

Welcome

Preparing for the 2008/09 Payroll year end Powercast

Mike Evans – MY Consultancy

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= Preparing for payroll year end

- Preparation should have started already so what do we need to do now to try and achieve a successful year end?
- What are our Payroll Year End tasks?
- Employers are required by law to submit an end of year P35 Employer's Annual Return and individual P14s for employees
- Within 44 days of the tax year end i.e. 19th May 2009 (2008/09)
- ESC B46 allows employers an extra 7 days
- Midnight on 26th May 2009 before penalties are imposed
- My advice is to work towards the 19th May statutory deadline
- Other Payroll Year End Deadlines to be noted in the diary

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= PAYE/NIC and CIS deadlines

- 17 (22) April Payment of PAYE/NICs/CIS
- 19 (26) May Submission of EOY returns
- 31 May Paper P60 to employees
- 6 July P11Ds/P9Ds & P11D(b)
- 6 July Third Party benefit notice
- 6 July PSA Agreement signing
- 17 (22) July Class 1A NICs
- 31 August? PSA Calculations
- 19 (22) October PSA Payment



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= HMRC help and guidance

- Employer Pack
- Issued between 16 and 27 February 2009

Contains:

- Employer CD-ROM 2009
- Issue 31 of the Employer Bulletin
 - News for Employers and advice on getting ready to send your 2008/09 Employer Annual Return
- Employer Orderline order form
 - <http://www.hmrc.gov.uk/employers/orderline.htm>
- Order what you will need now
 - Avoid last minute panics



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= HMRC help and guidance



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HMRC help and guidance

- Helpbook E10 Finishing the tax year up to 5 April 2009
- Helpbook E11 Starting the tax year from 6 April 2009
- CWG5 Class 1A NICs on benefits in kind
 - Appendix 1 Common Benefits is particularly helpful in deciding whether NICs are due and if so whether Class 1 or Class 1A applies
- CWG2 Employer Further Guide to PAYE and NICs
- 480 Expenses and Benefits a Tax Guide
- 490 Employee Travel a Tax and NIC Guide



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HMRC help and guidance

- How to avoid mistakes: www.hmrc.gov.uk/commonerrors
- Other help and support:
- www.hmrc.gov.uk/PAYEonline



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- Why is the annual PAYE return required?
- To summarise the payments & statutory deductions made during the tax year on form P35
- To balance the payments of PAYE tax, Student Loan Deductions & NI Contributions due to HMRC against those made during the year
- To back up the P35 return with details of each employees' or pensioners' payments & deductions on the individual forms P14
- A return must consist of one P35 and at least one valid P14 per PAYE Reference
- The return must meet HMRC's published Quality Standard



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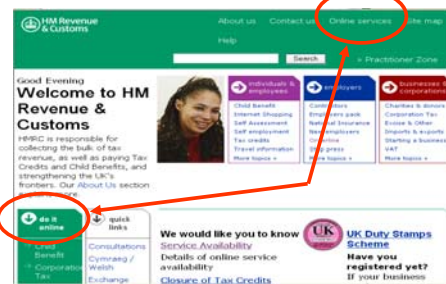
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- All employers with 50 or more employees or pensioners on their PAYE reference number must file their P14s & P35 online for 2008/09
- Failure to do so will incur a penalty based on the size of payroll
- Penalties are awarded for each PAYE reference
- Do you or your client need to register for PAYE online filing?
- Do you or your client want to register for PAYE online filing?
 - The online incentive payment is £75 for 2008/09
- Important not to leave registration until the last minute
- Check that you have your user name and password



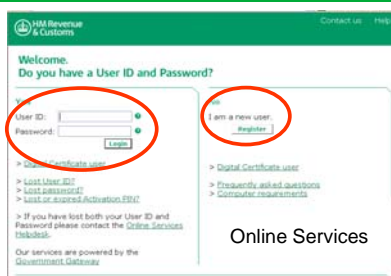
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= Online Services



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- Only the P35 & P14s must be filed Online for each PAYE reference number
- Only one P35 per PAYE reference
- Employers can choose to send the P38A Online if they want to
- If you use a Payroll Bureau who will submit the annual return?
- The Payroll Bureau can submit the P14's, perhaps by EDI
- Will you submit the P35 separately over the internet
- Remember you must submit the P35 online if you have 50 or more employees
- Also remember to send the P35 as the last item
- This allows you to amend any P14's already sent



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Tell HMRC if no return required

- **Is there a need to send a Return at all?**
- Only required if at least one deductions working sheet exists
- HMRC guidance says that deductions working sheet only required where
 - Your employee has given you a P45 (3) with a date of leaving in the current year
 - You pay someone at or above the Lower Earnings limit
 - You deduct tax on earnings
 - We HMRC a code number and you operate it against their pay
- Contractors should submit a P35 if a limited company needs to report an amount in the 'CIS deductions suffered box (Box 28)'
- Contractors should note that box 23 is for the total figures entered on the CIS300 monthly return for 2008/09 and you cannot use this box to correct your monthly returns
- Contact the CIS Helpline (0845 366 7899) to adjust a monthly return



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- Only send **one** return for the same PAYE reference
- Only send your return in parts (P14's and P35 separately)
 - If your software lets you do that (Does it?)
- Each part must have a unique identifier to avoid them being overwritten by a subsequent batch
- Do not send a P35 with each batch of P14's
 - Otherwise HMRC will treat the first batch as the return and will reject any later returns!
- You must confirm how many parts have been submitted
 - Not the number of P14's and not counting the P35
- A complete return means the P14's and a P35



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- You can do a test submission online if the software lets you
- You may need to check with your software provided to confirm that it will allow you to submit test submissions
- HMRC encourages the use of test submissions, BUT
- You must remember to make the final live submission



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- If you filed online last year no paper P35 will be received this year
- Contact PAYE tax office if you change from online to paper filing
- Employer must file online if 50 or more employees
- E10, Finishing the Tax Year, provides guidance on paper form rejections
- Errors must be corrected and resubmitted by the 19th May 2009 deadline
 - If the late filing penalty is to be avoided
- Paper/magnetic media returns to be rejected for failing initial quality checks
- They must be corrected and resubmitted by the 19th May 2009 deadline
 - If the late filing penalty is to be avoided
- Detailed review of paper/magnetic media returns after the 19th May 2009
 - The statutory deadline will have passed



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Online P35 Notification

HMRC Email:

"Please be advised that one or more Employer Notifications to complete a PAYE Annual Return (P35) have been issued.

If you access your PAYE notices and reminders through the HMRC Website:

- Go on line at www.hmrc.gov.uk and select 'PAYE for Employers' from the 'do it online' menu.

- Login and select 'PAYE Online'

- Select 'Employer notices' from the Notice Summary

Please do not reply to this e-mail."



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Employer details

Name: MY CONSULTANCY
 Employer Reference: 9510W123
 Tax Year: 2009
 Form type: P35 Notification 2008/09
 Issue date: 07-02-2009

Employer Notification to complete a P35 - Employer's Annual Return

According to my records you did not use our paper P35 last year, sending your return online instead. As a result, we are not sending you a paper P35 this year.

This Notification is to advise you that you are required by law to send me a P35 along with a P14 for each employee for whom you were required to complete a P11 Deductions Working Sheet (or equivalent record) during the year ending 5 April.

You can do this by using one of the following methods:

- our HMRC PAYE Online Service for Employers
- an approved substitute HMRC PAYE Online Service

Further information is available on our website.

When to send your return

Make sure your P35 and P14s reach us by 19 May.

Penalties are chargeable where any part of your return is received late

If you do not have to make a return

Where you do not need to make a return, you must tell us. You will have to contact your HMRC office to say no return is needed. This will ensure we do not issue a penalty notice to you for not filing your return. You cannot tell us this online.



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National insurance

- Check the NICs Category letters are correct
- Category X if no NIC earnings but not if earnings reach LEL in any week or month
- Is there evidence to justify lower rates of NICs deducted?
 - Age Exception CA4140
 - Married woman lower rate CA4139/CF383
 - Deferment CA2700
- Recalculate Director's NICs at year end if the Annual Earnings Period was not used
- Have any employee loans been written off where Class 1 NICs are due?



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= Potential PAYE failures

- Payroll?
 - Tax-free termination payments?
 - Have any Students signed a P38 (S) – check earnings not above £6,045
- Petty cash
 - Casual labour?
 - Round sum allowances/per-diems not covered by a dispensation?
 - Non-receipted expenses?
 - Mobile phone and Oyster card top-ups?
- Expenses
 - Cash reimbursements for home to work (permanent workplace) travel
 - Cash reimbursement for other personal expenses
- Purchases
 - Are the self employed individuals really self-employed?
- Anything else?



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= Class 1 or class 1A NIC?

- "Employers pay Class 1A National Insurance Contributions on most benefits. These are shown in boxes which are brown and have a 1A indicator"
- Sections B, C, E, M & N are blue boxes - NOT attracting Class 1A NICs
- Section M is the only dual choice section
- Is there any Class 1 NIC to be included in the payroll before year end?

15	£16,500?	1A
15	£16,500?	



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= Class 1 or class 1A NIC?

Appendix 1

Common benefits

The chart on the following pages shows you whether Class 1 or Class 1A NICs are due on the most common types of expenses and benefits that can be made to your employees, and describes how they should be reflected on form P11D in ordinary circumstances. You should read any footnote which a chart entry refers you to.

The chart is not comprehensive and has no legal force. It gives guidance only.

Some entries will refer you to more detailed guidance elsewhere. This may be because special conditions apply to that type of expense or benefit. If the chart does not show the type of payment you are making, or you are not sure whether a payment attracts a Class 1 or a Class 1A NIC's liability, contact the Employer Helpline on 0845 7 143 143.

Further guidance about NICs on expense payments is in booklet CWS2(2007).

National Insurance treatment of common expenses and benefits

Type of expense or benefit provided	Circumstances	Class 1 NICs due (include in gross pay)	Class 1A NICs due	Enter on P11D at Section
Assets placed at the employee's disposal	provided for business use, and private use is insignificant – see paragraph 13	No	No	L footnote 1
	provided for mixed business and private use	No	Yes	L
Assets transferred to the employee but not readily convertible	can be turned into cash only by sale, such as furniture, kitchen appliances, property and clothes	No	Yes	A

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Thank you for
listening

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