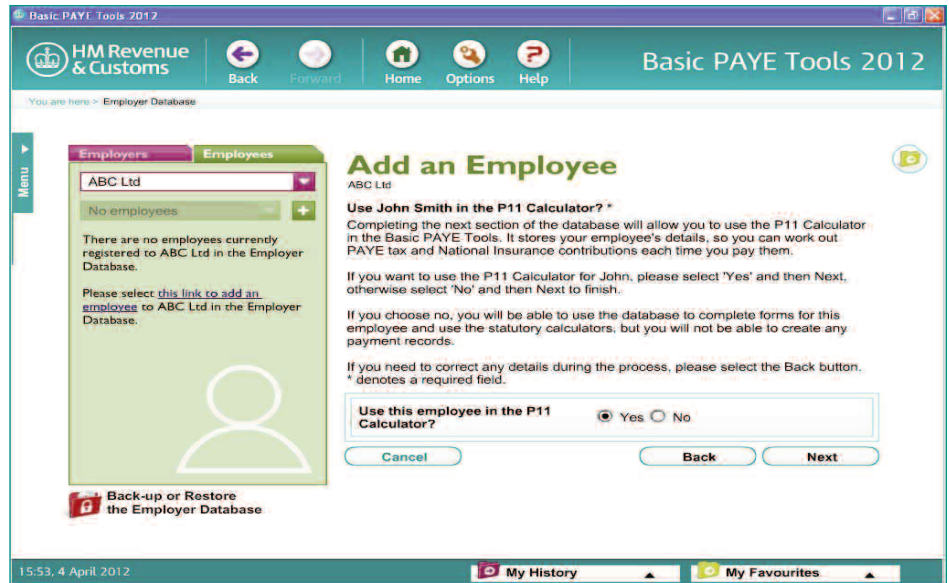
My History My Favourites

Preparing to use the P11 Calculator continued

If applicable, add a works number, department or job title, then select 'Next'. If they don't apply to this employee leave these fields blank and select 'Next'.



You want to use the P11 Calculator for this employee so select 'Yes' to 'Use this employee in the P11 Calculator' then select 'Next'.

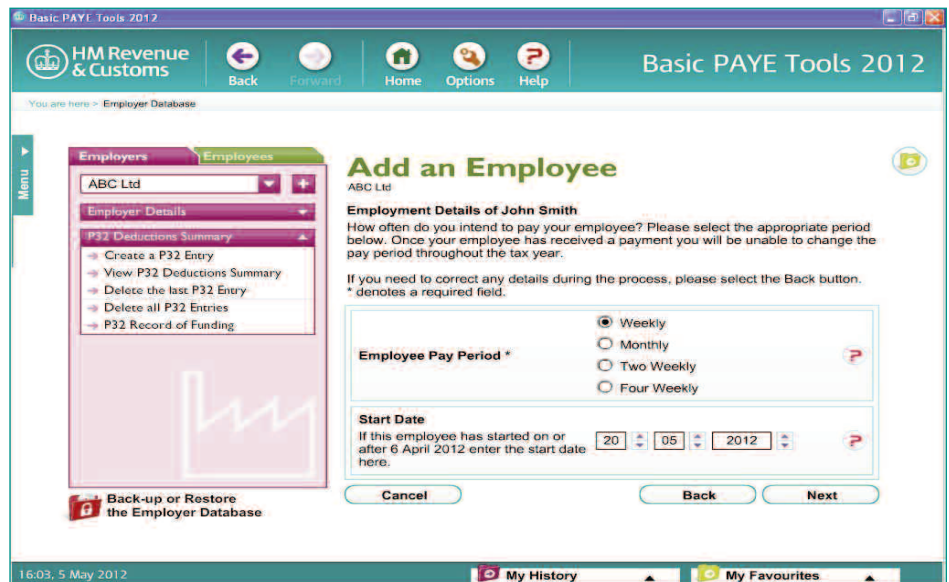


You must now add the following details about your employee.

Employee pay period
Start date

Select the pay period for your employee, either weekly paid, two-weekly, four-weekly or monthly.

If your employee started on or after 6 April 2012 enter the date they started, otherwise leave this field blank.

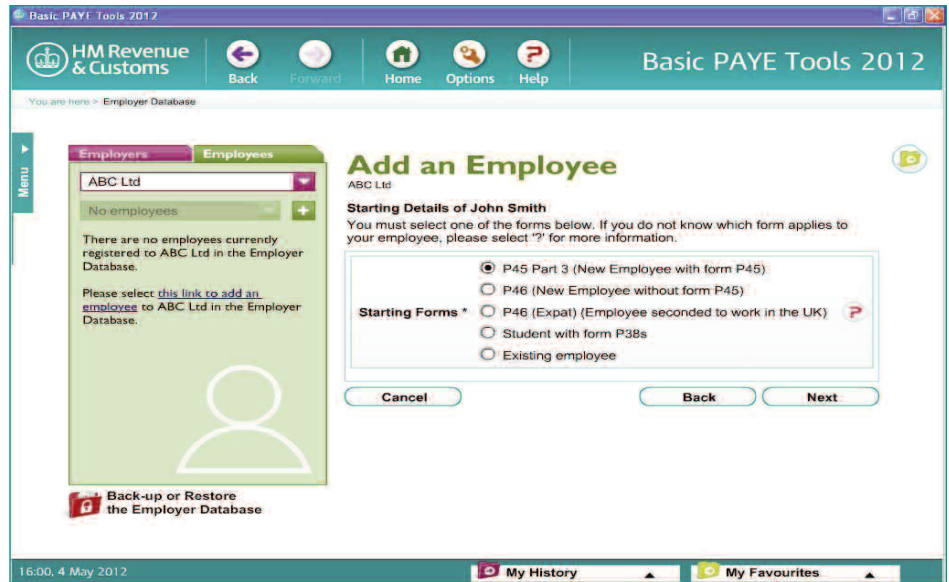


If you have entered a start date you will then need to select from the following:

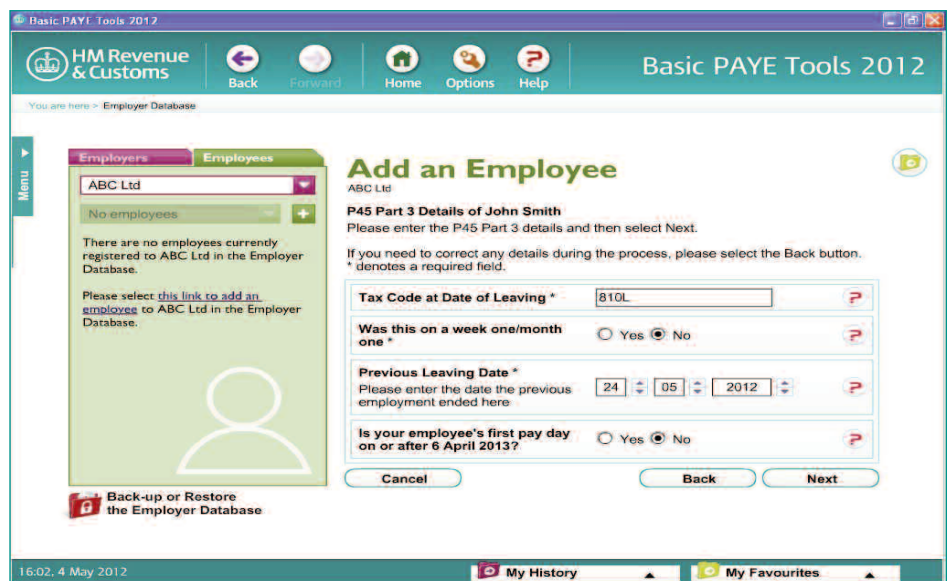
- the employee has given you a P45 Part 3 completed by their previous employer
- the employee has given you a completed P46, or a P46(Expat). The employee must give you a P46 if they don't have their P45.

You will need either their P45 or a completed P46 to continue.

For the purposes of this example we will assume your new employee has given you a P45 Part 3. Select 'Next' to continue.



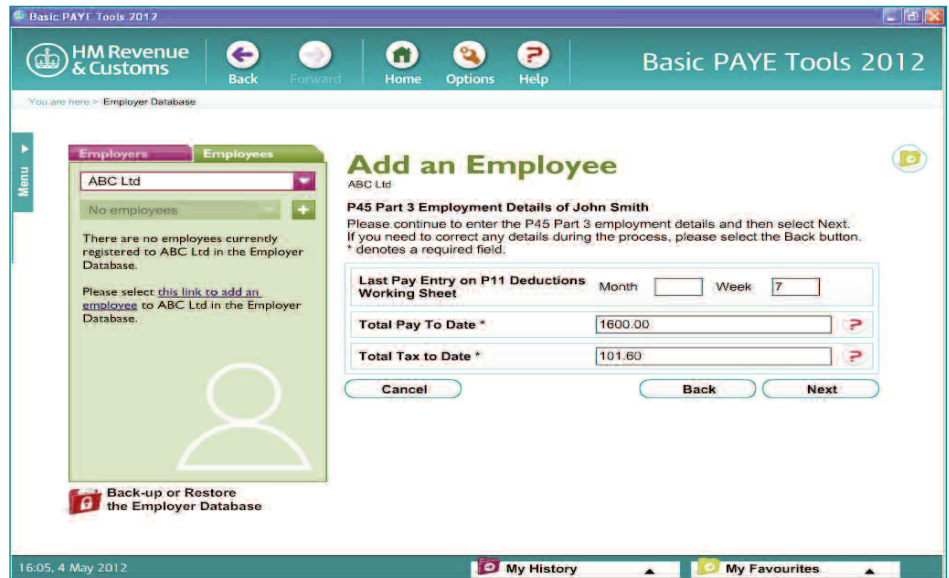
From the employee's P45 enter the tax code, indicate whether or not the code was operated on a week1/month1 basis and their date of leaving. You will need to indicate if the employee's first payday is on or after 6 April 2012. In the majority of cases this won't be the case.



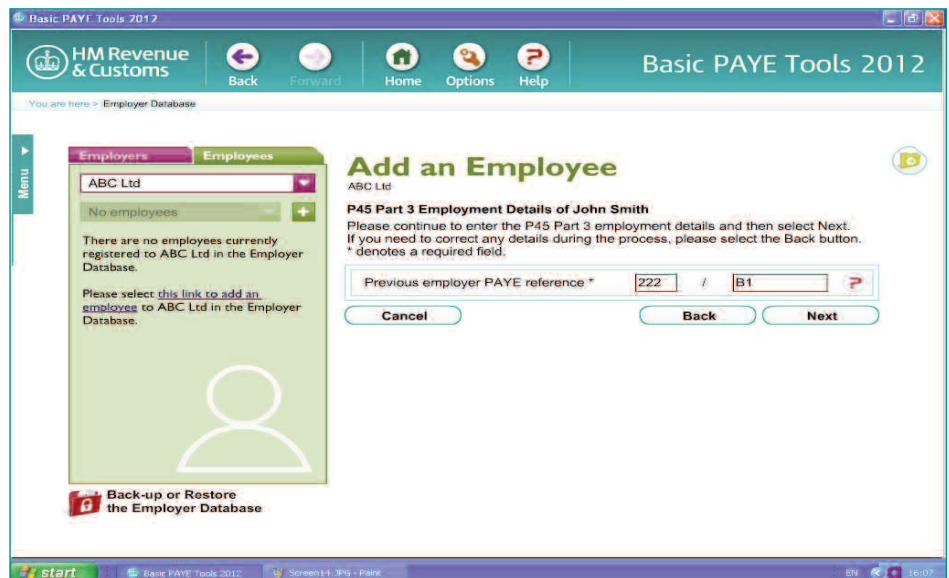
From the employee's P45 enter the month or week number and the total pay and tax to date.

The P11 Calculator will then carry out a tax table check on the tax due figure. The correct tax due figure will then be incorporated within the P11 Summary.

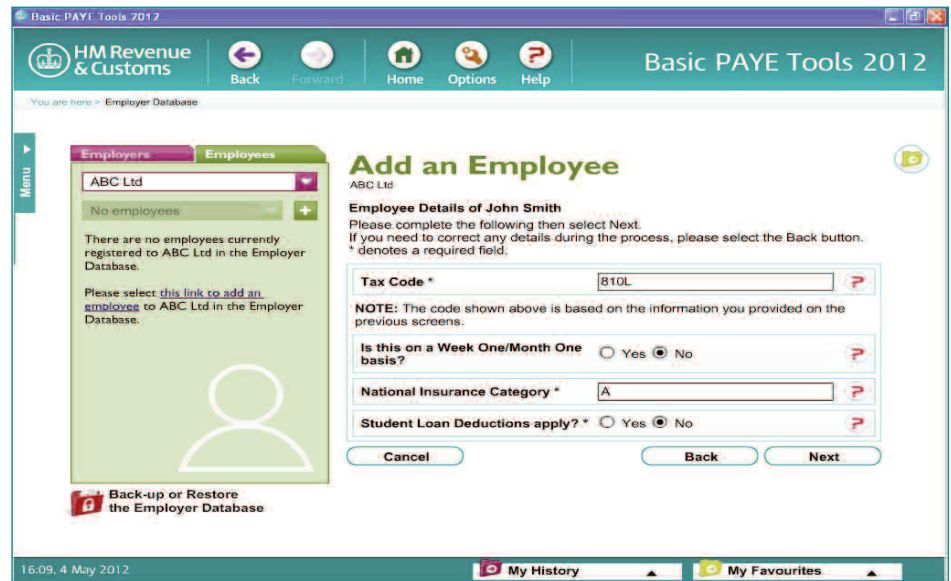
Now select 'Next'.



Now enter the previous Employer PAYE reference then select 'Next'.



Tax code In the case of a new employee starting with you on or after 6 April 2012, the tax code fields will be pre-populated.



If the employee is an existing employee you will need to enter the tax code you have been using to date. If you are unsure of what tax code to use phone the New Employer Helpline on **0845 60 70 143**.

Week one/month one basis

If the tax code is followed by 'week 1', 'month 1' or 'X' you must select 'Yes' to this question, otherwise leave as 'No'.

There are several different NICs categories. For most men and women aged 16 or over and under State Pension age, category A NICs apply.

NICs category

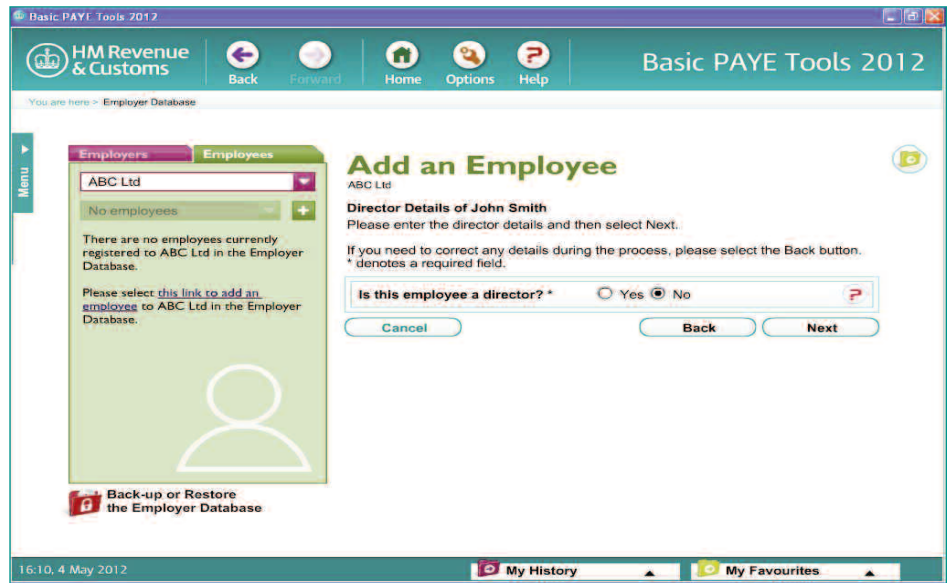
If you are unsure which National Insurance category letter applies, go to www.hmrc.gov.uk/payee/intro/ni-basics.htm **#3** If you are still unsure which letter applies, phone the New Employer Helpline on **0845 60 70 143**. The National Insurance category letter is not the check character at the end of the employee's National Insurance number. Please note that category letters F, G and S will no longer be accepted from April 2012. For further information about changes to contracting-out from April 2012 please go to www.hmrc.gov.uk/payee/intro/ni-basics.htm **#3**

Student Loan deductions

Select 'Yes' if you have received a form SL1 *Start Notice*, or for new employees who have given you a form P45 with an entry in box 5 'Student Loan deductions to continue'. If your new employee does not give you a form P45 they should complete a form P46. If they have ticked the Student Loan box of form P46 select 'Yes'.

Is this employee a director?

Indicate whether the employee is a director and then select 'Next'.



Directors only

If you selected 'Yes' to the previous question 'Is this employee a director?' you will be asked for the following information.

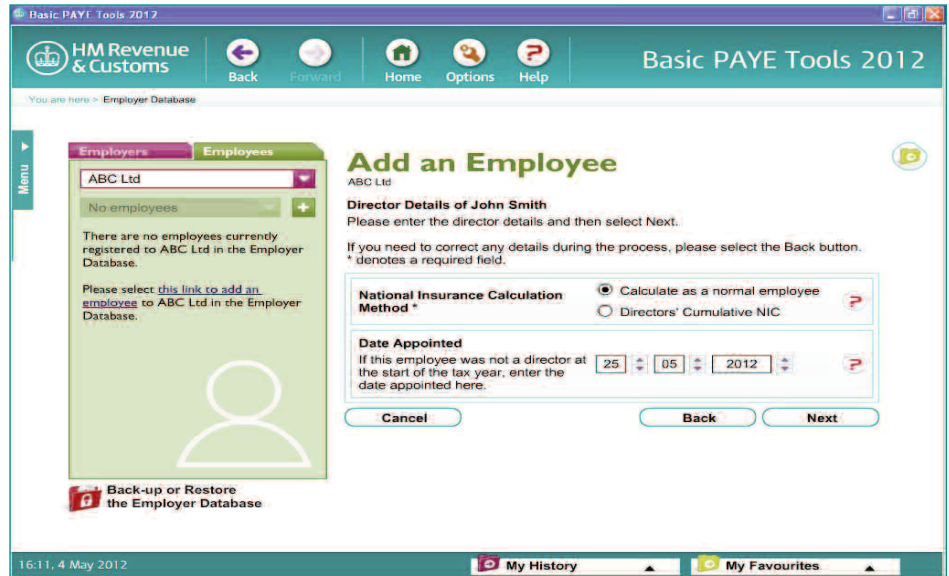
National Insurance calculation method

Calculate as a normal employee

This method calculates NICs as a normal employee (non-cumulatively) subject to the conditions set out on page 7 in the Employer Helpbook CA44 *National Insurance for Company Directors*. And if you use this method the P11 Calculator will carry out an Annual Earnings Period check when the last payment is made for the tax year, or when the directorship ceases if earlier. This is done to ensure the director has paid the correct amount of NICs for the year.

Directors cumulative NICs

This method calculates NICs cumulatively for the director throughout the year using an annual or pro rata annual earnings period.

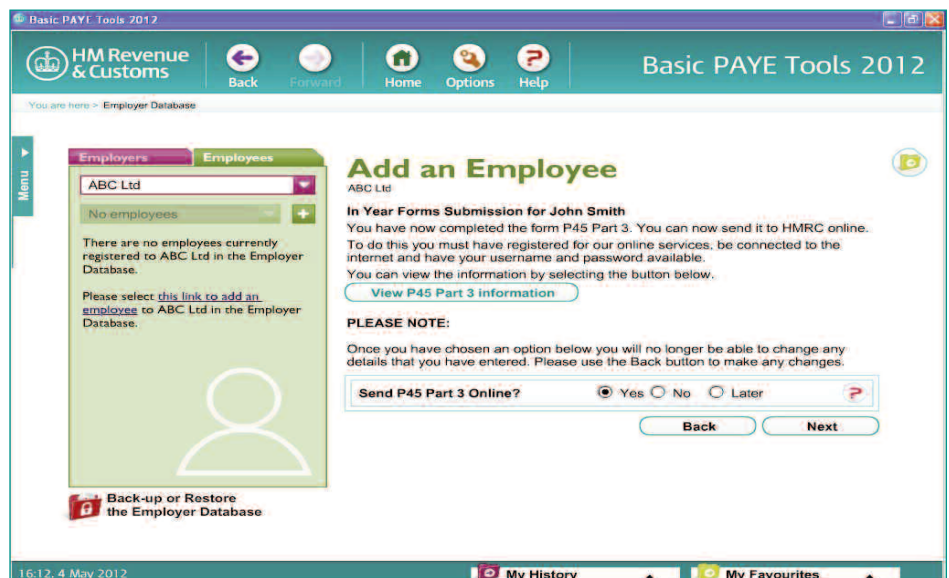


You can find more information about NICs for directors in the Employer Helpbook CA44 *National Insurance for Company Directors*.

Date appointed

If the employee was not a director at the start of the tax year enter the date appointed or joined the business here, then select 'Next'

If you have registered with HMRC Online Services you can send the P45 Part 3 online, but must be connected to the Internet at this point. You must also have your username and password to hand. Select 'Finish' when you have chosen whether to send the P45 Part 3 now, later or not at all.



All the employee detail will now be summarised.



If you want to use the P11 Calculator for additional employees select '+' in the employee menu on the left-hand side of the screen and work through the 'Add an employee' process again, from page 28.



You are now ready to use the P11 Calculator.

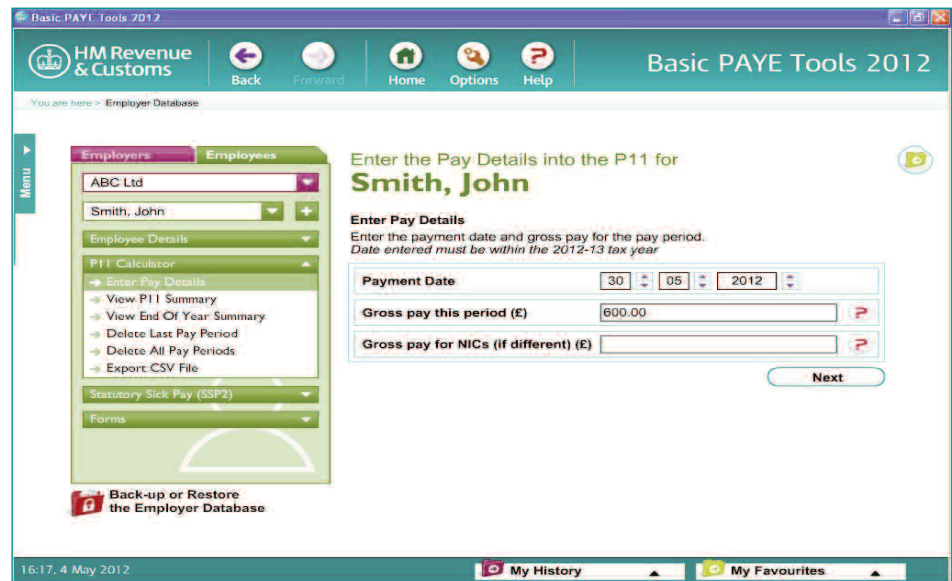


P11 Calculator Firstly select the employee you want to use the P11 Calculator for by selecting the down arrow next to the first employee name to expand your list.



Next select the P11 Calculator to expand this menu option.

Next select 'Enter Pay Details'.



Pay details You must now enter the:

- payment date
- gross pay during this pay period
- gross pay for NICs if it is different. If you pay anything other than salary, wages, overtime, bonuses or commission the gross pay for NICs may be different. For more information see pages 58 to 61 of the CWG2 *Employer Further Guide to PAYE and NICs*. You can find the CWG2 at www.hmrc.gov.uk/guidance/cwg2.pdf

Do not make an entry in this box (leave it blank) unless the gross pay for NICs is different to the 'Gross pay this period'.

If you are unsure what to include in any of the boxes, look in the '?' symbols for more information.

You must now indicate whether you have received a P6 coding notification.

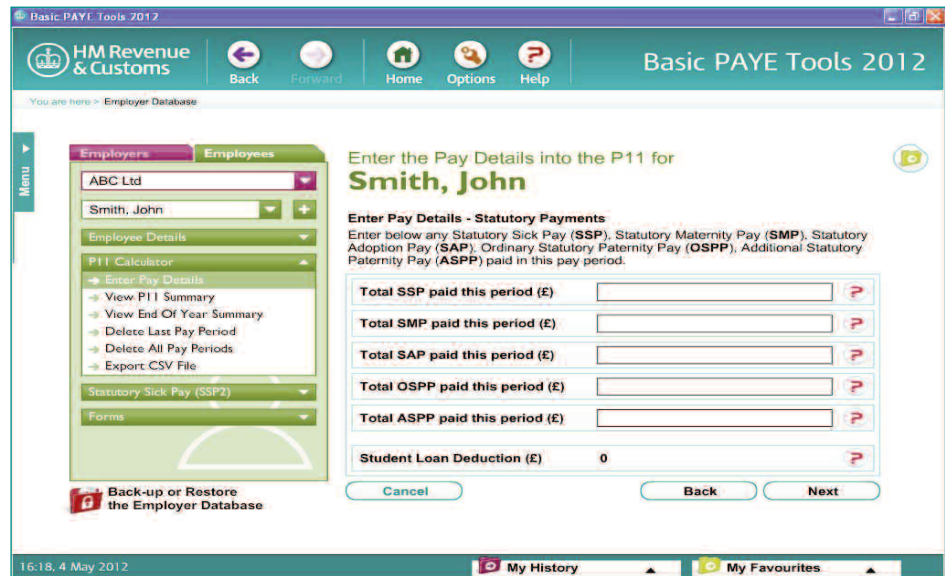
The P6 tells you when your employee's tax code has changed.

If you have received a P6, turn to page 43 for further information.

If you have not received a P6, leave as 'No' and select 'Next'.

Pay details continued

Now enter details of any statutory payments paid to your employees during this pay period. Leave these boxes blank if they do not apply.



If a Student Loan deduction needs to be made the amount will appear on this screen.

If you would like to know more about these topics, you will need to download the Learning Zone from the Basic PAYE Tools or phone the New Employer Helpline.

Now select 'Next'.



This is the confirmation page that summarises the details you have entered for your employee during this pay period.

If the details are incorrect select 'Back' to re-enter the correct information.

When you are certain that the information is correct select 'Save to P11' to transfer the details onto the P11 Summary.

Basic PAYE Tools
P11 Calculator (2012-13)

Employee's Name ABC Ltd	Employee's Surname Smith	National Insurance Number QQ123456A	Date of starting 20/05/2012	Tax code 810L	Month applied 1
Accounts Office Ref / PAYE Ref 123PP1234 / 123/A123	Employee's Forename John	Date of Birth 01/01/1977	Date of leaving		
		Works/Payroll Number			

M O N E T H	National Insurance & Statutory Payments				PAYE Income Tax			Statutory Payments					
	Earnings at the LEL (where earnings are equal to or exceed the LEL)	Earnings above the LEL, up to and including the PT	Earnings above the PT, up to and including the UAP	Earnings above the UAP, up to and including the UEL	Total of employee's and employer's contributions	Employee's contributions due on all earnings above the PT	Employer's contributions due on all earnings above the ST	Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Ordinary Statutory Paternity Pay (OSPP)	Additional Statutory Paternity Pay (ASPP)	Statutory Adoption Pay (SAP)	Student Loan Deductions
Gross for III	1a	1b	1c	1d	1e	1f	Emp	1g	1h	1i	1j	1k	1l
2	600.00	442	158.00	0.00	0.00	1.52	0.00	1.52	0.00	0.00	0.00	0.00	0.00

The first page of the P11 Summary show entries relating to NICs, statutory payments and Student Loan deductions.

Select the 'PAYE Income Tax' tab to view the second page of the P11 which shows the total gross pay and entries relating to PAYE tax deductions.

Basic PAYE Tools
P11 Calculator (2012-13)

Employee's Name ABC Ltd	Employee's Surname Smith	National Insurance Number QQ123456A	Date of starting 20/05/2012	Tax code 810L	Month applied 1
Accounts Office Ref / PAYE Ref 123PP1234 / 123/A123	Employee's Forename John	Date of Birth 01/01/1977	Date of leaving		
		Works/Payroll Number			

M O N E T H	National Insurance & Statutory Payments				PAYE Income Tax							
	Pay in the week or month including statutory payments (SSP/SMP/OSPP/ASPP/SAP)	Total pay to date	Total 'free pay' to date	Total 'additional pay' to date	Total taxable pay to date	Total 'tax due' to date	Tax due at end of current period	Regulatory Limit	Tax deducted or refunded in the week or month	Tax not deducted owing to the Regulatory Limit		
	2	3	4a	4b	5	6	6a	6b	7	8		
2	600.00	2200.00	1351.52	0.00	848.00	169.60	0.00	0.00	68.00	0.00		
		1600.00				101.60						

Pay details continued

As you continue to pay your employee throughout the year, the P11 Calculator will:

- work out the PAYE tax and NICs to deduct for each pay period, **and**
- complete the P11 entries for you
- give you an end of year summary with all the detail you will need to complete your End of Year Return.

Change of employee's tax code

If your employee's tax code changes during the tax year your HMRC office will send you a form P6. The P6 looks like this.

HM Revenue & Customs

Employer PAYE reference

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

Issued by

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

Employee's name: White Mrs M

National Insurance number: 00 1 2 3 4 5 6 A

Works or payroll number:

Tax code
This employee's code is amended to: 747L
Please use this tax code from the next pay day

for the year to 5 April: 2012

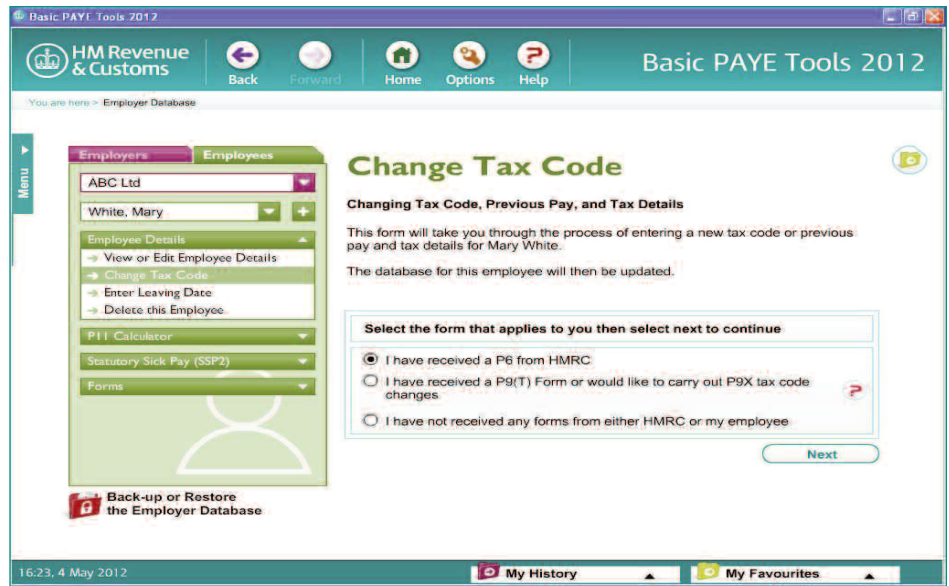
Please read the notes on the back of this form.

Previous pay		Previous tax	
£	900 00	£	70 00

P6 HMRC 06/09

When you receive a form P6, use the tax code on it from the first payday after you receive it unless your HMRC office tells you otherwise.

You must enter the revised tax code onto the P11 Calculator. To do this, you will need to select 'Change Tax Code' from Employee Details.

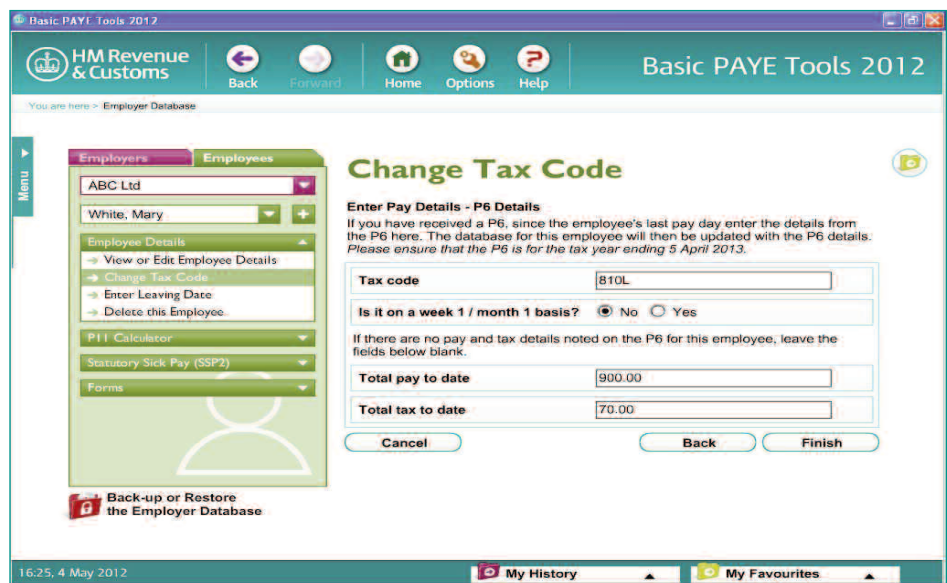


Change of employee's tax code continued

You must now enter the revised tax code, including previous pay and tax details (if any), shown on the P6, see example below.

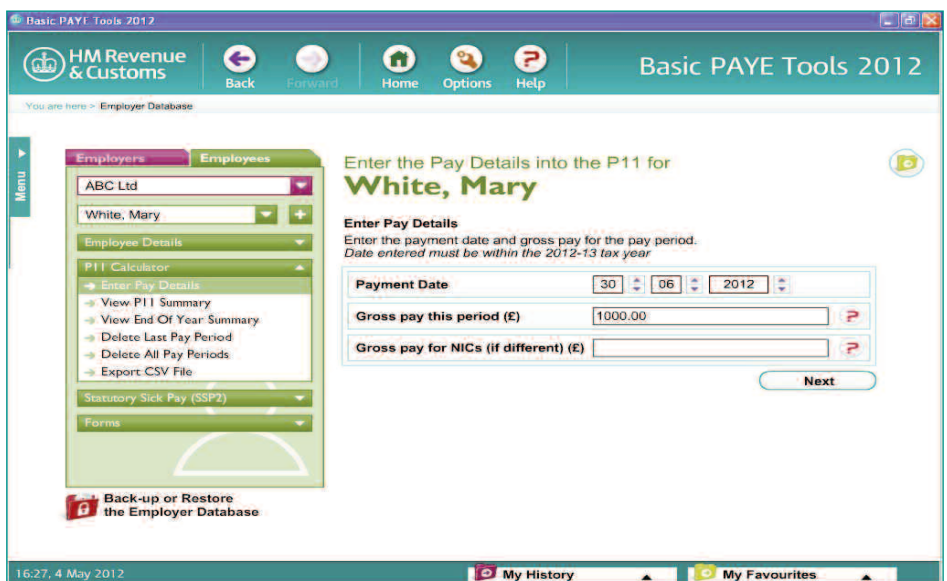
If there are no pay and no tax details on the P6 leave the 'Total pay to date' and 'Total tax to date' fields blank.

Then select 'Next'.



You must now:

- enter details of any statutory payments and select 'Next'
- confirm your entries are correct and if so, select 'Save to P11'.



The P6 details will now be incorporated. The tax code will be updated in the database and any pay and tax from a previous employment will be included in the current pay period's figures to give you a revised amount of tax due.

Basic PAYE Tools
P11 Calculator (2012-13)

Employer's Name ABC Ltd	Employee's Surname White	National Insurance Number QQ123456A	Date of starting	Tax code 810L	Month applied 1
Accounts Office Ref / PAYE Ref 123PP1234 / 123/A123	Employee's Forename Mary	Date of Birth 12/12/1983	Date of leaving	Works/Payroll Number	

National Insurance & Statutory Payments				PAYE Income Tax				PAYE Income Tax			
M	W	Pay in the week or month including statutory payments	Total pay to date	Total 'free pay' to date	Total 'additional pay' to date	Total taxable pay to date	Total tax due to date	Tax due at end of current period	Regulatory Limit	Tax deducted or refunded in the week or month	Tax not deducted owing to the Regulatory Limit
		2	3	4a	4b	5	6	6a	6b	7	8
		900.00	1900.00	2027.28	0.00	0.00	70.00	0.00	0.00	R70.00	0.00
3		1000.00	1900.00	2027.28	0.00	0.00	0.00	0.00	0.00	R70.00	0.00

P32 employer deductions summary

The P32 Summary will total all your employees' PAYE tax, NICs and Student Loan deductions for each tax month and show what is due to HMRC.

Important note: The P32 Summary will only include details relating to employees entered on the P11 Calculator.

Where to find the P32 Summary

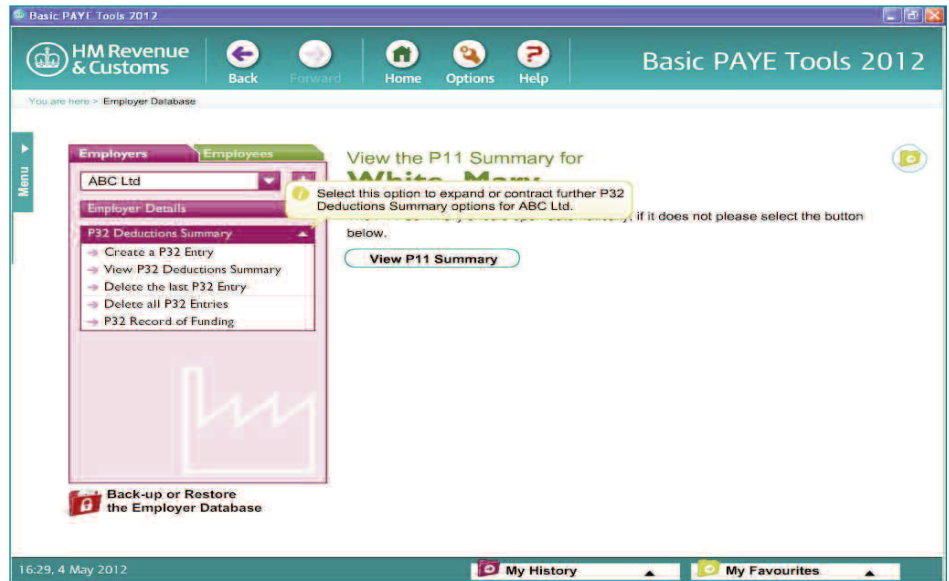
The P32 Summary is found within the main Employer menu.

Select 'P32 Deductions Summary'.

There are a number of options, but before you can work out what is due to HMRC you must first create a P32 entry.

Create a P32 Entry

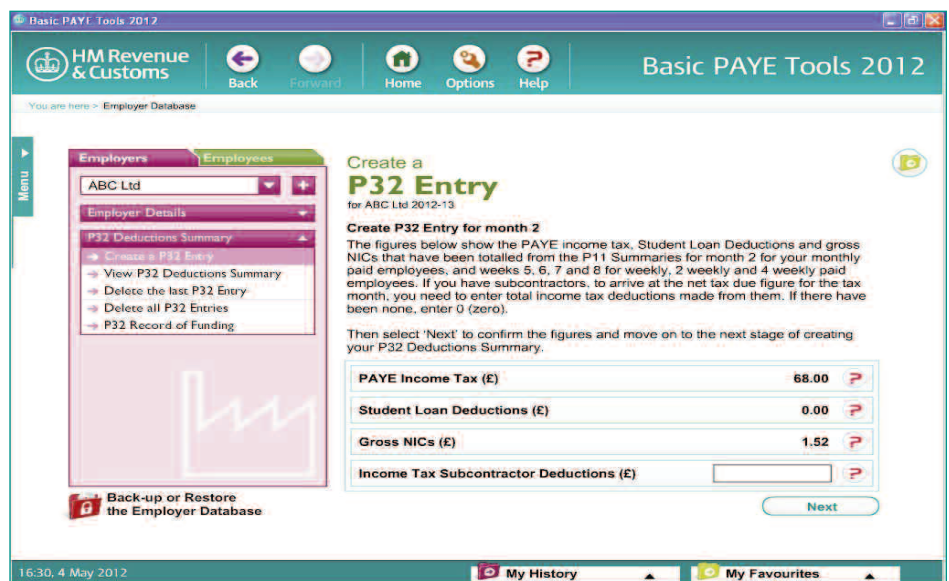
Select 'Create a P32 Entry'.



This will show the total PAYE tax, Class 1 NICs and any Student Loan deductions from all P11s for the employer chosen. The P32 will build a record month by month starting at month 1. But it will not skip a month, so if you have entries in months 1 and 3 and none in month 2 you must still create a 'nil' entry for month 2.

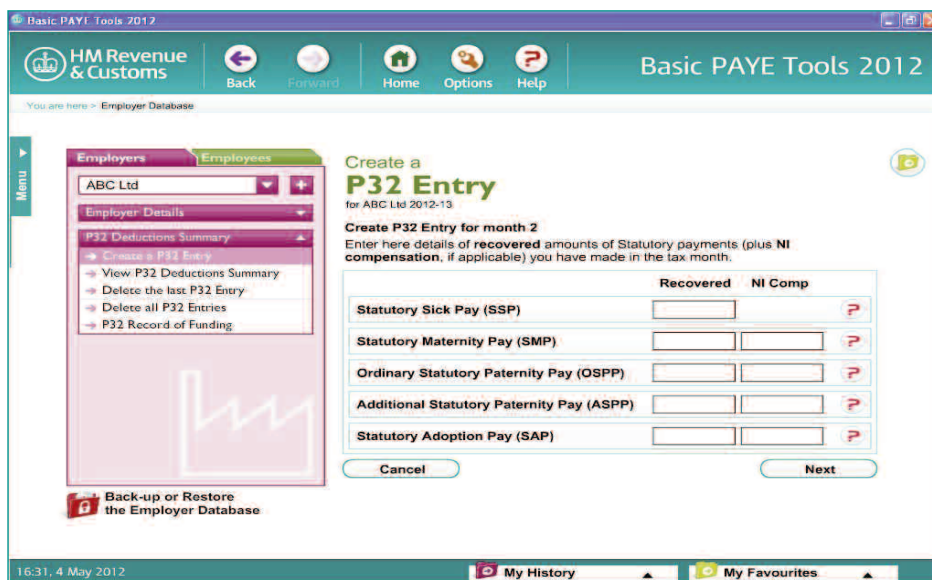
This screen also has an entry for 'Income Tax Subcontractor Deductions', in case you need to add these to your record.

Either leave blank or enter the relevant details then select 'Next'.



On this screen you can enter any statutory payment recoveries and compensation.

Recovered statutory payments and compensation are deducted from your monthly National Insurance and PAYE liability.



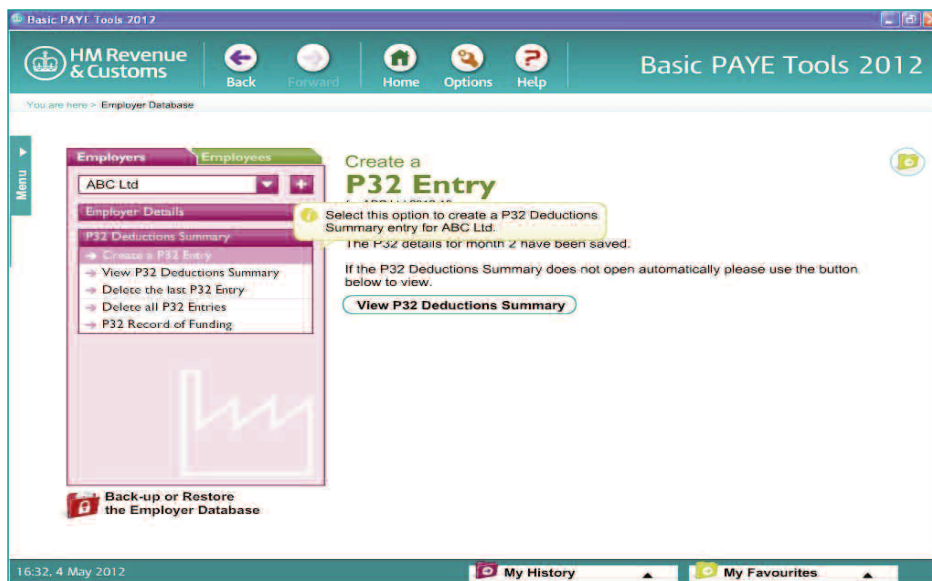
Using the Basic PAYE Tools

Leave blank or enter details then select 'Next'. The P32 Deductions Summary will be displayed.

Period	Income Tax (no. subcontractors)	Student Loan Deductions	Net Income Tax	Gross National Insurance Contributions (NICs)	Statutory Sick Pay (SSP) recovered	Statutory Maternity Pay (SMP) recovered	NIC compensation on SMP	Ordinary Statutory Paternity Pay (OSPP) recovered	NIC compensation on OSPP	Additional Statutory Paternity Pay (ASPP) recovered	NIC compensation on ASPP	Statutory Adoption Pay (SAP) recovered	NIC compensation on SAP	Total deduction from NICs (total of boxes 5 to 13)	Net NICs (14 minus 15)	Amount due (3 + 15)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	69.00	0.00	69.00	1.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	69.52
3																
D1 subtotals																
4																
5																
6																
D2 subtotals																
7																
8																
9																
D3 subtotals																
10																
11																
12																
D4 subtotals																
Grand Totals	69.00	0.00	69.00	1.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	69.52

View P32 Deductions Summary

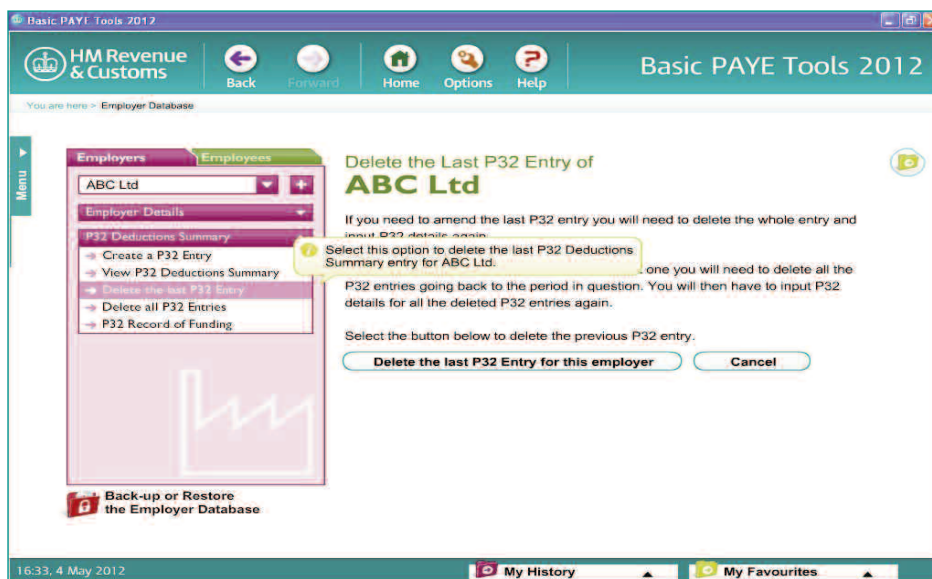
Select this option to view the P32 Deductions Summary you have created to date.



Delete the last P32 Entry

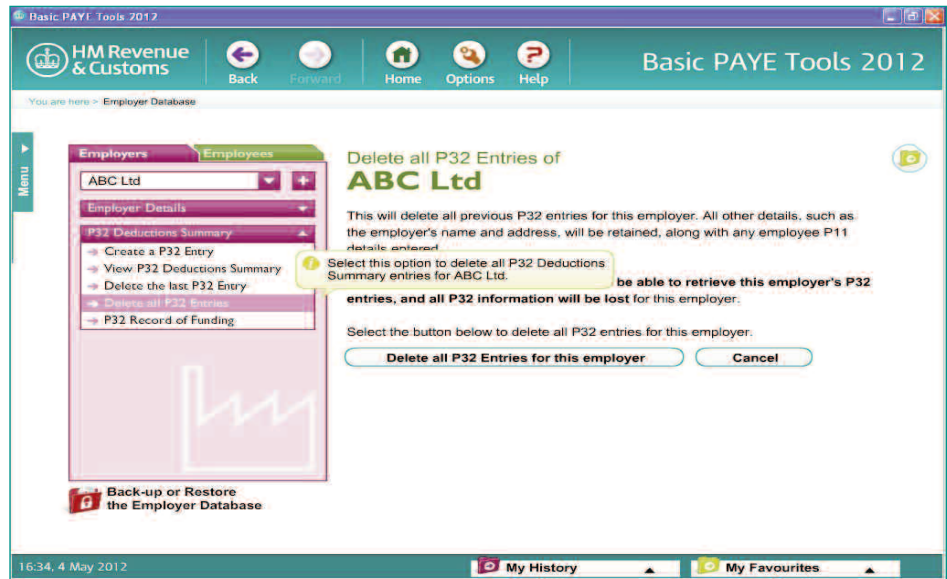
If you make a mistake and need to amend your P32 Deductions Summary, you can do this by selecting 'Delete the last P32 Entry'.

If you need to amend an entry before the last one, you will need to delete all entries going back to the month in question. You will then need to re-enter all deleted entries by 'Creating a P32 Entry' for all the months you have just deleted.



Delete all P32 Entries for this employer

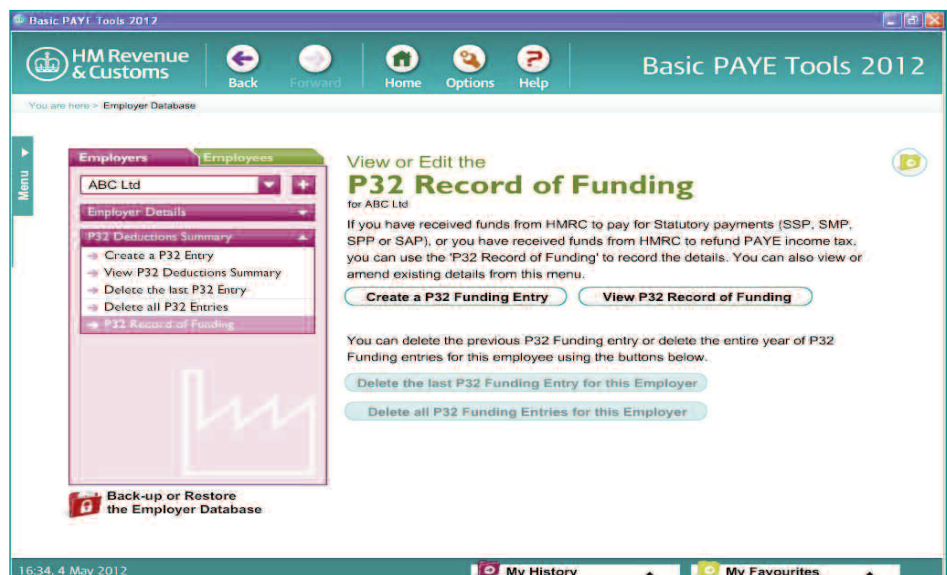
This option will allow you to clear the whole year's P32 Deductions Summary entries.



P32 Record of Funding

If you have received funds from HMRC to pay for statutory payments or to refund PAYE Income Tax you should record this by selecting 'P32 Record of Funding'.

Creating and amending funding entries is identical to creating and amending P32 entries.



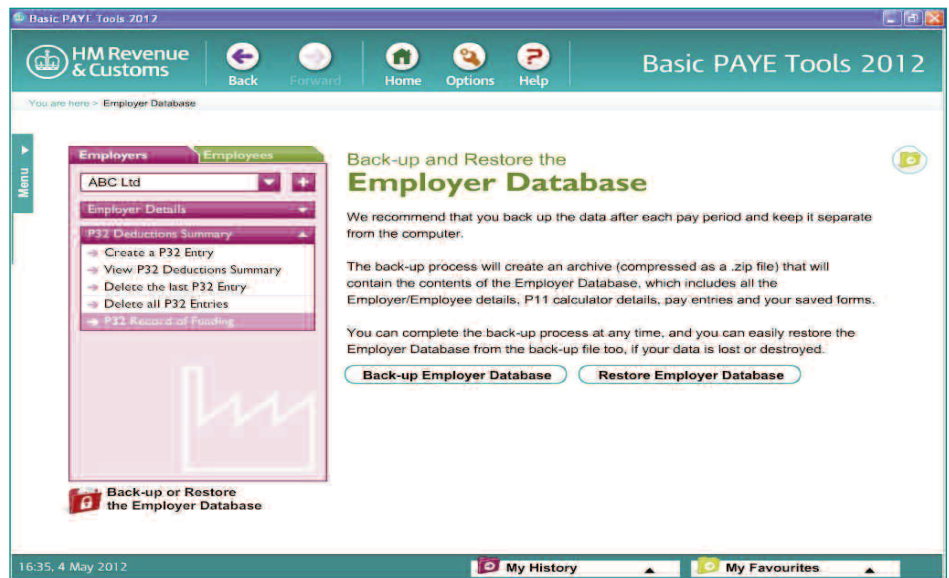
To find out how to apply for funding please go to page 81.

Back-up or restore the Employer Database

You can back-up data and save it onto your server, or any removable storage media such as a USB memory stick.

We recommend that you back-up the data after each pay period and keep it separate from the computer.

To commence the back-up of your data select 'Back-up or Restore the Employer Database' button found below the Employers/Employees window on the left-hand side of the screen.



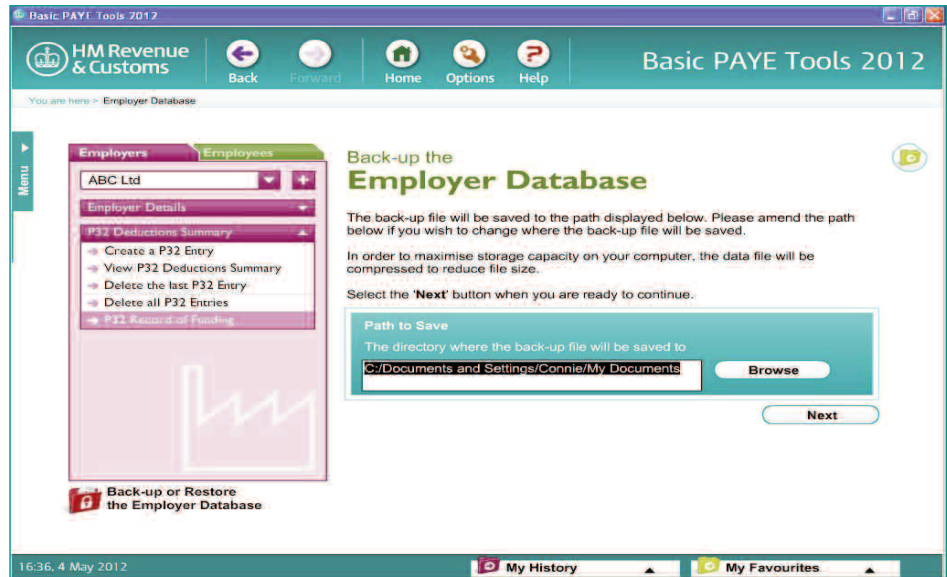
You now have the option to either back-up your current database or alternatively restore a previously backed-up copy.

Note: If you chose to restore a previously backed-up copy, it will replace all existing 'P11' and 'saved forms' that are currently stored in your database.

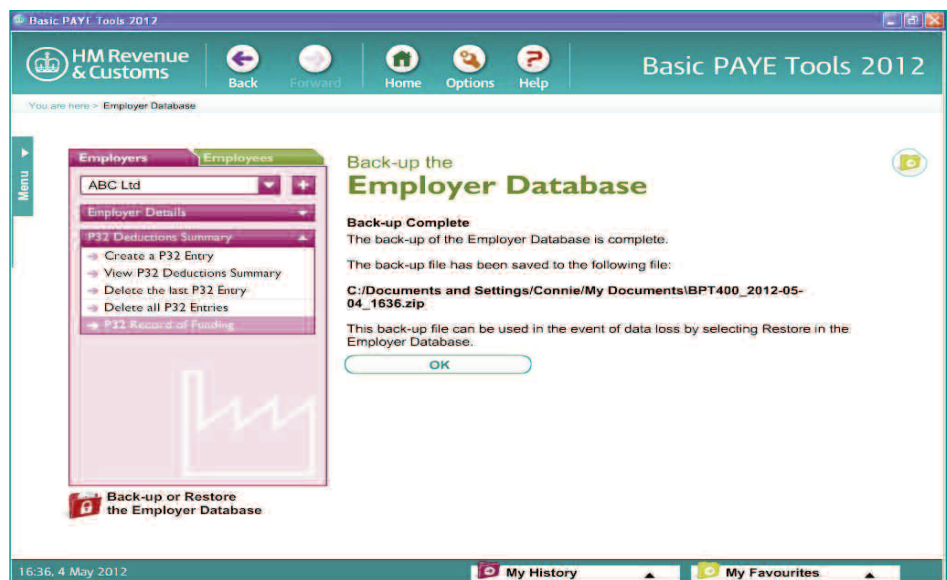
When back-up is selected the default storage location is 'My Documents'. If you have an alternative location or storage media select the 'Browse' button.

In order to maximise storage capacity on your computer the data file will be compressed to reduce the file size.

The back-up file name is displayed on this screen.



Once you have identified your preferred location of storage, select 'Next' to continue.



Further information about back-up and restore can be found by selecting 'Help' on the Home page then select 'Help using the application' and read the Frequently Asked Questions.

If you are using the tax and NICs calculators on our website, or the manual tax and NICs tables, you will need to complete a paper form P11 *Deductions Working Sheet* for each employee.

The following example shows you how to complete boxes A to M of this form.

Tax year

Check you are using a form for the correct year. The tax year runs from 6 April to 5 April. Tax year 2012–13 starts on 6 April 2012 and ends on 5 April 2013.

Box C

Employee's surname.

Box D

Employee's first names.

Box A

Enter the name of your business here.

Box B

Enter 'Pay As You Earn' under HMRC office name. Enter your PAYE reference, you will find this on your P30BC *Payslip Booklet* or P30B letter *Paying electronically*.

Deductions Working Sheet P11 Year to 5 April 2013

Employee's details use capitals

Box A Employer name <i>Businesses Incorporated</i>	Box C Surname <i>Bloggs</i>	Box E National Insurance number <i>QQ 12 34 56 A</i>	Box G Works/payroll number <i>None</i>
Box B HM Revenue & Customs office name <i>Pay As You Earn</i>	Employer PAYE reference <i>123/4567</i>	Box D First two forenames <i>Joseph John</i>	Box F Date of birth DD MM YYYY <i>23 09 1967</i>
Box H Gender 'M'/'F'			

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

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

Month number	Week number	National Insurance contributions						Statutory payments				
		Earnings details			Contribution details			Statutory Sick Pay (SSP)	Statutory Maternity Pay (SMP)	Ordinary Statutory Paternity Pay (OSPP)	Additional Statutory Paternity Pay (ASPP)	Statutory Adoption Pay (SAP)
		1a	1b	1c	1d	1e	1f	1g	1h	1i	1j	1k
		£	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
1	1											
	2											
	3											
1	4											
	5											
	6											
	7											
2	8											
	9											
	10											
	11											
	12											
3	13											
	14											
	15											
	16											
4	17											
	18											
	19											
	20											
5	21											
	22											
	23											

Note: LEL = Lower Earnings Limit; PT = Primary Threshold; UAP = Upper Accrual Point; UEL = Upper Earnings Limit

Manual wages records

Box E

National Insurance number. As soon as an employee starts working for you, ask them for their National Insurance number. If your employee cannot remember their National Insurance number, check whether it is on any papers they have given to you. If you cannot find it, and you have to send P46 information to us (see pages 16 and 17), take no further action as we will automatically trace the employee's National Insurance number and tell you what it is on a form P46-5. We will tell your employee what it is on a form P217.

If you do not have to send a form P46, you can complete and send us form CA6855 *Employee's National Insurance number trace* and we will trace the number for you.

Box F

Enter your employee's date of birth here. You must show an employee's date of birth and gender on all forms P45 and P46 information.

Box G

Enter any works number for your employee here.

Box H

Enter your employee's gender here.

Box L

Complete Box L with your employee's tax code.

Box M

Only use Box M if you receive an amended tax code for your employee.

Box I

Enter the date your employee started working for you.

Box J

Only complete this box if your employee has stopped working for you.

Box K

If your employee has told you in their P46 information, or item 5 of their P45 shows that your employee makes Student Loan repayments, tick this box.

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

Box I Date of starting DD MM YYYY	Box L Tax code †	Box M Amended code †	Box N Wk/Mth in which applied	Box J Date of leaving DD MM YYYY	Box K Student Loan deductions case (✓)
				† If amended cross out previous code	
Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.					

PAYE Income Tax																													
Student Loan deductions (SLD) (whole pounds only)	£	p	Week number	Pay in the week or month including statutory payments (SSP/ SMP/OSPP/ ASPP/SAP)			K codes only			K codes only			K codes only																
				£	p	Total pay to date	Total 'free pay' to date as shown by Tables A *	Total 'additional pay' to date as shown by Tables A	Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *	Total 'tax due' to date as shown by Calculator Tables or Tax Tables B to D	Tax due at end of current period	Regulatory limit: 50% of column 2 entry	Tax deducted or refunded in the week or month	Tax not deducted owing to the Regulatory limit															
11	£	p	2	£	p	3	£	p	4a	£	p	4b	£	p	5	£	p	6a	£	p	6b	£	p	7	£	p	8	£	p
			1																										
			2																										
			3																										
			4																										
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			23																										

Manual wages records

Example 1 – paying weekly

Look at example 1 below if you pay weekly, or example 2 on page 55 if you pay monthly.

The main part of the P11 *Deductions Working Sheet* is split into columns and rows. Each row represents a week number. To find out which row to start with, look at the table below.

The starting point for completing a P11 *Deductions Working Sheet* is the week that includes the **first payday**.

Using the chart below find the week number that includes the first payday. For example, 25 May 2012 (Friday) is in week 8.

In this example you would start to complete your P11 *Deductions Working Sheet* at line 8.

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

Example 2 – paying monthly

The main part of the P11 *Deductions Working Sheet* is split into columns and rows. To find out which row to start with, look at the table below.

The starting point for completing a P11 *Deductions Working Sheet* is the month that includes the **first payday**.

Using the chart below find the month number that includes the first payday. For example, 25 May 2012 (Friday) is in month 2.

In this example you would start to complete your P11 *Deductions Working Sheet* at line 8.

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

How are NICs made up?

NICs are made up of two elements:

- employee's contributions, which you deduct from your employee's pay, and
- employer's contributions, which you must pay.

Which NICs category do I use?

There are many different NICs categories. For most men and women aged 16 or over and under State Pension age you will use **Category A**.

Contact the New Employer Helpline if:

- your employee is a married woman or widow who tells you that they are entitled to pay reduced rate NICs
- your employee is State Pension age or over
- you operate a company pension scheme, or
- you are unsure what NICs category to use.

How do I work out the NICs due?

The **easiest** and **quickest** way to work out the NICs is to use the NICs Calculator on our website.

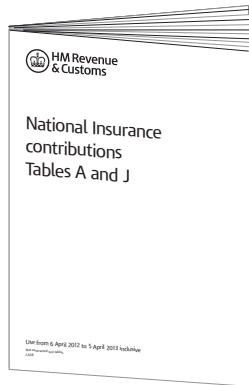
The calculator will work out the NICs for you and will give the figures that you will need to enter in columns 1a to 1f of the form P11 *Deductions Working Sheet*. An example of completed form P11 *Deductions Working Sheet* is shown on pages 58 and 59.

If you are not using the NICs Calculator you will need to work through this book and calculate the NICs manually using the NICs tables.

Category A NICs have been used in the following examples. If you are required to deduct a different NICs category (see page 56), you must ensure that you order the appropriate NICs tables from the Employer Orderline.

If you require further advice on how to complete the NICs details on your form P11 *Deductions Working Sheet* please phone the New Employer Helpline.

Working out NICs using the NICs tables – category letter A.



To calculate Category A NICs you will need to use booklet CA38 *National Insurance contributions Tables A and J* which is available from the Employer Orderline.

- Make sure that the tables are for the correct year.
- Use **Table A** in the booklet CA38 *National Insurance contributions Tables A and J*, starting on page 8 for weekly pay and page 22 for monthly pay.

How to use the tables

Turn to **Table A**. Look up the employee's gross pay in the left-hand column of the table 'Employee's Earnings up to and including the UEL (Upper Earnings Limit)'. If the exact amount is not in the table, use the next smaller figure – see the following examples.

If your employee earns £107 per week or £464 per month or more, you must keep a record of their earnings, even where no NICs are due.

See:

- example 1 on page 58 if you are paying weekly, or
- example 2 on page 59 if you are paying monthly.

Example 1 – paying weekly

- You pay an employee £500.92 on 25 May 2012, for the week. This is week number 8.
- Look at Weekly Table A to find the next smaller figure, which in our example is £500.00.
- Copy the figures from columns 1a to 1f of Weekly Table A to columns 1a to 1f of form P11 *Deductions Working Sheet*.

Extract from Weekly Table A

▼ Employee's Earnings up to and including the UEL	Earnings at the LEL (where earnings are equal to or exceed the LEL)	Earnings above the LEL, up to and including the PT	Earnings above the PT, up to and including the UAP	Earnings above the UAP, up to and including the UEL	Total of employee's and employer's contributions	Employee's contributions payable on all earnings above the PT	▼ Employer's contributions
	1a	1b	1c	1d	1e	1f	
£	£	£ P	£ P	£ P	£ P	£ P	£ P
500	107	39.00	354.00	0.00	91.74	42.54	49.20
501	107	39.00	355.00	0.00	92.00	42.66	49.34

Extract from P11

Deductions Working Sheet P11 Year to 5 April 2013

Box A Employer name: _____ **Box C** Surname: _____

Box B HM Revenue & Customs office name: _____ **Box D** First two forenames: _____

Employer's details

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

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

Month number	Week number	National Insurance contributions								Statutory Sick Pay (SSP) paid to employee in the week or month include in column 2
		Earnings details				Contribution details				
		1a	1b	1c	1d	1e	1f	1g		
		£	£ p	£ p	£ p	£ p	£ p	£ p	£ p	
1	1									
	2									
	3									
1	4									
	5									
	6									
	7									
2	8	107	39.00	354.00	0.00	91.74	42.54			
	9									
	10									
	11									
	12									
3	13									

Manual wages records

Example 2 – paying monthly

- You pay an employee £1503.50 on 25 May 2012, for the month. This is month number 2.
- Look at Monthly Table A to find the next smaller figure, which in our example is £1500.
- Copy the figures from columns 1a to 1f of Monthly Table A to columns 1a to 1f of form P11 *Deductions Working Sheet*.

Extract from Monthly Table A

▼ Employee's Earnings up to and including the UEL	Earnings at the LEL (where earnings are equal to or exceed the LEL)	Earnings above the LEL, up to and including the PT	Earnings above the PT, up to and including the UAP	Earnings above the UAP, up to and including the UEL	Total of employee's and employer's contributions	Employee's contributions payable on all earnings above the PT	▼ Employer's contributions
	1a	1b	1c	1d	1e	1f	
	£	£ P	£ P	£ P	£ P	£ P	£ P
1500	464	170.00	866.00	0.00	225.30	104.16	121.16
1504	464	170.00	870.00	0.00	226.36	104.64	121.72

Extract from P11

Deductions Working Sheet P11 Year to 5 April 2013

Box A Employer name: _____ **Box C** Surname: _____

Box B HM Revenue & Customs office name: _____ **Employer PAYE reference:** _____ **Box D** First two forenames: _____

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

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

National insurance contributions												Statutory Sick Pay (SSP)									
Month number	Week number	Earnings details								Contribution details				Statutory Sick Pay (SSP) paid to employee in the week of month include in column 2							
		Earnings at the LEL (where earnings are equal to or exceed the LEL)		Earnings above the LEL up to and including the PT		Earnings above the PT, up to and including the UAP		Earnings above the UAP, up to and including the UEL		Total of employee's and employer's contributions - mark minus amounts 'R'		Employee's contributions due on all earnings above the PT									
		1a	£	1b	£	p	1c	£	p	1d	£	p	1e	£	p	1f	£	p	1g	£	p
1	1																				
	2																				
	3																				
	4																				
2	5																				
	6																				
	7																				
	8		464		170.00		866.00		0.00		225.32		104.16								
3	9																				
	10																				
	11																				
	12																				
3	13																				
	14																				

Manual wages records

Tax codes

You must now consider **deducting tax**.

First of all you will need to know how to use the tax code for your employee.

A tax code is usually made up of one or more numbers followed by a letter. The number indicates the amount of pay an employee is allowed to earn in the tax year before tax becomes payable.

Which tax code?

L, P, T or Y codes *not* followed by week 1, month 1 or X

These tax code numbers are called 'cumulative' code numbers. This means that you will be working on a running total basis of 'total pay to date' at each payday.

If you are using one of these codes and calculating tax using the tables go to page 62.

L, P, T or Y codes followed by week 1, month 1 or X

These tax code numbers are not 'cumulative' code numbers. They are known as week 1/month 1 codes. If week 1/month 1, or an 'X' is written after the tax code this means that instead of keeping a running total of the pay to date, you treat each payday as if it is the first week or month of the tax year.

If you are using one of these codes and calculating tax using the tables go to page 67.

Code BR – basic rate

For an employee with a tax code BR you must deduct tax from **all their pay** at the basic rate – currently 20 per cent. You can operate code BR either on a:

- cumulative basis, which means that you will be working on a running total basis of 'total pay to date' at each payday

If you are using one of these codes and calculating tax using the tables go to page 71.

or

- week 1/month 1 basis. If code BR is followed by week 1, month 1 or X – this means that you must operate the code on a 'non-cumulative' basis. Instead of keeping a running total of the pay to date, you must treat each payday as if it is the first week or month of the tax year.

If you are using one of these codes and calculating tax using the tables go to page 74.

Working out the tax due (cumulative)

The **easiest** and **quickest** way to work out the amount of tax to deduct is to use the PAYE Tax Calculator on our website. The PAYE Tax Calculator will work out the tax due for you and gives you the figures to enter in columns 2 to 8 of your P11 *Deductions Working Sheet*.

An example of a completed form P11 is shown on page 66.

If you are not using the PAYE Tax Calculator you will need to continue to work through this book and calculate the tax manually using the tax tables.

You will now have to fill in columns 2 to 8 on the P11 *Deductions Working Sheet*. Use the same week or month number you used for the NICs entries.

We will work through an example using the following details.

Example:

- Payday = 25 May 2012
- Tax week = 8
- Pay = £500.92
- P45 details
 - Item 6 code = 710L
 - Item 7 'Total pay to date' = £1,546.15
 - Item 7 'Total tax to date' = £ 171.60

The columns you will use on the P11 *Deductions Working Sheet* for these codes are 2, 3, 4a, 5, 6 and 7.

Column 2 Pay in the week or month

Enter the pay for the payday in column 2 at the appropriate week or month.

Example:

Week 8 pay = £500.92

Column 3 Total pay to date

Column 3 is for the total pay to date, which includes pay from any previous employment your employee may have had during the tax year.

If you have a form P45 see if there is an amount at item 7 'Total pay to date'. If there is:

- copy the figure onto the line in column 3 **above** the line you are using for the payday
- **add** the amount that you are paying your employee to the 'Total pay to date' figure, and
- put the **new total in column 3**, next to the pay for the payday in column 2.

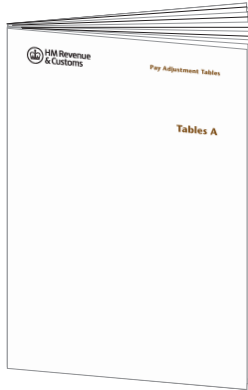
If there is no entry at item 7 'Total pay to date' on the P45 **or** you and your employee have completed form P46, copy the figure from column 2 of the P11 *Deductions Working Sheet* to column 3 on the line for the payday.

Example:

P45 item 7 'Total pay to date' is £1,546.15
so the entry at week 7 is £1,546.15

The entry at week 8 is £1,546.15 +
 £ 500.92
 = £2,047.07

Column 4a Total 'free pay' to date



Use the Tables A *Pay Adjustment Tables* as follows (the weekly tables come before the monthly tables):

- find the page for the week or month that includes the date of the payday
- find your employee's tax code
- enter the figure shown in the 'total pay adjustment' column in column 4a of the P11 *Deductions Working Sheet*.

Example:

Code 710L gives free pay £1,093.76 at week 8.

For codes over 500 you **must** use the instructions in the box at the bottom of the page to calculate the free pay to date.

Week 8 adjustment for code 500 is	£769.28
Week 8 figure for code 210 (710–500)	<u>£324.48</u>
Total pay adjustments for week 8	£1,093.76

Column 5 Total taxable pay to date

Now work out how much of your employee's pay is taxable. To do this:

- deduct the figure in column 4a from the figure in column 3
- enter the result in column 5.

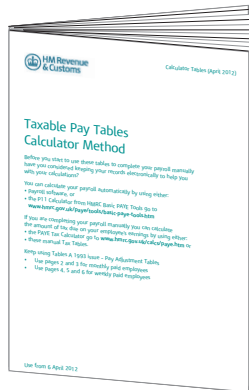
If the amount in column 4a is more than the amount in column 3 leave column 5 blank.

Example:

£953.31 (£2,047.07 minus £1,093.76)

Column 6

Total 'tax due' to date



Look at the amount in column 5.

If this is blank check that column 4a is more than the amount in column 3. If it is, put 'Nil' in column 6.

If there is an amount in column 5 you now need to work out the tax due. Use the *Taxable Pay Tables, Calculator Method*.

The table that you will need depends on:

- how much total taxable pay is shown in column 5 on the P11 *Deductions Working Sheet*, and
- whether you pay your employee weekly or monthly.

For **monthly pay** turn to page 2 in the *Taxable Pay Tables, Calculator Method*.

For **weekly pay** turn to page 4 in the *Taxable Pay Tables, Calculator Method*.

- Find the month or week number for your employee's taxable pay.
- Go to Part 1 of the monthly paid – Calculator Tables or Part 3 of the weekly paid – Calculator Tables as appropriate.
- Follow the guidance given there.

If you have a problem, call the New Employer Helpline.

When you have worked out the tax due enter this amount in column 6 on the line for the month or week that includes the payday.

Example:

Tax due on £953.31 = £190.60

$£953.31$ round down to $£953$

$£953 \times 0.20$ (20%) = $£190.60$

Now look at the P45 from your employee. You must check the 'Total tax to date' figure is correct by following the 'Check tax' instructions on page 14.

Enter the figure given by the P45 Checker/New Employer Helpline into column 6 on the line **above** the figure you have just entered.

Then compare the two figures in column 6 and move on to column 7.

Column 7 Tax deducted or refunded

If the figure in column 6 for the payday is:

- **more than** the figure on the line above, take away the amount on the line above from the figure for the payday and put the result in column 7 – this is the amount of tax to take off your employee's pay
- **the same** as the figure on the line above, or if both are Nil, put 'Nil' in column 7
- **less than** the figure on the line above, put the difference in column 7 – plus the letter 'R'. This means a refund is due – you will have to phone the New Employer Helpline.

In **our** example, the figures will appear on the P11 *Deductions Working Sheet* like this.

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

Box I Date of starting DD MM YYYY	Box L Tax code † 710L	Box M Amended code †	† If amended cross out previous code	Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.
Box J Date of leaving DD MM YYYY	Box M Amended code †		Wk/Mth in which applied	
Box K Student Loan deductions case (✓)				

Week number	PAYE Income Tax																												
	Pay in the week or month including statutory payments (SSP/SMP/QSSP/ASPP/SAP)			Total 'free pay' to date as shown by Tables A *			K codes only Total 'additional pay' to date as shown by Tables A			Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *			Total 'tax due' to date as shown by Calculator Tables or Tax Tables B to D			K codes only Tax due at end of current period Mark refunds 'R'			Regulatory limit: 50% of column 2 entry			Tax deducted or refunded in the week or month Mark refunds 'R'			K codes Tax no. deduc. owing Reg. limit				
	2	£	p	3	£	p	4a	£	p	4b	£	p	5	£	p	6	£	p	6a	£	p	6b	£	p	7	£	p	8	£
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Now that you have completed your P11 turn to page 76 to find out what to do next.

Manual wages records

Working out the tax due (week 1/month 1)

The **easiest** and **quickest** way to work out the amount of tax to deduct is to use the PAYE Tax Calculator on our website. The PAYE Tax Calculator will work out the tax due for you and gives you the figures to enter in columns 2 to 8 of your P11 *Deductions Working Sheet*.

An example of a completed form P11 *Deductions Working Sheet* is shown on page 70.

If you are not using the PAYE Tax Calculator you will need to continue to work through this book and calculate the tax manually using the tax tables.

You will now have to fill in columns 2 to 8 on the P11 *Deductions Working Sheet*. Use the same week or month number you used for the NICs entries.

We will work through an example using the following details.

Example:

- Payday = 25 May 2012
- Tax week = 8
- Pay = £500.00
- P45 details
 - Item 6 code = 810L week 1

The columns that you will use on the P11 *Deductions Working Sheet* for these codes are 2, 4a, 5 and 7.

Week 1, month 1 or X after the letter part of the code number means that each payday should be treated as if it is the first week or month of the tax year.

Entries on the P11 *Deductions Working Sheet*, however, should still be made on the line for the week or month that includes the payday.

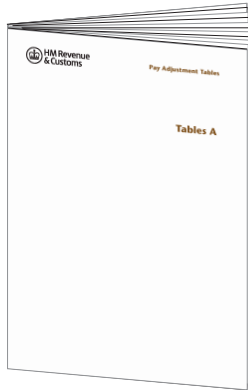
Column 2 Pay in the week or month

Enter the pay for the payday in column 2 at the appropriate week or month.

Example:

Week 8 pay = £500.00

**Column 4a
Total 'free
pay' to date**



Use the Tables A *Pay Adjustment Tables* as follows (the weekly tables come before the monthly tables):

- find the page for week 1 or month 1 that includes the date of the payday
- find your employee's tax code
- enter the figure shown in the 'total pay adjustment' column in column 4a of the P11 *Deductions Working Sheet*.

Example:

Code 810L week 1 gives free pay of £155.95

For codes over 500 you **must** use the instructions in the box at the bottom of the page to calculate the free pay to date.

Week 1 adjustment for code 500 is	£96.16
Week 1 figure for code 310 (810 – 500)	<u>£59.79</u>
Total pay adjustments for week 1	£155.95

**Column 5
Total taxable
pay to date**

Now work out how much of your employee's pay is taxable. To do this:

- deduct the figure in column 4a from the figure in column 2
- enter the result in column 5.

If the amount in column 4a is more than the amount in column 2 leave column 5 blank.

Example:

£344.05 (£500.00 minus £155.95)

Column 7 Tax deducted or refunded

Look at the amount in column 5.

If this is blank no tax is due in the month or week.

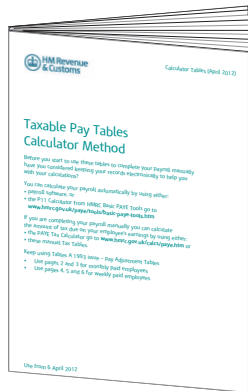
If there is an amount in column 5 you now need to work out the tax due. Use the *Taxable Pay Tables, Calculator Method*.

The table that you will need depends on:

- how much total taxable pay is shown in column 5 on the P11 *Deductions Working Sheet*, and
- whether you pay your employee monthly or weekly.

For **monthly pay** turn to page 2 in the *Taxable Pay Tables, Calculator Method*.

For **weekly pay** turn to page 4 in the *Taxable Pay Tables, Calculator Method*.



- Find the month or week number for your employee's taxable pay.
- Go to Part 1 of the monthly paid – Calculator Tables or Part 3 of the weekly paid – Calculator Tables as appropriate.
- Follow the guidance given there.

If you have a problem, call the New Employer Helpline.

**Column 7
Tax deducted
or refunded
continued**

When you have worked out the tax due enter this amount in column 7 on the line for the week or month that includes the payday.

Example:

Tax due on £344.05

£344.05 round down to £344
£344 x 0.20 (20%) = £68.80

This is the amount of tax to deduct from your employee's pay.

In our example, the figures will appear on the P11 *Deductions Working Sheet* like this:

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

Box I Date of starting DD MM YYYY		Box L Tax code † <i>870L week 1</i>	<small>† If amended cross out previous code</small>	Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.
Box J Date of leaving DD MM YYYY		Box M Amended code †	Wk/Mth in which applied	
Box K Student Loan deductions case (✓/)				

Week number	PAYE Income Tax																										
	Pay in the week or month including statutory payments (SSP/ SMP/OSPP/ ASPP/SAP)			Total 'free pay' to date as shown by Tables A *		K codes only Total 'additional pay' to date as shown by Tables A		Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *			Total 'tax due' to date as shown by Calculator Tables or Tax Tables B to D		K codes only Tax due at end of current period Mark refunds 'R'		Regulatory limit: 50% of column 2 entry		Tax deducted or refunded in the week or month Mark refunds 'R'		K codes								
	2	£	p	3	£	p	4a	£	p	4b	£	p	5	£	p	6	£	p	6a	£	p	6b	£	p	7	£	p
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Now that you have completed your P11 turn to page 76 to find out what to do next.

Manual wages records

Working out the tax due (cumulative)

The **easiest** and **quickest** way to work out the amount of tax to deduct is to use the PAYE Tax Calculator on our website. The PAYE Tax Calculator will work out the tax due for you and gives you with the figures to enter in columns 2 to 8 of your P11 *Deductions Working Sheet*.

An example of a completed form P11 *Deductions Working Sheet* is shown on page 73.

If you are not using the PAYE Tax Calculator you will need to continue to work through this book and calculate the tax manually using the tax tables.

You now have to fill in columns 2 to 8 on the P11 *Deductions Working Sheet*. Use the same week or month number you used for the NICs entries.

We will work through an example using the following details.

Example:

- Payday = 25 May 2012
- Tax week = 8
- Pay = £500.75
- P45 details
 - Item 6 code = BR
 - Item 7 'Total pay to date' = £3,200.00
 - Item 7 'Total tax to date' = £ 640.00

The columns that you will use on the P11 *Deductions Working Sheet* for code BR are 2, 3, 6 and 7.

Column 2 Pay in the week or month

Enter the pay for the payday in column 2 at the appropriate week or month.

Example:

Week 8 pay = £500.75

Column 3 Total pay to date

Column 3 is for the total pay to date, which includes pay from any previous employment your employee may have had.

If you have a form P45 see if there is an amount at item 7 'Total pay to date'. If there is:

- copy the figure onto the line in column 3 **above** the line you are using for the payday
- **add** the amount that you are paying your employee to the 'Total pay to date' figure, and
- put the **new total in column 3**, next to the pay for the payday in column 2.

If there is no entry at item 7 'Total pay to date' on the P45 **or** you have received P46 information, copy the figure from column 2 of the P11 *Deductions Working Sheet* to column 3 on the line for the payday.

Example:

P45 item 7 'Total pay to date' is £3,200.00
so the entry at week 7 is £3,200.00

The entry at week 8 is £3,200.00 +
 £ 500.75
= £3,700.75

Column 6 Total tax due to date

You now need to work out the tax due. Use the *Taxable Pay Tables, Calculator Method*.

For **monthly pay** turn to page 2 in the *Taxable Pay Tables, Calculator Method*.

For **weekly pay** turn to page 4 in the *Taxable Pay Tables, Calculator Method*.

Follow the guidance given there.

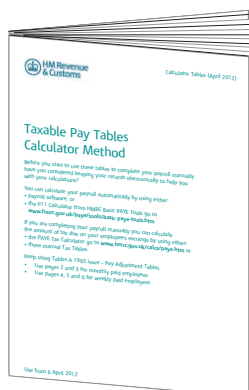
If you have a problem, call the New Employer Helpline.

Put the combined amount of tax, shown in the tables, in column 6 of the P11 *Deductions Working Sheet* on the line for the month or week that includes the payday.

Example:

Tax due on £3,700.75 = £740.00

£3,700.75 round down to £3,700
£3,700 x 0.20 (20%) = £740.00



Column 7 Tax deducted or refunded

Before you complete this column look at the P45 from your employee. You must check the 'Total tax to date' figure is correct by following the 'Check tax' instructions on page 14.

Enter the figure given by the P45 Checker or the New Employer Helpline into column 6 on the line **above** the figure you have just entered.

Then take away the amount on the line above from the figure for the payday and enter the total in column 7.

This is the amount of tax to deduct from your employee's pay.

In **our** example, the figures will appear on the P11 *Deductions Working Sheet* like this.

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

Box I Date of starting DD MM YYYY	Box L Tax code †	Box M Amended code †	Wk/Mth in which applied	Please keep this form for at least three years after the end of the year to which it relates, or longer if you are asked to do so.
Box J Date of leaving DD MM YYYY		<i>BR</i>		
Box K Student Loan deductions case (✓/)				

Week number	PAYE Income Tax																	
	Pay in the week or month including statutory payments (SSP/SMP/OSPP/ASPP/SAP)		Total 'free pay' to date as shown by Tables A *		K codes only Total 'additional pay' to date as shown by Tables A		Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *		Total 'tax due' to date as shown by Calculator Tables or Tax Tables B to D		K codes only Tax due at end of current period Mark refunds 'R'		Regulatory limit: 50% of column 2 entry		Tax deducted or refunded in the week or month Mark refunds 'R'		K codes only Tax not deducted owing Reg. limit	
	2	3	4a	4b	5	6	6a	6b	7	8								
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Now that you have completed your P11 turn to page 76 to find out what to do next.

Manual wages records

Working out the tax due (week 1/month 1)

The **easiest** and **quickest** way to work out the amount of tax to deduct is to use the PAYE Tax Calculator on our website. The PAYE Tax Calculator will work out the tax due for you and will give you the figures to enter in columns 2 to 8 of your P11 *Deductions Working Sheet*.

An example of a completed form P11 *Deductions Working Sheet* is shown on page 75.

If you are not using the PAYE Tax Calculator you will need to continue to work through this book and calculate the tax manually using the tax tables.

You now have to fill in columns 2 to 8 on the P11 *Deductions Working Sheet*. Use the same week or month number you used for NICs entries.

We will work through an example using the following details.

Example:

- Payday = 25 May 2012
- Tax week = 8
- Pay = £500.75
- P45 details
 - Item 6 code = BR week 1

The columns that you will use on the P11 *Deductions Working Sheet* for this code are 2 and 7.

Week 1, month 1 or X after the code number means that each payday should be treated as if it is the first week or month of the tax year.

Entries on the P11 *Deductions Working Sheet* should, however, still be made on the line for the week or month that includes the payday.

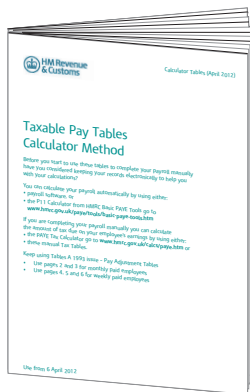
Column 2 Pay in the week or month

Put the pay for the payday in column 2 at the appropriate week or month.

Example:

Week 8 pay = £500.75

Column 7 Tax deducted or refunded



Now work out the tax due. Use the *Taxable Pay Tables, Calculator Method*.

For **monthly pay** turn to page 2 in the *Taxable Pay Tables, Calculator Method*.

For **weekly pay** turn to page 4 in the *Taxable Pay Tables, Calculator Method*.

Follow the guidance given there.

If you have a problem, call the New Employer Helpline.

Put the combined amount of tax, shown in the tables, in column 7 of the P11 *Deductions Working Sheet* on the line for the month or week that includes the payday.

This is the amount of tax to deduct from your employee's pay.

In **our** example, the figures will appear on the P11 *Deductions Working Sheet* like this:

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

Box I		Box L Tax code †	<i>BR Week 1</i>	<i>† If amended cross out previous code</i>
Date of starting DD MM YYYY		Box M Amended code †		Wk/Mth in which applied
Box J				
Date of leaving DD MM YYYY				
Box K Student Loan deductions case (✓)				

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

PAYE Income Tax																														
Week number	Pay in the week or month including statutory payments (SSP/ SMP/OSPP/ ASPP/SAP)			Total 'free pay' to date as shown by Tables A *			K codes only Total 'additional pay' to date as shown by Tables A			Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b *			K codes only Total 'tax due' to date as shown by Calculator Tables or Tax Tables B to D			K codes only Tax due at end of current period Mark refunds 'R'			Regulatory limit: 50% of column 2 entry			Tax deducted or refunded in the week or month Mark refunds 'R'			K codes only Tax not deducted owing to Reg. limit					
	2	£	p	3	£	p	4a	£	p	4b	£	p	5	£	p	6	£	p	6a	£	p	6b	£	p	7	£	p	8	£	p
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Note:
 $£500.75$ round down to $£500$
 $£500 \times 0.20$ (20%) = $£100.00$

Manual wages records

What do I do next?

You have now worked out how much NICs and tax to deduct from your employee's pay, and made a record of the information. The next step is to work out how much pay to give your employee.

If you have followed the guidance in this helpbook:

- take the figure from column 2 of the P11, 'pay in the week or month' – this is 'gross pay'
- from the 'gross pay' take off the figure from column 1f of the P11 (Employee's contributions due on all earnings above the PT), **and** the figure from column 7 of the P11, 'Tax deducted or refunded in the week or month'.

The result is the amount to give your employee.

Using our examples from pages 58 and 62, the amount to give to the employee would be £439.38.

Example:

	<i>Gross pay</i>	<i>£ 500.92</i>
<i>minus</i>	<i>Employee National Insurance contributions</i>	<i>£ 42.54</i>
<i>minus</i>	<i>Tax deducted or refunded in the week or month</i>	<i>£ 19.00</i>
		<i>£ 439.38</i>

Wage/payslips

By law, you must give each of your employees a written pay statement at or before the time of payment.

In most circumstances, if you are using payroll software to maintain your payroll this will produce a payslip for you. Alternatively, payslips can be purchased from most stationers.

The payslip can be produced electronically or on paper and must show:

- the gross pay (before the deduction of tax or NICs and any other deductions)
- the employee's NICs deducted
- the PAYE tax deducted
- any other deductions and the purposes for which they are made, and
- the net pay (this is the amount of take home pay after all the deductions have been made).

Working out and recording payments

To work out what you have to pay to HMRC add together the:

- Employee NICs
- Employer NICs
- tax
- Student Loan deductions.

Then take off any amount that you have had to refund. You can use the form P32(2012) *Employer Payment Record* to work out and record your total monthly payments. Keeping records on form P32(2012) should make it easier for you to work out your monthly payments.

The P32(2012) is available to order from the Employer Orderline.

If you use the P11 Calculator in the Basic PAYE Tools there is a P32 Summary that will record all the tax and NICs for you. It will also advise you how much tax and NICs is payable to HMRC each tax month or quarter, if you pay quarterly.

Making a payment

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

You can pay electronically by:

- Direct Debit
- debit or credit card over the internet, go to www.santanderbillpayment.co.uk/hmrc
- Bacs Direct Credit, internet or telephone banking and Faster Payments
- CHAPS.

If you still receive a payment booklet you can also use the payslip P30B for the correct month or quarter to pay electronically at your own bank branch by bank giro or over the Post Office counter.

Large employers, those who have 250 or more employees, have to make their monthly payments electronically.

If you pay electronically your cleared payment for the full amount must reach our bank account no later than the 22nd of the month.

Making a payment continued

Where the 22nd falls on a weekend or is a bank holiday, your cleared payment must reach us on the previous bank working day, unless you can arrange a Faster Payment. Bank working days are Monday to Friday excluding bank holidays.

Payment by Direct Debit

Instead of relying on the post and sending a cheque we encourage you to pay electronically by Direct Debit Online. If you are registered for the PAYE employer's service you can pay your monthly or quarterly PAYE and NICs payments by Direct Debit. This method allows you to set-up future payments as soon as you know how much is due, for example when the payroll run is complete. If you are a new user you have to register for PAYE for employers first.

When setting up your first Direct Debit payment you need to complete the online Direct Debit Instruction at least five bank working days before the date you want to make your first payment. For subsequent payments you need to allow at least three bank working days. You may have to pay a penalty if the full payment does not reach us on time.

Faster payments

HMRC can now accept payments using the Faster Payments Service. We will receive payments made using this service on the same or next day. However, you should contact your bank or building society before making each payment and they will confirm whether the service is available for that payment and explain how it works. More information on Faster Payments and how to make a payment can be found at www.hmrc.gov.uk/payinghmrc

Where a payment is sent by post, please send the cheque with your completed payslip (P30B) (both unfolded) for the correct month or quarter, to your accounts office in the envelope provided. You must ensure that we receive payment no later than 19th of the month if you pay by cheque.

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

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

For more information about paying HMRC go to www.hmrc.gov.uk/payinghmrc/pay.htm

Interest and penalties on late payment

We charge interest on any:

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

You may have to pay a penalty if any portion of the monthly PAYE/NICs payment does not reach us on time. We work out the amount of the penalty as a proportion of the amount that is late. The percentage that we use will get bigger depending on how often you are late. You may also have to pay a penalty if any payment is more than six months late.

You will not have to pay a penalty if your payment is only late once in any tax year (as long as the payment is less than six months late) or if there is a reasonable excuse for the payment being late.

Reasonable excuse

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/or
- that 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.

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).
- Where you have deliberately not paid.
- When you rely on someone else to make the payment for you (unless you took reasonable care to make sure the payment was made).

Appeals

You can appeal against the penalty if:

- you do not agree you are liable to the penalty, or

Interest and penalties on late payment continued

- you disagree with the amount charged.

You can also appeal if HMRC do not agree that you have a reasonable excuse.

Appeals have to be made within 30 days of the penalty notice and include the reasons for the appeal.

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

No payment due in a tax month

If at the end of the month/quarter you have no payment to make, tell your accounts office by either:

- completing the online notification of no payment due. Go to www.hmrc.gov.uk/nilpayedue and follow the instructions to submit the appropriate information to us; this is the most convenient and cost effective way to let us know that no payment is due
- returning a signed payslip, form P30B, for the correct month marked 'NIL' due
- phoning **0845 366 7816** to tell us you have no PAYE/NICs payment to make for a particular month or quarter, quoting your accounts office reference number.

Quarterly payment option

If your average monthly payments are likely to be less than £1,500.00 you can choose to pay quarterly.

For more information about making payments:

- go to www.hmrc.gov.uk/payinghmrc/payee.htm
- contact the New Employer Helpline.

Refunding tax to your employees

If you need to refund tax to your employees, you can deduct the amount needed from your next payment of PAYE, NICs or any CIS or Student Loan deductions to HMRC. Remember to tell your accounts office if this means that you will have no payment to make for a particular month or quarter.

If you do not have sufficient deductions from which to make the refund, you can apply to HMRC for funding for the difference. We may refuse claims where payments for previous months/quarters are not up to date.

How to claim funding from HMRC to pay a tax refund

To apply for funding in respect of a tax refund you can:

- complete the form, go to www.hmrc.gov.uk/employers/payefunding.htm or
- send a letter or a fax to your accounts office requesting funding for a tax refund.

The fax numbers are:

Accounts Office Shipley **01274 539651**

Accounts Office Cumbernauld **01236 785251**

Your application must include:

- the name of your HMRC accounts office (either Cumbernauld or Shipley)
- your accounts office reference number (this is shown on the front cover of your P30BC *Employer Payment Booklet* or P30B *Paying PAYE electronically* letter)
- your employer name
- the name, phone number and, if applying online, email address of yourself or someone with whom HMRC already has authority to discuss your business
- the name and National Insurance number of the employee you made the refund payment to
- the reason for the refund being made to the employee
- the total amount of funding you are claiming – this is the difference between the total deductions (of PAYE, tax, NICs etc) you have made from all employees or subcontractors and the total refunds you have to make.

After processing your refund application your accounts office will send you a cheque for the amount requested.

Tax code changes

HM Revenue & Customs

Employee PAYE reference

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

Issued by

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

Employee's name

National Insurance number

Works or payroll number

Tax code
This employee's code is amended to

Please use this tax code from the next pay day

for the year to 5 April

Please read the notes on the back of this form.

Previous pay and tax

Previous pay	Previous tax
£	£

P6 HMRC 06/09

During the year your HMRC office may send you form P6, if:

- there is a change to an employee's tax code, or
- you have to add in the employee's pay and tax from their last employer.

When you register to use PAYE Online for Employers we automatically make your PAYE tax codes, notices and reminders available to view online. You will no longer receive these on paper unless you opted out of receiving certain notices online when you registered.

You can view the codes and notices by logging on to your PAYE Online service page on the HMRC website or by downloading the PAYE Desktop Viewer on to your own PC or laptop

To access your PAYE notices and reminders from the HMRC website select 'PAYE for employers' from the 'Do it online' menu from the HMRC homepage and login to your service using your User ID and Password.

Select one of the following options from the 'Notice summary' section on your PAYE Online service page:

- 'Tax code notices' (P6s and P9s).
- 'Student loan notices' (repayment start and stop notices).
- 'Employer notices' and reminders such as P35N.

To use the PAYE Desktop Viewer go to www.hmrc.gov.uk/payee/tools/PDV and follow the instructions for installing PDV on to your computer. There are two ways to use PDV. They are:

- Administrator – can connect to HMRC and download new codes and notices.
- Sub-administrator – can only work on codes and notices sent to them by an Administrator.

PDV lets you download and manage your codes and notices without having to log on to your PAYE Online service page. It shows you which codes and notices have not been worked ('unactioned') and lets you search by date, code type, individual, employer or NINO. You can also send codes and notices to another PDV user for them to work.

If you would like us to send you an email to tell you when there are online notices and reminders for you to view, you must give us an email address. To do this select 'provide us with an email address' under 'Notice options' from your PAYE Online service page:

- go to www.online.hmrc.gov.uk
- select 'PAYE for employers' from the 'Do it online' Log In menu
- enter your User ID and password
- select 'provide us with an email address'.

As a registered user of PAYE Online you can also view and change details about your business. Once you have logged onto the service, using User ID and Password, select the link 'About your organisation' from your PAYE Online service page.

For further information go to www.hmrc.gov.uk/payee/employees/changes/new-tax-code.htm

Employee leaves

If an employee leaves your employment you will need to complete a P45(Part 1) online, and give your employee a P45(Part 2 and 3). You can do this using the P11 Calculator in the Basic PAYE Tools.

For further information go to www.hmrc.gov.uk/payee/employees/start-leave/leaves-retires.htm

You can get a supply of paper forms P45 from the Employer Orderline but you only need to order a three Part P45 as you will be sending the P45(Part 1) online.

If you have used the P11 Calculator in the Basic PAYE Tools for your employee, an in-year leaver summary is provided that will have all the information you will need to complete the P45.

End of year

At the end of the tax year (5 April), you will have to send HMRC an Employer Annual Return. To do this you will need to complete:

- a form P35 *Employer Annual Return*, summary of all NICs and tax you have deducted during the year, and
- a form P14(2012–13) *End of Year Summary* for each employee for whom you have been required to complete a P11 *Deductions Working Sheet*.

Your Employer Annual Return (P35 and P14s) must reach us online and by 19 May 2013.

You must also give each employee that is working for you at April 2013 a form P60(2012–13) *End of Year Certificate*. The P60 can be given in a paper or electronic format.

Almost all employers are required to file their Employer Annual Return (P35 and P14s) online and there are very few exceptions to this (see page 19 for more information). If you do not file your return online when required to do so, we may charge you a penalty.

For further information on filing your Employer Annual Return (P35 and P14s) online go to www.hmrc.gov.uk/payee/payroll/year-end/annual-return.htm It is important for you to take the action described in 'Acceptance or Rejection messages when you file online' so that you can be sure that a successful live submission has been made.

If you are exempt from the requirement to file your Employer Annual Return (P35 and P14s) online see the Employer Helpbook E10(2012) *Finishing the tax year up to 5 April 2012*.

We will send you information telling you what you need to do when you come to the end of the tax year, nearer the time.

How long to keep records

You must keep the following forms for at least three years after the end of the tax year to which they relate:

- forms P11 *Deductions Working Sheet* and any pay records. This applies even if an employee does not pay any PAYE or NICs in the tax year, but you have completed a form P11 *Deductions Working Sheet* to keep records of earnings
- forms P38(S) *Student employees* or equivalent records, including those relating to students for whom a form P14 (2012–13) *End of Year Summary* has been prepared
- forms SL1 *Start Notice* and SL2 *Stop Notice* in respect of Student Loan deductions.

Accounts office

The office where you should send your payment of tax and NICs.

Accounts office reference

The reference number issued by the accounts office that you must quote on all forms or letters specifically relating to tax and NICs payments you make to us.

Additional Statutory Paternity Pay (ASPP)

ASPP is an earnings replacement to help with a partner's care of a new baby or adopted child and the partner has returned to work before the end of their full entitlement to Adoption Pay, Maternity Pay or Maternity Allowance. Employers are liable to pay this to their employees who take time off work to care for their new child, as long as they satisfy all the qualifying conditions.

Cumulative

A cumulative tax code takes into account an employee's previous pay and tax figures in the same tax year to confirm how much tax to deduct from their pay.

Electronic Data Interchange (EDI)

EDI is a means of sending large amounts of information to us using a private, secure phone line. It is best suited to large employers, typically those with thousands of employees or to employers with a high staff turnover.

Electronic payment

Electronic payment means paying your tax, NICs and Student Loan deductions to us using an approved electronic service. Usual methods are Direct Debit Online, BACS Direct Credit, Internet or telephone banking, debit or credit cards over the Internet (BillPay), Faster Payment, CHAPS, Bank Giro, at a Post Office and GBS Transfer (formerly known as Paymaster).

Emergency tax code

Gives an employee the bare Personal Allowance and is sometimes allocated to an employee when their tax code is unknown.

HMRC - HM Revenue & Customs.

Lower Earnings Limit (LEL)

This is the minimum amount an employee must earn in order to qualify for any social security benefits or statutory payments. If an employee's earnings reach or exceed this level, but do not exceed the PT, they will not pay NICs but will be treated as having paid contributions when claiming benefits.

Month 1 basis (non-cumulative)

Each payday is treated as if it is the first month or first week of the year. Previous pay and tax details are not taken into account when calculating pay and tax deductions.

NICs - National Insurance contributions.

– **Class 1 NICs** - Class 1 primary NICs (employee contributions) are contributions that you must calculate and deduct from payments you make to your employees once their earnings exceed the PT. Class 1 secondary NICs (employer contributions) are contributions that you must calculate and pay once your employee's earnings exceed the ST. You must keep records that show how you have calculated these deductions and send the contributions to your accounts office.

Ordinary Statutory Paternity Pay (OSPP)

OSPP is an earnings replacement to help with a partner's care of a new baby or adopted child. Employers are liable to pay this to their employees who take time off work to care for their new child, as long as they satisfy all the qualifying conditions.

Online filing

The means of sending your annual returns and in-year forms to HMRC electronically using the Internet or EDI.

Online services

Sending and receiving information to and from HMRC using the Internet or other online channels.

Payroll Giving

Payroll Giving is a simple, tax-effective, way for employees to make donations to charity through their pay.

Pay As You Earn (PAYE)

Income Tax you deduct from an employee's earnings each time you pay them.

PAYE Online

The service that enables employers, agents and payroll bureaux, to send and receive a range of forms and returns using the Internet or EDI.

PAYE Online for Employers

The service that enables employers to send and receive a range of forms and file returns using the Internet or EDI. It also gives employers access to pay monthly or quarterly PAYE/NICs by Direct Debit Online.

PAYE Online for Agents

The service that enables agents and payroll bureaux to send and receive a range of forms and file returns on behalf of employers using the Internet or EDI.

PAYE reference number

The reference number used by your HMRC office to identify a PAYE scheme. You must use this reference number if you phone our helpline and always show it on all forms or letters that you send to your HMRC office.

Primary Threshold (PT)

Once an employee's earnings have exceeded this level, employee NICs are due.

P6

The notice we send to you that gives you the tax code, or amended tax code, that you must use to calculate tax deductions from an employee's pay.

P11

The form you must use to record your employees' earnings, tax, NICs, statutory payments and Student Loan deductions.

P11D

The form you must use to declare expenses and/or benefits paid to and on behalf of your employees.

P14

A form that summarises all PAYE tax, NICs and statutory deductions taken from an employee's earnings during the year.

P35

A form that summarises an employer's PAYE tax, NICs and statutory deductions payments for the year.

P45

A four-part form completed by an employer when an employee stops working for them. It shows the tax code and gives details of earnings and tax deductions made so far in the tax year.

P46

A form used to tell HMRC about a new employee who does not have a P45.

P60

A form that summarises all PAYE tax, NICs and statutory deductions taken from an employee's earnings during the year.

Secondary Threshold (ST)

Once an employee's earnings have exceeded this level, employer NICs are due.

Statutory Adoption Pay (SAP)

SAP is an earnings replacement to help an employee take time off around the adoption of a child. Employers are liable to pay this to their employees who take time off work to care for an adopted child, as long as they satisfy all the qualifying conditions

Statutory Maternity Pay (SMP)

SMP is an earnings replacement to help a mother take time off around the birth of her baby. Employers are liable to pay this to their employees who take time off work when having a baby, as long as they satisfy all the qualifying conditions.

Statutory Sick Pay (SSP)

SSP is an earnings replacement for employees who are sick. Employers are liable to pay this to their employees who are off work due to sickness, as long as they satisfy all the qualifying conditions.

Student Loan deductions

Payments an employer deducts from an employee's pay to repay their Student Loan.

Taxable pay

An employee's total gross pay less their personal allowances.

Tax month

A tax month runs from the 6th of one month to the 5th of the following month.

Tax year

A tax year runs from 6 April one year to 5 April of the next.

Upper Accrual Point (UAP)

The level of earnings that employees, who are members of contracted-out occupational pension schemes, pay NICs at the reduced, contracted-out rate. Above this level they pay at the higher, standard rate up to the UEL.

Upper Earnings Limit (UEL)

The level of earnings above which an employee's earnings are chargeable at 2 per cent for NICs.

Week 1/Month 1 basis (non-cumulative)

Each payday is treated as though it is the first week or month of the tax year for tax purposes. Previous pay and tax details are not taken into account.

There are legal requirements that mean employers must comply with their obligations. At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met. It will be updated annually and was last updated December 2011

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