

Do it online: Online filing and electronic payment handbook

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About this online 'handbook'

This Internet 'handbook' is for employers and their agents.

It sets out what you need to know about filing your Employer's Annual Return (P14s and P35) online.

It also tells you about making payments to us electronically. It explains when you have to start making electronic payments of tax, National Insurance contributions, Construction Industry Scheme deductions and student loan deductions, and how you can pay.

For most employers, our other much shorter guide, '[Do it online - Your guide to filing PAYE Returns and paying electronically](#)', will tell you a lot of what you need to know.

'Do it online - Your guide to filing PAYE Returns and paying electronically' does not include how to register with us for online filing, or the things you need to think about when using an agent or payroll bureau. If you want to know those details, or more, then this 'handbook' is for you.

In this 'handbook'

- When we talk about 'you', we mean an 'employer and/or each of your PAYE references'.
- When we say 'we' or 'us', we mean 'HM Revenue & Customs'.

Getting help

Online filing

If you need help with filing online:

- go to [PAYE Online for employers - Internet](#)
- go to [tax-free payments for small employers](#) to see if you qualify for filing online before 2010
- see your Employer CD-ROM (you can get a free copy by calling **0845 7 646 646**)
- call HM Revenue & Customs' Online Services Helpline on **0845 6 055 999**. Lines are open Monday to Friday (8am - 10pm) and Saturday and Sunday (10am - 6pm).

Electronic Data Interchange

If you need help with Electronic Data Interchange:

- go to [PAYE Online for Employers - Electronic Data Interchange](#)
- call our HM Revenue & Customs Online Services Helpdesk on **0845 6 055 999**.

Electronic payment

For more about electronic payment:

- go to [How to pay](#) or
- call Banking Operations Cumbernauld on **01236 783631**, or Banking Operations Shipley on **01274 539328**.

Other HM Revenue & Customs online services

For more about other HM Revenue & Customs online services that you can use:

- [Online Services: employer information](#)
- [Online Services: practitioners \(Agents\)](#)
- [Online Services: practitioners \(Software developers\)](#)

Online filing: HM Revenue & Customs Quality Standard

- go to [Quality Standard Validation Specification](#) for the relevant year.

1.1 Online filing explained

'Online filing' means sending your Employer's Annual Return (P14s and P35) to us electronically direct to our computer, cutting out paper or other ways of sending us your Return.

1.2 The benefits of doing it online

In 2005, employers and agents sent two million in-year forms and almost one million Employer's Annual Returns online.

Sending or receiving information online is secure and convenient. It is more reliable and efficient than using paper, and can cut down on storage space, post and administration. And because information mostly passes between computers without manual intervention, there is less chance of it being misinterpreted, or of mistakes being made.

You can [send more](#) than your Employer's Annual Return to us online. You can, for example, send P11Ds (Returns of expenses and benefits) and P46s (notices of new employees) online, as well as receiving tax coding notices.

Doing it online can benefit employees, too. It means employees can get the right tax code more quickly. And pension and benefit records are updated faster at the end of the tax year if you send us details online.

Our ['Business Support Teams'](#) can help you if you want to do more business with us online.

1.3 Register for our online services now!

You must register with us if you want to use our online services. When you have registered you will get a User ID and Activation PIN in the post within seven days. You then have 28 days to activate your account. Register in plenty of time to avoid a last minute rush to meet, or avoid missing, the Return filing deadline.

As soon as you have activated your account you can start using our online services to send and receive information, and we will start to send you tax coding notices and reminders online (for example, forms P6 and P9).

1.4 Review of HM Revenue & Customs' online services

The Government announced in July 2005 that businessman, Lord Patrick Carter, was going to lead a review to look at how HM Revenue & Customs' online services can further benefit customers.

His remit was to advise on how to increase employers' use of online services, including Self Assessment, VAT and Corporation Tax. He was also asked to look at how the Department can provide benefits for customers and ensure that online services run efficiently.

Lord Carter previously led a Review of Payroll Services in 2001. One of the recommendations he made in that Review was that online filing should be compulsory for large and medium-sized employers.

1.5 Review recommends investment and expansion in online services

The Government has announced that it is accepting the recommendations of Lord Carter's Review of HM Revenue & Customs' Online Services, published on 22 March 2006.

Lord Carter recommended that the Government respond to the needs of business with a package of robust, high-capacity online filing services. He also recommended an expansion in online filing of Returns, which will benefit businesses and taxpayers.

Lord Carter also recommended:

- that large and medium-sized employers (50 or more employees) should be required to file their PAYE in-year forms online from April 2008
- that small employers (fewer than 50 employees) should be required to file their PAYE in-year forms online from 2010.

These recommendations build on the measures from his previous Review of Payroll Services which will require all employers to file their Employer's Annual Returns online by 2010.

HM Revenue & Customs will work closely with others - including employers, agents and software developers - on the implementation of the new measures. And, in line with Lord Carter's recommendations, will only implement the new measures when the IT systems that will allow efficient online filing are in place and are fully tested.

1.6 The online filing deadlines

If you are a **large** employer (250 or more employees), you must file your Employer's Annual Return online.

If you are a **medium-sized** employer (between 50 and 249 employees), you must start by filing your 2005-06 Employer's Annual Return online by 19 May 2006.

If you are a **small** employer (fewer than 50 employees) you do not have to start filing online until at least 19 May 2010. But you can get tax-free payments from us if you file online before then.

1.7 Tax-free payments for small employers

If you are a small employer, you will get tax-free 'incentive' payments if you file your Employer's Annual Return online. If you were one of the majority of employers who filed online for 2004-05, you will have qualified for £250. Do not miss out on these tax-free payments:

- file online for 2005-06 (Return due by 19 May 2006) and get **£250**
- file online for 2006-07 (Return due by 19 May 2007) and get **£150**
- file online for 2007-08 (Return due by 19 May 2008) and get **£100**
- file online for 2008-09 (Return due by 19 May 2009) and get **£ 75**.

You will not qualify for a tax-free payment if you send us an unnecessary Return. (See '[If you do not have to make a Return](#)' and '[Sending in a P35 with no financial entries, but with P14s](#)', and '[Legislation](#)'.) To qualify:

- you must have fewer than 50 [employees](#) in the relevant tax year
- you must send your Employer's Annual Return online **where there is a requirement to make a Return** (see '[Returns that must be filed online](#)'). Your P35 must have at least one [valid P14](#) with it
- the information in your Return **must be of the required quality**, that is, it must meet our Quality Standard (and see '[Common online filing errors 2004-05](#)').

You will get a tax-free payment whether you file online or an agent or payroll bureau files online for you. If you want the payment to go to your payroll agent you must let us know in writing.

You will get the tax-free payment after you successfully file your Return online.

You will qualify even if you file your Return after 19 May (the date by which it should reach us). But you could be liable for a [late filing penalty](#) if your Return is late.

You will not qualify for the tax-free payment if any part of your Return is sent to us on paper or using [magnetic media](#).

The tax-free payment is only tax-free to employers.

1.8 Small employers and the online filing tax-free payment for 2005-06

You will get a tax-free payment if you have fewer than 50 employees and send your Employer's Annual Return online. But you will not receive the tax-free payment if you send a Return without a valid P14.

As soon as we have processed your Return we will tell you that £250 has been credited to your PAYE payment record.

If you are registered and activated for PAYE Online for Employers - Internet we will tell you online that we have credited the £250 tax-free payment to you, even if you chose not to get in-year notices (for example P6s) online. This confirmation will be available to view from your PAYE Online service page using the 'view employer notices' option.

If you use a payroll agent, and have given us authority to send information to them online, your online confirmation will go to them.

We will only send your confirmation on paper if:

- you have not registered for PAYE Online for Employers - Internet or,
- you have de-activated PAYE Online for Employers - Internet or,
- you have not authorised your agent to get information on your behalf and you have not registered to use PAYE Online for Employers - Internet.

The quickest and easiest way that most of you can get your tax-free payment is by deducting £250 from your next PAYE payment(s) to us for 2006-07 **after you get your confirmation**. If deducting your £250 means that no other payment is due, it will help us if you can send a 'nil' PAYE payslip for any complete month(s) or quarter(s) covered by the tax-free payment. We will not then send you a reminder for that period.

If you are sending your Return in parts, you must wait until every part of your Return has been accepted before deducting the tax-free payment from the amount you are due to pay us. Also all parts of the Return must be sent online to qualify for the tax-free payment.

If you cannot get your £250 this way, you can claim the payment as a cheque and we will tell you how to make your claim.

If you ask us for a cheque, we will take off any amount of PAYE that you owe us, however small, and pay you the balance. In most cases, you will know that there are arrears because we will have sent you demand notices or contacted you by phone.

We will write and tell you before we send a cheque if any of your tax-free payment has been set-off against anything that you owe. We will also write to you if we cannot send the tax-free payment as a cheque because you have Returns outstanding.

We use an existing automated repayment system to issue most of the cheques. That means the letter that we send with your cheque will show your tax-free payment as an overpayment of tax and National Insurance. We only complete the tax-free payment line where your PAYE scheme closed during the year. In all other cases, we will still issue a cheque but instead of an overpayment letter you will get a note, along with the cheque, that tells you that 'a cheque is attached in response to your recent request'.

We will not send the tax-free payment and an overpayment of PAYE on the same cheque because we do not want to delay your tax-free payment any longer while we investigate the cause of any overpayment.

You can authorise us to repay the tax-free payment to your agent, or a payroll bureau, but we must have your written authority before we can send your tax-free payment to a third party, such as a payroll agent. If you do want your tax-free payment and a PAYE repayment to go to your agent or payroll bureau, you must let us know in writing. In your letter, you must make it clear whether you want the total PAYE overpayment repaying to your agent or whether the repayment to your agent is to be restricted to the tax-free payment.

1.9 Small employers and the online filing tax-free payment for 2004-05

We have sent out letters telling people that their tax-free payment has been credited to their PAYE account to almost everyone whose 2004-05 Return did not contain any errors. If you filed online for 2004-05, and have still not had your letter, it may mean that there are errors in your Return which we are working to put right. We may need to contact you for help. But we will send you your letter as soon as possible.

We are very sorry that it is taking us so long to process 2004-05 Returns. We strongly recommend that if we accepted your 2004-05 online Return you 'self-serve' your £250 if you have not already done so, or if you have not already had your tax-free payment letter.

If you are paying over £250 tax and National Insurance in a month (or quarter) and you are 'self-serving' your tax-free payment, reduce your next payment of 2006-07 tax/National Insurance by £250. For example, if you have £200 tax and £125 National Insurance to pay, you can reduce your tax payment by £200 and National Insurance by £50 and only pay £75 National Insurance to us. See '[Making a payment](#)'.

You do not need to use any sort of formula when showing on your records that you have 'self-served' your tax-free payment. We will automatically split the tax-free payment between tax and National Insurance contributions. Although our split may be different from yours, payments of tax and National Insurance will automatically be put right when we get your Return at the end of the tax year.

1.10 How to show tax-free payments on your P35

When you are preparing your P35 and have received a tax-free payment for filing online, these examples explain how to show the tax-free payment on your P35.

Example 1

Q. "I 'self-served' my tax-free payment. What entry should go on my P35?"

A. In the field marked 'Tax-free incentive payment received during the year', enter "£250". The payment must not be included in any other field on the P35.

Example 2

Q. *"I received the 2004-05 tax-free payment as a cheque payment. What entry should go on my P35?"*

A. Where the cheque payment is for the whole £250, enter '0' in the 'Tax-free incentive payment received during the year' box. In these circumstances the box must be completed with a '0'. It is a mandatory field and if you leave it blank your Return will fail our quality checks.

Example 3

Q. *"What if there is a balance of the tax-free payment at the end of the tax year?"*

A. This happens where, for example, an employer has filed their 2004-05 Return online and had their HM Revenue & Customs payment record credited with a tax-free payment of £250. But for 2005-06, the 'Total amount payable for the year' on the P35 is only £50, so there will be an overpayment of £200. If there has been no other contact with the employer, then the £200 would be automatically allocated against the 2006-07 payment record.

Example 4

Q. *"What if my cheque for the tax-free payment was for less than £250?"*

A. This happens where, for example, an employer who has filed their 2004-05 Return online had their 2005-06 payment record credited with a tax-free payment of £250. They ask for £150 to be set against their 2005-06 liability, receiving the balance of £100 as a cheque. In this scenario you must enter £150 in the 2005-06 P35 field 'Tax-free incentive payment received during the year'. But if you had part of the tax-free payment as a cheque, and the balance was set against earlier years' arrears (years other than 2005-06), you do not have to enter anything on the P35.

Example 5

Q. *"What if my 2004-05 tax-free payment was received, by either 'self-serving' or by cheque payment and was subsequently withdrawn?"*

A. If we have withdrawn your tax-free payment, you must enter '0' in the 'Tax-free incentive payment received during the year' field. In these circumstances the field must be completed with a '0'. It is a mandatory field and if you leave it blank your Return will fail our quality checks. You do not need to account for the withdrawal of the tax-free incentive payment in any other box on the P35.

Note: We only want you to enter the amount of the tax-free payment which has been credited against the 2005-06 payment record and not repaid by cheque, so that you can establish the correct payment position.

1.11 Tax-free payments where IR35 applies

A Return is due by 19 May, but by an arrangement announced by HMRC, Returns can contain provisional figures in respect of the 'deemed payment' for IR35.

Amendments to the Return to correct provisional figures must be made by the following

31 January to avoid a penalty for an incorrect Return.

Returns sent where IR35 applies qualify for the tax-free payment as long as the original Return was sent online (even with provisional figures) and you had fewer than 50 employees.

Amendments to the Return do not change whether the tax-free payment is due, as it is based on the original Return. So amendments can be made online or by paper. Amendments sent by 31 January showing the actual figures must be sent using a P14 and P35, but can be sent online or on paper.

1.12 Accounting for the tax-free payments

Show the tax-free payments in your accounts as 'other operating income'.

The payments are not taxable, so your tax computations should show profit reduced by the payments included in your accounts.

1.13 Tax-free payments and VAT

You do not have to pay VAT on your tax-free payments for early online filing, nor do you have to show them on your Return of business profits/losses.

1.14 PAYE schemes

Most employers have just one PAYE scheme. Each scheme has a separate employer's number (for example, 123/A246).

If you have more than one PAYE scheme, the online filing rules apply to each of them, and you must make a separate Return for each PAYE reference number. It may mean that you have to file online for one before the other, depending on how many employees you have in each PAYE scheme. This will determine your [online filing deadline](#).

When you have to start online filing depends on [how many employees](#) you have in each scheme, not how many you have in all your schemes added together.

1.15 Setting up new PAYE schemes

You cannot split up your PAYE scheme to set up smaller ones to put off online filing or electronic payment until later, or just to claim the online filing tax-free payments.

But you can split your payroll into different schemes under the same PAYE reference if it helps you run your payroll more smoothly. You must fill in an *Election End of Year Return* form (P350) if you want to do this, to tell us which employees should go with each scheme. You must fill this form in before the start of the tax year to which you want it to apply. Then send it to your HM Revenue & Customs office.

You must make sure that you set up each employee in the right scheme. If you move an employee between schemes, you must treat that person as stopping employment with one scheme and starting with the other and send in a form P45.

1.16 How we count your employees

The law says that we must count your employees every year and tell you whether, according to our records, you are a large, medium-sized or small employer.

We must make our count before the end of November, and write to you by the 30 December of the calendar year before your Return is due.

For example:

- our letter in November 2003 told you whether you were a large, medium-sized or small employer for 2004-05
- our letter in November 2004 told you whether you are a large, medium-sized or small employer for 2005-06

- our letter in November 2005 told you whether you are a large, medium-sized or small employer for tax-free payments, for 2006-07
- our letter in November 2006 will tell you whether you are a large, medium-sized or small employer for 2007-08.

Our letter will tell you:

- whether we think you are a large, medium-sized or small employer
- whether you must file online for the next tax year
- whether you qualify for tax-free payments if you start online filing early
- how you can appeal if, for example, we say you are a medium-sized employer but you are actually a small employer
- where you can get help, and
- whether, because you are a large employer, you have to pay your monthly payments of tax, National Insurance contributions, Construction Industry Scheme deductions and Student Loan deductions electronically for the next tax year.

Even if the number of your employees changes after we have done our count, the date from which you must start to file online (or pay electronically) is fixed by the number you had when we did it. Any change in the number of your employees will be reflected in our next count.

If you have no employees when we do our count, we will still write to you because you may be able to get tax-free payments if, later, you have to take on employees for whom you need to make a report and you file online.

1.17 Who we count

We count all those employees, including directors, that you have told us have started work with you and you have not told us that they have left. (For example, people for whom you have sent us a P45 (3) or a P46.)

Part 4 of our [Employer Helpbook](#) *Day-to-day payroll* (E13) explains when you need to keep PAYE records for employees and when to tell us that they have started working for you.

If you are an employment agency, there is more about keeping records in Chapter 4 of our [Employer's Further Guide to PAYE](#) (CWG2).

1.18 Counting employees: new employers

We will treat new employers starting up in business after the date of the count as small employers. We will tell you whether we think you are a small, medium-sized, or large employer when we next do our count.

1.19 How to appeal

You can appeal if you think we have got our count of your employees wrong. For example, if we are treating you as a medium-sized employer and you actually have fewer than 50 employees. You must appeal to your HM Revenue & Customs office within 30 days.

If you do appeal, you must tell us in writing how many employees you had on the day that we did our count. (Our letter will tell you the date on which our count was done.)

We may ask you to give us evidence of the number of employees you had.

You must include all employees for whom you have a P11 *Deductions Working Sheet* (or equivalent). These include:

- employees for whom you have sent us starting details, but you have not told us that they have left
- employees for whom you have sent us starting dates, but are on unpaid parental, occupational or sick leave
- employees who are on unpaid additional maternity leave
- workers who are on your books and not treated by you as having left
- agency workers who are paid directly by you.

1.20 How to appeal: religious objection

You do not have to file online if you are an employer or a partner in a partnership and are a practising member of a religious society or order whose beliefs are incompatible with using electronic communication.

This also applies to companies where all the directors and the company secretary are practising members of a religious society or order whose beliefs are incompatible with the use of electronic communication.

If you are a practising member of a religious society or order whose beliefs are incompatible with using electronic communications, you may wish to ask someone else, for example, a payroll bureau, to file online on your behalf.

If you want to appeal against online filing because this applies to you, you must write to your HM Revenue & Customs office.

1.21 Online filing: HM Revenue & Customs Quality Standard

You must make sure the computer software you use meets your business needs and can send your Returns online and help you make sure your Returns meet our Quality Standard validations.

The Quality Standard for 2005-06 was published in July 2004. You can see a pdf of it [here](#).

The Quality Standard for 2006-07 was published in July 2005. You can see a pdf of it [here](#).

Software that meets our Quality Standard confirms that you have the right entries and that they are in the right boxes and all add up. The Quality Standard should be built into your payroll software. Your software supplier will be able to tell you if your software meets our Quality Standard.

Our Quality Standard tells you how you should show your employees' names and addresses on the P14. Having a full stop or hyphen at the beginning of a surname, for example: ".Brown" or "Brown", would fail the Quality Standard as the first character must be an alpha. (See '[Common online filing errors](#)'.)

If your online Employer's Annual Return does not meet our validation checks we will reject it and you will get an on screen message telling you why.

Every year we publish on the Internet the [information](#) that software developers should build into their online filing payroll software.

Some [agents](#) only complete the P14s and ask the employer to complete the P35. Both must meet the Quality Standard.

1.22 Common online filing errors

Your Return must pass our quality checks when you send it or it will be rejected. So try to make sure that you avoid last year's online Return common errors.

Here are last year's most common errors:

Complete Returns

Error	Solution
Tax codes – incorrect characters and format	<p>Use the code number as provided by HMRC:</p> <ul style="list-style-type: none"> do not use all five spaces of the code number field (unless the code takes them up) do not use leading zeros (K123 not K0123) do not use suffix 'H'. Use 'T' instead and refer all existing H codes to your HMRC Office for correction for codes 0T and D0, the number '0' must be used, not the letter 'o' 'left justify' each code number within the field.
PAYE reference – incorrect format	<ul style="list-style-type: none"> A valid PAYE reference is made up of the three-digit HMRC office number and the employer's reference, for example 913/WZ51258. Do not show only the PAYE reference (WZ51258), or use the HMRC office number twice (913/913WZ51258). If you are an agent, check with your client for any changes to the three-digit HMRC office during the year.
Invalid NINO prefixes (for example NI, PZ, TN)	<p>Use an acceptable NINO prefix (a list is published in the Quality Standard each year). Or, if the NINO is not known, leave the NINO field blank and make an entry in the date of birth and gender fields instead.</p>
Names and Addresses – leading spaces and punctuation	<p>First character in 'Name' and 'Address' fields must be a letter or a number, not a comma, apostrophe, full stop or space. Postcode field must be in the right format (WC2B 4RD, for example).</p>
Pay and National Insurance earnings – negative figures	<p>The lowest acceptable entry for the pay field and National Insurance earnings fields 1a – 1c is '0.00'. You can only use negative figures when sending an amendment.</p>
More than one Return for the same scheme	<p>If you have filed online, do not send your Return on paper "just in case", even if we have sent you a paper P35. If we accept your paper Return before the one you file online, we will regard you as having filed on paper, not online. This means that, if you are a small employer, you will miss out on your tax-free payment. If you are not a small employer and you should have filed online, you will face a penalty for not doing so.</p>
Compressed Return	<ul style="list-style-type: none"> Make sure that your software uses the correct compression routines.

Returns sent in parts

Error	Solution
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<p>Part submissions – Incorrect number of parts</p>	<ul style="list-style-type: none"> • Number of parts shown on the P35 must relate only to the number of parts sent containing P14 data. Do not include the P35 or any P38A in your count of the number of parts. • The number of parts must be the number of (bundles) or submissions sent (online, on paper or by magnetic media). It must not reflect the number of P14s.
<p>Part submission – P35 with each part</p>	<p>Do not send a P35 with every part submission of P14s. Each part containing paper P14s must be accompanied by a “P14 (cover sheet)”.</p> <p>We recommend that you only send the P35 after you have sent all your P14 parts.</p>
<p>Part submissions – using the same Unique Identity on more than one part</p>	<p>You must use a different Unique Identity number for each part of P14s sent. It is important to remember that individual parts with the same Unique Reference Number overwrite each other. This could lead to incorrect figures being used on the P35, the Return not meeting the Quality Standard and being rejected, and you having to resend the data.</p> <p>This example explains the problem:</p> <p>An employer sends six part submissions:</p> <ul style="list-style-type: none"> • Part 1, sent on 6 April 2005, had the Unique Reference Number ‘LONDON 01’. It contained 1,500 P14s from the Park Royal factory. • Part 2, sent on 8 April 2005, had the Unique Reference Number ‘LONDON 01’. It contained 1,500 P14s and was intended to replace Part 1 because of inaccuracies in pay and tax values in the original submission. • Part 3, sent on 10 April 2005, had the Unique Reference Number ‘LONDON 02’. It contained 100 P14s from the Central London Head Office. • Part 4, sent on 12 April 2005, had the Unique Reference Number ‘LONDON 03’. It contained 500 P14s from the North London Distribution Office. • Part 5, sent on 10 May 2005, had the Unique Reference Number ‘LONDON 01’. It contained 10 P14s from the agent doing the directors’ pay separately. • Part 6 was sent on 11 May 2005. It contained the P35 showing 4 parts and 2,110 P14s for the whole scheme. <p>The submission failed the Quality Standard and was rejected. Here is why:</p> <ul style="list-style-type: none"> • Part 2 overwrites Part 1, as intended, giving 1,500 accurate P14s to be consolidated. • But Part 5, sent later, had the same Unique Reference Number as Part 2. That means that the 1,500 P14s in Part 2 were overwritten by the 10 P14s in Part 5. • This leaves only 3 parts and does not match the 4 parts shown in Part 6.

	<ul style="list-style-type: none"> The total P14s is 1,500 short of the 2,110 shown in Part 6. <p>Remember that each individual part submission must have its own Unique Reference Number.</p>
Be complete!	Please ensure 2005-06 Returns are complete. A number of 2004-05 Returns were received with information missing, such as checklist items, P35 summary items, ECON and SCON references (where applicable).

For the very latest information about filing your 2005-06 Return online, go to [Online filing 2006](#).

1.23 Testing your PAYE reference (authenticating your Return)

We cannot accept your Return online in any tax year if you do not use an accurate PAYE reference to authenticate your Return. '[Common online filing errors](#)' tells you how to make sure your PAYE reference is accurate.

If you use third party software, you can test that you have the right authentication details, User ID and password.

The test service for 2005-06 is now closed, but you will be able to test for 2006-07 and later years.

You can test your authentication details by sending a 'test in live' file (if your software allows this). To test your Return:

- complete a test Return made up of one P14 and a P35
- set the test flag
- send your Return.

If your test is successful, you will get a message saying your Return has been accepted and fully validated.

We cannot accept a 'test in live' Return as if it was your actual online Return. **So after you have done your test, do not forget to send us your actual Return online.** You must take the test flag off your Return before you send it for real.

1.24 Testing your Return

From 6 April 2006, you or your agent can test online Returns before sending them for real, as long as your software lets you. 'Test in live' will:

- tell you if you can connect to our systems
- send you an on-screen message telling you that you will be able to send your Return
- send you an on-screen message telling you that you that your test Return meets your end of year obligations
- or will tell you about any errors if your test Return does not meet our Quality Standard.

We recommend that you test some P14s as soon as you have finished them, while you work on the rest of your Return. If you use third party software you can test any batch of P14s when they are ready, but only if your software supports batch submissions. You can also test part or complete Online Return and Forms - PAYE submissions. But if you test your Return in parts you must send the final Return in parts (see '[Sending Returns in Parts](#)').

Remember to set the test flag if you are sending a test Return. Do not forget to remove the test flag when you send your 'live' submission.

If you file online using Electronic Data Interchange, talk to your account manager about how you can test your Return. If you are testing using Electronic Data Interchange, to keep your transmission costs (and our translation costs) to a minimum we suggest that, where your payroll software allows, you restrict the size of a test file to no less than 100 and no more than 1,000 P14s.

Software that has gone through HM Revenue & Customs' recognition testing will have already undergone full testing. If you use HM Revenue & Customs recognised software, you do not need to test that you can send your Return successfully. Our Quality Standard checks that will be applied when you file online will ensure that, if there are any errors in any submissions files, those files will be rejected and sent back to you. We will list the first 8,000 business errors in any rejected files.

If your software is not HM Revenue & Customs recognised and does not let you split your payroll so you can send a test file of less than 1,000 P14s, you can consider incorporating a payroll splitting facility so you can send a test file of fewer than 1,000 P14s. Again, talk to your account manager. There are no limits to the number of times you can test, and we recommend you start testing as soon as a batch of P14s is ready. We will quickly let you know about any errors, while you carry on with the rest of your Return.

1.25 Filing your Return online and the acceptance message

Some people pressed 'submit' again while waiting for an acceptance message. This was particularly common during the very early part of the 2004-05 Return filing period (6 April – 19 May) because sometimes our systems were running slowly. Pressing 'submit' again led to duplicate submissions. In 2005-06, you will get an on-screen acknowledgement that we have got your submission within 60 seconds. Very large submissions (more than one megabyte) may take up to five minutes.

1.26 What happens when you file online for 2005-06

When you file your 2005-06 Return online:

- we will check whole Returns (all the P14s and the P35 sent at the same time) against our Quality Standard automatically when you send it, and will send you an online message to say if we have accepted or rejected your Return. In most cases we will send that message within a minute, although it will be longer for larger Returns (up to five minutes)
- if your Return does not meet the Quality Standard, we will send you a message to tell you your Return has been rejected, and why. **You must put right any errors and re-send the Return by 19 May to avoid a late filing penalty**
- we will hold accepted Returns in our electronic store until we start to process the details from your Return onto our taxes and National Insurance systems.

We very much regret that there were delays in processing 2004-05 Returns, and we are still processing some. But we will be processing 2005-06 Returns much more quickly than we processed them last year.

We will continue to hold Returns for schemes that cease during 2005-06 and 2006-07 until June 2006 before we carry out all the quality checks and process them. We

regret that this means that you will have to wait until then before we can confirm that you qualify for the online filing tax-free payment if you are a small employer.

1.27 Send only one Employer's Annual Return

You must not send us a paper P35 if you file your Employer's Annual Return online, even if we have sent you a paper P35. If you do, and we process the paper P35 before the online P35, then we will treat your Return as being made by paper. That means if you are a large or medium-sized employer you will get a penalty for not filing online, or if you are a small employer you will miss out on the online filing tax-free payment.

1.28 2004-05 online filing arrangements

Details about last year's (2004-05) online filing arrangements are in '[2004-05 online filing arrangements](#)' towards the end of this handbook.

1.29 Keeping your PAYE records electronically

PAYE laws say that you must keep your records for three years after the end of the tax year and that they should be kept in the same form as they were created, for example, paper. But to help you, we have agreed that your paper records may be kept electronically, provided that what you keep is a complete and unaltered image of your paper documents.

Some records that you keep will be relevant for PAYE, though they are mainly business records, for example, employees' travel and subsistence claims. For business records like these only, you can keep the information electronically and throw away the paper records.

1.30 Keeping other employees' records separate

When you file online, you must send the P35 and all the P14s using the Internet or Electronic Data Interchange.

If you want to keep some employees' details separate (for example, your directors), you may have to make arrangements to send in your P14s in [parts](#), but still make a single online P35 Return.

Or you can talk to us about splitting your PAYE scheme into two and having the directors in a separate PAYE scheme. If you split your scheme, you will have to make two Returns. You can keep some employees' records separate under the same employer's if you want, but you must bring all the separate details together in a single P35 when you file your Return.

1.31 Returns that must be filed online

Different types of Return can be made at the end of the tax year depending on the types of payment you make to your employees.

You must send us a Return if you are required to prepare a P11 Deductions Working Sheet (or equivalent record) for any employee during the tax year.

You must prepare a Deductions Working Sheet (or equivalent record) where, for any week or month, an employee:

- gets pay equal to or greater than the NIC Lower Earnings Limit
- receives pay and we have notified you of a code number or you are required to operate a code by the P45/P46 procedures detailed in Employer Helpbook *Day-to-day payroll* (E13).

Online filing only applies to the Employer's Annual Return for these types of payments to employees:

- PAYE (subject to tax and/or National Insurance contributions)
- payments subject to National Insurance contributions only
- occupational pensions
- Statutory Payments (Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption Pay) only
- tips (or TRONC) only
- PAYE-part only, where there is a combination of regular employees and subcontractors in Construction Industry Schemes.

Occasionally, an employee sends us his or her own P14 information under the direct payment arrangements. Returns made by employees do not have to be filed online and will not qualify for an early online filing payment.

1.32 Returns that do not have to be filed online

Some Returns do not have to be sent online. They are:

- the *Employer's Supplementary Return* (P38A)
- Returns of expenses and benefits (P9D and P11D)
- Construction Industry Scheme Return of payments to subcontractors (CIS36)
- Direct Collection and Payment
- Electoral Payments Returns (P35(EP), P527 and P528)
- Examination Payments Returns (P524 and P525)
- Taxed Award Schemes Returns (P440 and P35(TAS))
- Profit Sharing Schemes Returns (P35(PS))
- Norwegian Protocol Returns (P35 *Offshore Protocol*).

You can send us P38As, P9Ds and P11Ds online if you want, but you will not get an online filing tax-free payment for doing so. You only get the tax-free payment if you are a small employer and file your Employer's Annual Return (P35 and P14s) online.

1.33 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 write to us, or you can send us the blank P35 back saying no Return is needed. This would ensure we do not issue a penalty notice to you for not filing your Return. You cannot tell us online.

If, during the tax year, you have not filled in a *Deduction Working Sheet* (P11 or equivalent), you do not need to prepare a P14. If you have not filled in at least one P14, you do not have to send us a P35.

If you are a small employer, you will not qualify for an online filing tax-free payment if you make an unnecessary Return.

1.34 Sending in a P35 with no financial entries, but with P14s

Sometimes, you may have to fill in a P35 where you have nothing to report in the 'accounting' boxes, but you still have to send us P14s. For example, where all your employees are paid at or above the Lower Earnings Limit for National Insurance, but below the National Insurance Earnings Threshold. Another example is where all your employees are confirmed by us as resident abroad and working for a UK employer, and we have given them an 'NT' code.

If you are a small employer and you send us your P35 online with no financial entries but with P14s for 2004-05 and for later years up to 2008-09, you will qualify for the online filing tax-free payment.

Remember, if you are a small employer, you will not qualify for an online filing tax-free payment if you make an unnecessary Return.

1.35 Cessation Returns when you stop trading

If your business ceases, you (or your agent) can make your cessation Return online.

If you are a small employer, you will qualify for a tax-free payment if you file your cessation Return online and you will get your payment as soon as we have processed your Return. We will send you a letter telling you how to claim your tax-free payment.

We will not be processing 2005-06 or 2006-07 cessation Returns until after 30 June 2006.

If you wish to claim your repayment earlier, contact your Accounts Office as soon as you have received our acknowledgement that you have successfully filed your Return online.

After 6 April 2005, if you are a large or medium-sized employer, you must make your cessation Return online or you will face a penalty.

When you fill in an online cessation Return for 2005-06 and later years, you will be able to put the cessation date in a new box. Putting the date in the box is optional.

1.36 Sending insolvency and similar Returns online from April 2005

If your scheme ceases or becomes insolvent, goes into liquidation, administration, receivership, voluntary arrangements or bankruptcy, you will be able to send your cessation Return online from April 2005. 2005-06 is the first tax year for which you can do this.

Your agent if you have one - including Insolvency Practitioners, and agents acting in liquidation, administration, receivership, bankruptcy or voluntary arrangement - can also file online for you.

But we will not be processing online insolvency or similar cessation Returns until after 30 June 2006.

If you are a small employer, you will qualify for a tax-free payment if you file your insolvency or similar cessation Return online. Your Insolvency Practitioner will need to check - either from your records or from us - that you are a small employer and so qualify for a tax-free payment. The payment will be credited to your payment record as soon as we have processed your cessation Return after 30 June 2006. We are sorry that you will have to wait until after then to claim your online filing tax-free payment.

Practitioners who want to file online will need to get an agent's password. To use the online service and get a password you need to go to Agents: registering for online filing.

An Insolvency Practitioner is not legally obliged to send us pre-appointment Returns, although they usually do if books and records are available. And if an Insolvency Practitioner takes on employees, or carries on taking them on, we will set up a new PAYE scheme with a new reference. This scheme will be treated as a new employer.

1.37 Service company or partnership Returns

If you are a service company or partnership, you can include provisional pay figures including the deemed payment if you do not know the exact amount at the 19 May. Send them to us online ensuring a tick is placed in box 6 of the P35. To avoid penalties, you must send us corrected figures by the following 31 January but you will still be charged interest from 19 April on any further sums due. No extra time is allowed where the deemed payment is due during the tax year following an in year event.

1.38 Net of foreign tax credit schemes

Some employees who work abroad are liable to tax on the same income in more than one country. With our agreement, you can give your employees credit against PAYE tax for the foreign tax taken off and paid overseas.

Where you give relief for foreign tax taken off and paid overseas, this amount has previously been shown in red at the bottom of the P14. But if you send in the P14 online, you must show only the PAYE tax deducted.

You must write and tell us, separately, by 19 May, how much foreign tax credit relief you have given to each of your employees as well as their names and National Insurance numbers.

1.39 Employer's Supplementary Return (P38A)

Online filing does not change the rules for the Employer's Supplementary Return (form P38A). If you send us the P38A on paper, but the P35 and P14s online, you will still qualify for the tax-free payment for online filing if you are a small employer.

1.40 End of year certificate - P60

You must, by 31 May, give each of your employees an end of year certificate (P60) if they were still on your payroll on 5 April.

If you file online, you can order P60s from our Employer's Orderline on **0845 7 646 646**. They are available in different formats (landscape, portrait, shortened, and a continuous version).

You will need to check with your software provider that your payroll software will produce paper P60s in a format approved by us. If it does not, you need to get paper P60s from us. Call our Employer's Orderline on **0845 7 646 646**.

Even if you have been giving your employees electronic payslips, you must give your employees a paper form P60 at the end of the tax year.

You must not, by law, give them P60 details electronically for them to print off.

You must not enter a negative statutory payment on the P14. Any statutory payment wrongly paid is not a statutory payment but an overpayment of earnings, which should be corrected in the same way as any other overpayment of earnings.

Under the new Gender Recognition Act 2004 you must show the gender of employees at the date of submission on the P14 and not the gender at birth.

1.41 Overpaid statutory payments

If you have overpaid statutory payments, for example, a woman comes back to work early, say in March, and Statutory Maternity Pay is no longer due for that month but it is too late to change the March salary calculation:

- recover the overpaid Statutory Maternity Pay in April (the new tax year)
- do not report the overpayment on the P14 for the previous tax year, but
- do adjust (in the new tax year) the amount of Statutory Maternity Pay recovered and Statutory Maternity Pay compensation to reflect the excessive claim for the previous tax year
- having assessed the right amount of National Insurance contributions due in the previous tax year, make sure that this is reported on your P14s and P35 for that year, sending us an amended Return if necessary.

1.42 Employee's private address

We have updated our free [Online Return and Forms - PAYE](#) product so that you can fill in an extra (optional) box on the P14 with your employee's address.

Putting the address in helps us to tie-up the P14 details with your employee's records.

1.43 Construction Industry Scheme

If you operate PAYE and the Construction Industry Scheme under the same employer's PAYE reference number, you must put your total Construction Industry Scheme deductions from your contractor's Return (CIS36) onto your online P35 in box 8.

If you have offset some or all of your Construction Industry Scheme deductions made from your own income against your own company's tax bill, you must show the amounts from your CIS132 on your online P35 in box 31. This only applies if you are a limited company.

You cannot file your CIS36 online. But you can send continuation sheets to us by [Electronic Data Interchange](#).

1.44 End of year penalties: failure to file online

You will face a penalty of up to £3,000 if you send us your Return (or part of your Return) on paper or magnetic media when you should be filing online.

The penalty still applies even if you try to put things right by filing your Return again online. This is because the first Return, or part of it, was not filed the right way in the first place.

The penalty will apply regardless of when you file your Return.

You must send your whole Return online when the law says you must, and it must meet our Quality Standard.

Remember that:

- if you are a large employer (250 or more employees) you must file online
- if you are a medium-sized employer (50 - 249 employees) you must file online starting from 2005-06 (Return due by 19 May 2006)
- if you are a small employer (fewer than 50 employees) you do not have to file online until at least 2010, but you can get tax-free payments over five years for filing online early.

The penalty depends on the number of P14s that should be included in your Return.

Number of employees for whom P14s should have been in your return.	Amount of penalty for 2004-05 £	Amount of penalty for 2005-06 to 2008-09 £
1 - 49	0	0
50 - 249	0	600
250 - 399	900	900
400 - 499	1,200	1,200
500 - 599	1,500	1,500
600 - 699	1,800	1,800
700 - 799	2,100	2,100
800 - 899	2,400	2,400
900 - 999	2,700	2,700
1,000 or more	3,000	3,000

1.45 Reasonable excuses for not filing online

Sometimes it may not be possible for you to send your Return on time for reasons beyond your control (or the control of your agent or bureau). If this happens, you can appeal against the penalty because you had a reasonable excuse for not sending in your Return, which you sent as soon as the obstacle was out of the way.

If you are a small employer, you will only qualify for the early online filing tax-free payments if you file online. You will not get the tax-free payment if you try to file online but cannot for reasons beyond your control.

You can appeal against a penalty for not filing online when the law says you must if you have a 'reasonable excuse' for not doing so.

There is no legal definition of 'reasonable excuse'. But our view of a 'reasonable excuse' is limited to events beyond your control. We consider the facts of each appeal.

You must send your appeal to the address shown on the penalty notice within 30 days of the date shown on the notice, telling us why you did not file online. If we do not agree that you have a 'reasonable excuse' we will refer your appeal to the Appeal Commissioners.

If you stop trading in 2005-06 or later years, we expect you to make your final Return online from April 2005 if you are a large or medium-sized employer. See ['Cessation Returns when you stop trading'](#).

1.46 Examples of excuses for not filing online, and our view of them

Example one

"I did not send my Return online to avoid a late filing penalty."

This is not a 'reasonable excuse'. There is enough time between the end of the tax year (5 April) and the date you must file your Return online (19 May).

Example two

"My computer broke down and the data was lost so I could not file online."

This is not a 'reasonable excuse'. Reasonable care should have ensured that a working computer was available in time.

Example three

"All my computerised records have been lost."

We may agree that loss of all your records in a fire or flood, or if they are stolen, is a 'reasonable excuse'. But we will need evidence of what happened. You will have had to have done your best - perhaps with our help - to put together the best estimates that you could make. If you could not file online despite doing your best to reconstruct your records, we would not charge the penalty.

Example four

"I have suffered from serious illness or a bereavement."

We accept that serious illness or the death of a close relative or (domestic) partner may mean that you have to delay online filing. This is a 'reasonable excuse'. But if you later send your Return in on paper when it should have been filed online we will not regard your illness or bereavement as an excuse for not filing online.

Example five

"Using a computer is too difficult. I am not computer literate."

This is not a 'reasonable excuse'. If you have trouble using a computer, then you should get help. You could consider using a payroll agent or bureau, who could file online for you.

Example six

"I was under so much pressure of work that I did not have time to file online."

This is not a 'reasonable excuse'. If the information is available to send, then there is no reason why it cannot be filed online before the deadline. Remember that the penalty is for not filing online when you should, not for filing late.

Example seven

"My agent or payroll bureau did not file online on my behalf."

This is not a 'reasonable excuse'. You are personally responsible for making sure that your Return is filed online.

Example eight

"I originally sent my Return in on paper, but have now sent it in again by filing online."

This is not a 'reasonable excuse'. If you send your Return in on paper when you should be filing online you cannot avoid a penalty by following up later with an online Return. The penalty applies if you do not make your Return online. Trying to put it right later cannot alter that fact.

Example nine

"I tried filing online, but could not because I did not meet your Quality Standards for accuracy and completeness."

This is not a 'reasonable excuse'. You must make sure that you use payroll software which meets our [Quality Standard](#).

Example ten

"I did not have enough information to complete my online Return."

We would not agree that you could not complete your online Return because you did not have all the information you needed if we get your Return on paper.

Example eleven

"HM Revenue & Customs did not tell me that I had to file online"

We have written to every employer to tell them how online filing affects them and when they must file online. Where our letters are undelivered, we send them out again as soon as we have a new address. We have also publicised online filing widely and our staff have been contacting all large and medium-sized employers to remind them that they must file online, and offering to help them do so.

1.47 Penalty if your Return is not complete

If your Return turns out to be only part of the information that you should have sent us, you will be liable to a penalty for an incorrect Return if the omissions were made fraudulently or negligently. This applies whether you send us the missing information later online or on paper.

1.48 Other year-end penalties

The penalty for not filing online is separate from the existing penalties for failing to make your Return by 19 May filing date, and for fraudulently or negligently making an incorrect Return.

Your Employer's Annual Return must be with us by 19 May to avoid a late filing penalty.

The Return must be complete and accurate for all your employees and directors.

If you do not make a complete and accurate Return, you could face a further penalty. We will let you know in writing the amount of each penalty and surcharge you have to pay. You have the right of appeal against any penalty and surcharge notice you receive.

1.49 Extra Statutory Concession if you file your Return within seven days after 19 May

The law says that you must send your Employer's Annual Return by 19 May. This does not take into account our 'Extra Statutory Concession B46' which allows you up to seven more days after 19 May to get your Return to us before we charge you a late filing penalty. The Concession applies to online Returns as well as those sent on paper or by magnetic media.

The Extra Statutory Concession is meant to allow for delays in the Return leaving you and reaching us (usually by post), not to give you more time to prepare your Return or put mistakes right. So you must make every effort to get your Return to us by 19 May. Although online transmissions are very much faster than post, they are not always instantaneous. Sometimes computer problems or problems with Internet connections can cause delays in online filing.

1.50 Employees earning below the Lower Earnings Limit

Some employers prepare a *Deductions Working Sheet* (form P11 or equivalent) and a P14, irrespective of whether the employee's earnings were high enough to warrant one. This is okay, providing the P14 data meets our Quality Standard.

Most payroll software needs a National Insurance category letter to be put onto the payroll system. On a P14 you must use National Insurance category letter 'X' where your employee earned below the Lower Earnings Limit and put '0' in the earnings and contribution fields. If in any earnings period (say, a week or a month) your employee's earnings reach or go over the Lower Earnings Limit, you must not use National Insurance category letter 'X' on the P14, even where no contribution is taken off.

Instead, use the category letter for that employee, for example, category letter 'A'. You must also prepare a P14 for the employee because his or her earnings are at or above the Lower Earnings Limit.

Some software may be able to decide between letter 'X' or another letter by looking at the earnings figures. You may want to talk to your software supplier to find out what letter to use in the software if you have employees who earn below the Lower Earnings Limit.

1.51 Confirmation of P14 and P35 information

A few employers still include Class 1A National Insurance contributions on their P14s. If you do this, your Return will not meet our Quality Standard and will be rejected.

1.52 National Insurance numbers

So that we can make sure that your employee's National Insurance contributions can be set against the right person's record, you must include the employee's correct National Insurance number (NINO) on the P14 if you can. Leaving it off can cause problems and delays.

We have to find out the missing NINO and will probably need to contact you before National Insurance contributions can be allocated to the employee's account. In the meantime, this may cause a delay in working out and paying that person's benefit (including their state pension).

1.53 Missing National Insurance numbers

All your P14s must include the right NINO, whether you file online or on paper. You must do all you can to find out your employee's NINO and date of birth.

We will no longer accept the temporary National Insurance number 'TN' plus date of birth plus gender on any P14. **If you use temporary numbers, we will reject your Return.** So if you have used temporary numbers, you must stop doing so. This includes temporary numbers starting with '00' issued by our Tax Credit Office, as they should be replaced by the correct NINO or numbers starting PZ or PY.

Here is a list of [valid NINO prefixes and suffixes](#).

Sometimes we write to you showing a 'temporary reference' using two numbers, one letter and five numbers (for example, 63T12345). You must not use these numbers either, and must find out the right NINO. If you use them, we will reject your Return.

If you cannot find out the NINO by the end of the tax year, you must leave the NINO box on the P14 empty and put the date of birth and gender in the right boxes. This will help us to trace the individual's NINO and to match your employee's details to our records.

On the rare occasions where you cannot find out either your employee's NINO or date of birth, you must leave the NINO box empty and put in '01011901' as the 'default' in the date of birth box. Prefixes NC, NK, NO, ZZ, XX and QQ will not be accepted for 2005-06 and later years.

1.54 National Insurance Number Tracing service

We have a National Insurance Number Tracing service.

You will need to fill in an *Employee's National Insurance Number Trace* form (CA6855) which you can get from:

- [here](#)
- your Employer CD-ROM
- the Employer's Orderline on **0845 7 646 646**

- your HM Revenue & Customs office.

Or you can write to us with the details we need. Just tell us (in this order) your employee's title, surname, first name, address, date of birth, gender, works/payroll number, date employment started, date employment ended (if that applies), and your employer's PAYE reference. Then send your letter to:

National Insurance Contributions Office
ABW, NI number tracing
Room BP1102
Benton Park View
Newcastle Upon Tyne
NE98 1ZZ.

1.55 Payroll cleansing

You can also use our free payroll cleansing service that compares information from your payroll against individual National Insurance records. It is a method of ensuring that incorrect National Insurance numbers on your payroll, and personal detail errors on our records, are identified and corrected before your Employer's Annual Returns are made.

We will:

- identify any National Insurance numbers that are wrong or missing
- provide you with a list of correct National Insurance numbers
- inform you of any National Insurance number problems we have not been able to put right
- check and update your employees' personal details on their National Insurance records

Benefits include:

- more accurate National Insurance numbers means fewer enquiries from us
- fewer rejections when you file online, saving you time and administration costs
- your employees' National Insurance contributions are allocated to the right account without delay
- your employees' identity details are kept fully up to date on their National Insurance records (important when people claim Social Security benefits or Retirement Pension)

For an information leaflet CA89 to find out more, write to:

Customer Account Services
National Insurance Contributions Office
Bishop's Lynn House
18 Tuesday Market Place
King's Lynn
Norfolk
PE30 1JW

For payroll cleansing enquiries only, call **01553 666870**. (Lines are open 8:30 -17:00 Monday to Thursday and 8.30 - 16.30 Friday.)

1.56 Employer's Contracting-out Numbers

If you have an occupational pension scheme that satisfies certain conditions, you can apply to become a contracted-out scheme, which allows you to contract your

employees out of the additional state pension, commonly known as SERPS or State Second Pension.

Once you have made an election to 'contract-out', and certain criteria have been met, a contracting-out certificate will be issued to you. This certificate authorises you to pay NICs at the contracted-out rate.

The certificate will contain an Employer's Contracting-out Number (ECON) and a Scheme Contracted-out Number (SCON) showing which pension scheme the certificate relates to. We use these numbers to record and track National Insurance Contributions and pension liability.

Your number will only have one ECON, although you may have numerous SCONs. ECONs are recorded on the P35 and where appropriate SCONs on the P14's.

In cases of mergers and take-overs, for example if Company A took over Company B - but each retained their individual ECON and PAYE reference number - they would have to submit separate Employer's Annual Returns for each company, showing the relevant ECON and PAYE reference number on form P35.

If Company A took over Company B and all employees of Company B became employees of Company A, then only one End of Year Return would be required. The ECON for Company A should be shown on form P35 (subject to the relevant transfer action being taken) along with the appropriate PAYE reference number.

So you may find that you need to send us an Employer's Annual Return that covers more than one ECON but where you only have one number. To help you, we have set up two helpline numbers on **0191 225 0264** or **0191 225 0283** (lines are open Monday to Thursday 9.00 to 17.00 and Friday 9.00 to 16.30). These helplines will only deal with queries relating to the specific issue of employers who need to submit Employer's Annual Returns covering more than one ECON but only have one number.

If you know that you will need to report details for more than one ECON in the following tax year, contact your local HM Revenue & Customs office before the end of the current tax year. We will send you an additional PAYE reference number for each additional ECON that you need to report.

1.57 Changes to online filing tax-free payment Regulations

Changes to the incentive regulations (Statutory Instrument SI2005/826) were announced on 18 March 2005. These changes are intended to deny incentive payments to a minority of employers who, we believe intend to abuse the incentive process. The changes also clarify how the incentives will be applied or paid.

The changes introduce an anti-avoidance provision in order to refuse an incentive (or recover it where already paid) where the employing entity appears to have been set up, or to have paid PAYE income, wholly or mainly to gain the tax-free incentive payment. This provision will have no impact on our processing routines and is not intended to prevent the genuine small employer from benefiting from the incentive payment.

The provision is widely drawn to ensure that those abusing the incentive provisions cannot readily circumvent the new provision by making small changes to their artificial arrangements.

We do not intend to use the provision to deny incentive payments to businesses that appear to have incorporated mainly to take advantage of wider tax breaks.

From 19 March 2005, we will challenge the relevant employers with a view to not paying, or withdrawing an incentive which has already been paid, where we have reason to believe that the incentives provisions are being unfairly exploited.

The employer will have the right of appeal to the Commissioners.

The anti-avoidance provision will apply to 2004-05 incentives for employers that make the first 2004-05 payment, which requires the creation of a P11 deductions working sheet (or equivalent IT record), after 18 March 2005.

For 2005-06 and subsequent years, the anti-avoidance provision will apply to all employers.

The amendments to the regulations also clarify how the incentives will be applied or paid. When any request for a cheque repayment of the incentive is made we will first set the £250 against any outstanding arrears of tax, National Insurance, student loan deductions and related penalties and interest. We will send a cheque for the balance. Cheque repayments of the incentive can only be considered after the employer has received written confirmation that the incentive has been credited to their payment record.

These changes do not affect our advice to employers about utilising the incentive credit by deducting it from future payments to us.

Doing it Online

2.1 How to file online

You can choose how to do your online filing. The options are:

- an intermediary, like an **agent or payroll bureau**, who can file online on your behalf, or
- our secure PAYE Online for Employers service which lets you file online using:
 - a payroll software product - including our free HM Revenue and Customs **Online Return and Forms - PAYE** product - that can send your end of year Return securely over the Internet
 - **Electronic Data Interchange**, which sends information to us over a secure phone line.

2.2 Online filing at a glance

To get the tax-free payment we will need both parts of your Return (P35 and P14s) online. So if your agent is sending only part of the Return, for example you send your P35 and your agent sends the P14s, make sure you register for our online services to send your part of the Return online.

Use this flow chart to see what you have to do.

Will an agent help you send your 2004-05 Employer's Annual Return?

YES



Will your agent send both the P14s and P35 online?



YES

NO

Remember: give your agent your payroll records when he or she needs or asks for them.

NO



To get your £250 if you have fewer than 50 employees you must:

- register for our online services
- choose commercial software or our free Online Return and Forms - PAYE
- send your Return online.

To get your £250 if you have fewer than 50 employees you must:

- register for our online services
- agree with your agent who will send in what information
- choose commercial software or our free Online Return and Forms - PAYE
- make sure your agent sends their part of the Return online
- send your part of the Return online.

2.3 Electronic Data Interchange users

If you use [Electronic Data Interchange](#) at the moment, always talk to your Account Manager at our Information Management Solutions before registering for our PAYE Online for Employers - Internet service.

2.4 Magnetic media

Online filing does not include [magnetic media](#) (CD-ROMs, disks and cartridges).

2.5 Using an agent or payroll bureau

An intermediary, like an agent or a payroll bureau, can help you run your payroll and may be able to file online for you.

If you use an agent or payroll bureau, you are still responsible for making sure that your Employer's Annual Return is filed online, on time, and that it is accurate.

If you are a small employer and an agent or payroll bureau files online for you, you will still qualify for a tax-free payment for early online filing. **Remember that you will not qualify for an online filing tax-free payment if an agent makes an unnecessary Return on your behalf.**

Talk to your agent or payroll bureau to agree who will file what online and when. Where an agent or payroll bureau files online for you, get your agent or payroll bureau to check the Return with you first, because it is your responsibility to make sure that your Return is accurate.

You will need to agree with your agent or payroll bureau who is keeping your archive records.

2.6 Using PAYE Online for Employers – Internet

If you have fewer than 50 employees, you can file online over the Internet using our free HM Revenue & Customs Online Returns and Forms - PAYE product or other payroll software.

You will need to make sure that the computer software you use to file online can send your information electronically and that, from April 2005, it meets our Quality Standard.

To use the Internet, you must first register, and activate our PAYE Online for Employers - Internet service before you can send us anything online. When you register, you will need to enter in full, your Accounts Office reference number which you will find on your payslip booklet (P30b). You will also need your PAYE reference. If you get an error message, try again and leave out the zeros after the two letters.

You cannot do all of this on the same day. So register and activate in good time to get your Return in by your online filing deadline.

If you are already registered online for VAT and VAT Registration, all you need to do to register for PAYE Online is log on with your existing User ID and Password, select 'PAYE' and enter your details.

Registering for PAYE Online for Employers - Internet will affect the way important information, like code numbers, are sent to you. If you have a registered agent, he or she - as well as you - will be able to view your PAYE notices and reminders online.

2.7 Accessing PAYE Online for Employers - Internet

Go to www.hmrc.gov.uk and then to 'PAYE for employers' from the 'do it online' menu. Or you can go to the [Business Link](#) website and select 'Tax and Payroll'.

2.8 Registering for PAYE Online for Employers - Internet

Go to www.hmrc.gov.uk and then to 'PAYE for employers' from the 'do it online' menu. Or you can go to the [Business Link](#) website and select 'Tax and Payroll'.

Select 'Register' from the 'I am a new user' box. Select whether you wish to register as an Organisation or Agent and then select 'Next'. Choose 'PAYE Online for Employers' and select 'Next'. You will need your PAYE reference number and your Accounts Office reference. Details on where to find these are on the 'What you will need for registration' screen.

When you select 'Next' you will be taken through five steps to registration. These will be clearly displayed on top of each page as you go through the registration process. Select 'Next' to begin registration.

Step 1 - About you

Enter your full name and e-mail address

The e-mail address is optional. But if you do not give us your e-mail address, we will not be able to send you alerts when you have new notices or reminders, or confirmation of any submissions you make.

Step 2 - Create Password

You will need to choose a password that you can remember as you will need this every time you log in. The password cannot include the word 'password'!

Step 3 - Enter details

Enter your Employer PAYE and Accounts Office reference number. (These are on your P30B paying-in book or your annual electronic reminder.)

Step 4 - Accept terms and conditions

You will then see our terms and conditions. **You must accept the terms and conditions to continue with the registration process.**

Step 5 - Note user ID

This screen will give you a 'User ID'. You must keep a note of this number and use it every time you next use our online services. You will receive two letters from the Government Gateway within seven days of registering. One letter will contain your user ID on a handy card. Keep this safe. The other letter will contain your activation PIN which you will need to 'activate' the service.

You must activate the service within 28 days of the date on the Activation PIN letter or you will have to register again.

Activate from www.hmrc.gov.uk by selecting 'PAYE for Employers' from the 'do it online' menu. Enter your User ID and password.

If it is the first time you have logged on since registration, you will be asked to put in your Activation PIN. Do not leave registration until the last minute (for example, just before your online filing deadline). You need to make sure that you have registered and activated your service well before trying to file your Employer's Annual Return online. Once you have activated the service you will be sent all notices and

reminders over the Internet. If you want to carry on receiving them on paper or by Electronic Data Interchange you must click on 'want to change' from the activation screen.

2.9 Online filing using our free Online Return and Forms – PAYE

If you are a small employer, and you do not already use payroll software, one way to file online is to use our free Online Return and Forms - PAYE product.

If you use a bureau or an agent to file some of your P14s and therefore send your Return to us in parts, you will be able to use our free Online Return and Forms - PAYE product to send in your P35. Check with your bureau if they offer a P35 service. It might be easier to get them to send in all the parts of the Return for you.

You can also use the service to send in amendments that may be needed to a Return that you have already filed. You do not have to have sent in the original Return using Online Return and Forms - PAYE.

To use Online Return and Forms - PAYE you must first register for the Internet service. (See ['Registering for PAYE Online for Employers'](#).)

The Online Return and Forms - PAYE service has a database that you can use to build up personal information for all your employees (for example, things like address and National Insurance number). These details will then be transferred automatically on any online form that you send us for your employee (like a P45(1)). You do not need to build up a database if you are only using Online Return and Forms - PAYE to send your form P35.

At the end of the tax year, you can use these personal details to complete your P14s, along with the tax and National Insurance information from your other records. You can produce a P35 from all the completed P14s.

Online Return and Forms - PAYE does not calculate pay and tax. But you can use the electronic calculators on your Employer CD-ROM 2006 to help you work out things like tax, National Insurance, student loans and Statutory Payments, and fill in forms, including the P11D (Return of expenses and benefits). The Employer CD-ROM is packed with everything you need to help you do your payroll, including teach-yourself sections, and guidance - including this Handbook!

If you choose to use Online Return and Forms - PAYE, we will store the data you have entered for seven years, so that you can easily see all previous years' personal and P35 information. And you will be able to print all of this out if you want to.

If you are using Online Returns and Forms – PAYE and take on the same employee more than once during the same tax-year, you must add the employee to your list for each separate period of employment. Also include their 'start' and 'leaving' dates on the Employee Detail screen to show each period of employment during the tax year. They will appear more than once on the employee list and you will send more than one P14 for them, each P14 should cover the separate periods of employment.

We will send you an e-mail acknowledgment for every submission you make using Online Return and forms – PAYE during the tax year (for example, whenever you send us a form P45(1) when an employee leaves you, or a form P46 for a new employee).

2.10 PAYE Online for Employers: Electronic Data Interchange

Electronic Data Interchange is a way of filing large amounts of information online using a private, secure phone line.

It is best suited to large employers with tens of thousands of employees, or employers who have a high turnover of employees.

You must register with our Information Management Solutions before you can use Electronic Data Interchange. Before you can start using Electronic Data Interchange we need to test that you can send and receive information in this way. This can take time, so get in touch with us early on.

You can register by sending an enquiry form to:

- e-mail - helpdesk@ir-efile.gov.uk
- fax - **01274 534514**
- post - Information Management Solutions
Business Services
Crown House
Victoria Street
ShIPLEY
West Yorkshire
BD17 7TW.

You can download the [enquiry form](#) or phone our Online Services Helpdesk on **0845 6 055 999** to get one.

Follow the link for more information about using [Electronic Data Interchange](#).

2.11 HM Revenue & Customs Payroll Standard

We have developed the HM Revenue and Customs Payroll Standard to help you find out which payroll software products have all the essential features that you need to work out PAYE, National Insurance contributions, Statutory Payments and do lots of other payroll jobs.

Payroll software developers can have their products tested against our Payroll Standard. We let successful products display this Payroll Standard Accreditation logo:

LOGO HERE

Software that sports our logo will let you file your Employer's Annual Return online. The logo will either be on the software product, or your software supplier will be able to tell you which products meet our Payroll Standard. All accredited software is tested against the relevant sections of the [Quality Standard](#).

Follow the link for a list of [accredited products](#) that meet our Payroll Standard. Or call our Payroll Standard Helpline on **0845 9 159 146**.

Payroll Standard accredited software will help you run your day-to-day payroll more accurately.

We update the [Payroll Standard](#) from time to time so it keeps up with changes in the law.

DOING IT ONLINE IN PRACTICE

3.1 Forms you can send us over the Internet

You can send these forms over the Internet:

- P9(D) - *Return of expense payments and income from which tax cannot be deducted*
- P11D - *Return of expenses payments and benefits*
- P11D(b) - *Return of Class 1A National Insurance contributions*
- P12 - *employer's annual deduction card (simplified deduction scheme)*
- P14 - *end of year summary*
- P35 - *Employer's Annual Return*
- P37 - *Employer's Annual Return (simplified deduction scheme)*
- P38A - *Employer's Supplementary Return*
- P38S – *Student employees (not available on Online Return and Forms - PAYE)*
- P45(1) - *employee leaving work*
- P45(3) - *employee starting work*
- P46 - *employee starting work (with no P45)*
- P46(Car) - *car provided for the private use of an employee or director*
- PENNOT - *pension notification (not available on Online Return and Forms - PAYE)*
- WNU - *works number update.*

3.2 Forms we can send you over the Internet

We can send you these forms over the Internet:

- P6 - *notice to employer of employee tax code (or amended code) and previous pay and tax*
- P9 periodic - *amended code (new tax year)*
- SL1 - *notification to start student loan deduction*
- SL2 - *notification to stop student loan deduction*

3.3 Forms you can send us using Electronic Data Interchange

Electronic Data Interchange lets you send us these forms:

- CIS23, CIS25, CIS36(CS) - *for the construction industry*
- P11D - *Return of expenses payments and benefits*
- P11D(b) - *Return of Class 1A National Insurance contributions*
- P14 - *end of year summary*
- P35 - *Employer's Annual Return*
- P38A - *Employer's Supplementary Return*
- P45(1) - *employee leaving work*
- P45(3) - *employee starting work*
- P46 - *employee starting work (with no P45)*
- P46(Car) - *car provided for the private use of an employee or director*
- WNU - *works number update.*

3.4 Forms we can send you using Electronic Data Interchange

- P6 - *notice to employer of employee tax code (or amended code) and previous pay and tax*
- P9 - *notice to employer of employee tax code*
- SL1 - *notification to start student loan deduction*
- SL2 - *notification to stop student loan deduction*

3.5 Microfiche

We will not send you copies of your P35 continuation sheet (P35 (CS) MT) or P14s on microfiche, or on paper.

So you must keep your main payroll records for reference, and check that you can store them in your archives in a format, which can be electronic, that will make it easy to look at them later. You must keep your records for three years following the end of the tax year to which they relate.

3.6 Magnetic media

Remember that online filing does not include magnetic media (CD-ROM, disk and cartridges). So if you are using magnetic media now, you will have to switch to online filing.

When you have to make that switch depends on whether you are a large, medium-sized or small employer. If you do not file online when you should, you may be charged a [penalty](#).

We can talk to you about the alternatives to magnetic media. Call our Magnetic Media Team on **0845 9 155 903**.

If you are a small employer and you send in your Return using magnetic media, you will not qualify for a tax-free payment for early online filing.

We will carry on accepting magnetic media for now, but we cannot guarantee that we will be able to accept your Returns on magnetic media indefinitely.

If you continue to send your P14s using magnetic media, note that the P35 (MT) has been withdrawn, so you will no longer get a magnetic tape version of the P35.

Instead, we will have sent you an ordinary paper P35. Fill this in, and confirm that your P14s are being sent separately. You must also state the number of parts being sent which will be the number of 'Unique Identifiers' you have used to send your P14s ([see 'Magnetic media and sending in your Return'](#)). Do not give the permit number(s), although you can use the permit number as your Unique Identifier.

3.7 Magnetic media and sending in your Return

You can use magnetic media to send in just the P14 part of your Return.

If you do, you must meet the validation rules in our [Technical Guide](#), 'Submitting Year End Returns on Magnetic Media' (CA51/52), or the P14 part will be rejected. You or your agent (depending on who sent in the P14s) will get a message if there are any mistakes, telling you why the part has been rejected. You will have to put right what is wrong and file the Return again by 19 May or you will face a [penalty](#).

You will not be able to send your Return using magnetic media if your business ceases during the year. You can send your cessation Return either by paper, Internet or Electronic Data Interchange. If you have fewer than 50 employees and send your Return online you will qualify for the tax-free payment for filing online.

3.8 Endorsing ('signing') your online Return

Because you cannot 'sign' an online Return, we need to make sure that a company secretary or director endorses the Return before it is sent online. We do this by giving an online services password to an authorised person in your company.

3.9 Filing large amounts of information online

If you have a very large amount of information to file online, you can 'compress' your information - if compression is part of your software - so that more can be filed online in one go.

Compression means you can increase the number of online P14s you send us in one go from 22,000 to about 150,000. Compression can also speed up the time it takes to send your Return online.

3.10 Sending your Return to us in parts

You can send in your Return in parts using different transmission routes, as long as your software allows you to send your Return in parts.

Parts can be sent from more than one source (for example, some from your agent and some from you), using either the Internet, Electronic Data Interchange, paper or magnetic media. But it would be best if you can send your P14s and P35 in one go.

There is no limit to the number of parts you can send us, but the fewer the better.

Your Return is not complete until we have got all your P14s and your P35. We must have all parts by 19 May, or you may face a penalty for filing late. For example, if you send us your P35 part without your P14 part reaching us by 19 May, a complete Return was not sent to us on time, so you will face a late filing penalty.

If you choose to send part of your Return using magnetic media or paper, we will process what you send. But if you must file online (because the law says you must), you will face a penalty for not filing all the parts online. If you are a large employer and you use paper or magnetic media to send your parts, you will get a penalty for failure to file online.

We will keep your parts until you have sent them all to us. A part can be made up of a batch of P14s or a P35, but not both. Your software must be able to send each P14 part with at least one P14 record and must include the summary subtotals for each monetary field needed for your P35. The P35 must contain a count of the number of P14 parts sent that will make up the complete Return.

So that we can bring all the parts of a Return together, you must give each part a 'Unique Identifier' as well as showing your PAYE scheme reference when you send your Return in parts. The Unique Identifier (of up to 12 characters and chosen by you) must be unique within your PAYE scheme and mean something to you. For instance, a company split four ways geographically might choose 'North', 'South', 'East' and 'West' as Identifiers. Another might identify directors and salaried employees with 'directors' and 'staff'. A part consisting of the P35 only does not need a Unique Identifier, but must show the number of P14 parts being sent for the Return.

If you have used Electronic Data Interchange or magnetic media in the past, you may have used a permit number when sending your Return. You may wish to use your permit number as your Unique Identifier even though you do not have to use permit numbers any more.

You (or your agent or payroll bureau) will need to agree with anyone else in your business (or your agent or payroll bureau) who is responsible for sending in parts, what the Unique Identifiers are for each part, and how many parts there are going to be.

You must use a P14 Cover sheet if you send P14 part by paper, and other parts of the Return (P35 and P14s) by Internet, Electronic Data Interchange or magnetic media. You can get a P14 Cover sheet by calling the Employer's Orderline on **0845 7 646 646**. Do not use the P14 Cover sheet if your P35 and all your P14s are being

sent on paper. Instead you must continue to send these forms together in full to your HM Revenue & Customs office.

When you send us any part we will check that it meets our initial validation requirements. If any or all of your parts are rejected, we will tell whoever sent us each part why it has been rejected. You will need to correct the information and resubmit the part before 19 May.

If parts are accepted whoever sends in each part will get the same acceptance message saying 'The EOY Return has been processed and passed full validation', even where there may be more parts to follow. It is important that the acceptance message is not misinterpreted as a successful submission of the whole Return. The message means that the part you have just sent us has been accepted. So whoever is sending the P35 Return part must make sure that every part has been or will be sent in. We recommend that agents tell their clients how many parts they intend to send and when they have been sent. We also recommend that people send the P35 last. You must make sure the P35 has the correct count of P14 parts and the correct accounting totals to pass the quality checks. We will store all parts until you have sent us the rest of your Return.

When you have sent all parts in, we will make sure that the whole Return also meets our Quality Standard. We need all your P14 parts and your P35 part before we can do our further Quality Standard checks.

Internet and Electronic Data Interchange filers can replace a part as long as the replacement has the same unique identifier as the part that it replaces. Our systems will override the first submission with the replacement part. A replacement must be made before the acceptance message has been sent for the P35.

Any changes or additions instigated by the employer after all parts of a Return including the P35 have been accepted must be made as an amended (sometimes called a supplementary) Return.

3.11 Sending 2005-06 Returns in parts

If you want to send your online Return in more than one part (P14s and P35 separately), try to avoid last year's most [common errors](#).

You must only send one P35 for your PAYE reference and you can only send your Return in parts if your software lets you. If your software prepares a P35 for each part submission, we will treat the first part that we accept as the 2005-06 Return and reject any later parts. So check with your software provider before sending your Return.

From late April, we will check each P14 part when we get it and any error or rejection message will be sent, in most cases, within a minute. But we cannot tell you that we have accepted the whole Return until all the P14 parts are married up to the P35 and all the financial totals cross-checked. We strongly recommend that the P35 is the last item you send us.

Once a P14 part has been checked it will be held until all the parts for that Return have been sent. You can replace a part at any point up to when you have submitted all the parts and your P35, and received your on-screen Return acceptance message. Replacement parts must show the same Unique Identifier as the original submission.

The online filing tax-free payment will only be credited to your PAYE payment record when the whole Return has been processed to our other systems.

3.12 Examples of sending your Return to us in parts

Example one

An employer has two branches (in Manchester and Leeds) and each files the P14s for their own employees online, using the Internet. The head office (in Birmingham) files the P35 online showing that two P14 parts are being sent. When we get each branch's P14s, we check that they meet our Quality Standard, and tell whoever sent them to us whether we have accepted or rejected them. When we have all the P14s and the P35 we will check that the whole Return meets our Quality Standard and contact you if we have any queries. Once the whole Return is accepted, no part can be replaced.

Example two

A small employer uses a payroll bureau to handle the payroll, apart from the directors, and the bureau files the P14s online. The employer also uses an agent who deals with the directors, and the agent sends us their P14s online. And the employer files the P35 online indicating that two P14 parts are being sent. If all the parts we get meet our Quality Standard, we will accept the whole Return. The small employer will also qualify for a tax-free payment.

Example three

A small employer uses an agent to handle all of his payroll. The agent sends us the P14s online, and sends the details of all the totals on the P14s to the employer because there are some payment details which the employer has to fill in. The employer finalises the P35 and sends it to us on paper showing that one P14 part is being sent. Because this is not a complete online Return, the employer does not qualify for the early online filing payment. If he or she was a large employer, and had to file online but did not, he or she would face a penalty.

Example four

The employer sends P14s online but does not send the P35. As the employer has failed to make a Return then we would levy a late filing penalty.

- _ The small employer will not qualify for the early online filing payment because they have not sent the whole Return online.
- _ The large employer will not incur a penalty for failure to file online.

If we subsequently get the P35 online, but late, the employer would face a late filing penalty.

- _ The small employer would qualify for the early online filing tax-free payment.
- _ The large employer will not incur a penalty for failure to file online.

Example five

The employer sends some P14s online and some on paper.

- _ The large employer has failed to make the Return online and will incur a penalty for not filing online
- _ Small employer will not qualify for the early online filing pay the tax-free payment as HM Revenue & Customs did not receive the whole Return online.

Example six

The large employer sends the whole Return online which is accepted, but later errors are identified by HM Revenue & Customs which exceptionally require the employer to correct and re-submit the faulty Return. The employer will not incur a penalty for

not filing online or filing a late Return because we asked the employer to re-submit their Return.

Example seven

The employer has received an acceptance message when they sent in the P14s so they did not send a P35 or send the P35 on paper.

_ If a small employer has deducted the £250 tax-free payment then they will have underpaid at April 2006 because the whole Return has not been sent online.

_ If a large employer did not send a P35 they have failed to make a Return and would incur a late filing penalty. If the P35 is sent on paper then they will incur the online filing penalty.

3.13 Amending your Return

You must make a full and complete Employer's Annual Return consisting of the P14s and one P35 for a single PAYE reference either in a complete submission or in parts. Exceptionally, you may need to send us extra (supplementary), additional or corrected details because, for example you have updated your payroll information or you have found out that there was an error in your earlier Return.

Since April 2005, we only accept amended information on a P14 and P35.

You must show us only the amount of any extra (supplementary) information. For example, if your original P14 showed £100 too much tax, your amended P14 must show - £100 (minus) £100. If you amend any P14s, you must send an amended P35. If you only need to change the P35 details you must send an amended P35 only but again you must only show the amount of the amendment and not revised totals.

You must let us know in writing as soon as you realise that there is an error in your Return. You will need to send us an amended Return, along with an explanation of why the error occurred.

Amended information does not have to be sent in the same way as the original Return. Amendments can be made on paper or by using our free Online Returns and Forms - PAYE product. You will need to [register](#) before you can use the service.

Some third party software will also allow you to make an amended Return. You may want to check this with your software developer. Or you may send amendments on paper using approved stationery.

You must send a letter explaining the reason for the amendment to your HM Revenue & Customs office.

Large or medium-sized employers who must file online will not attract the non-filing penalty if an amendment is sent on paper.

You can only send us an amended Return online if your original Return has already been received and accepted by us. And you can send your amendment to us online even if you did not send your original Return online.

If you are a small employer, you will still get your tax-free payment for early online filing, as long as you sent us your original Return online.

When sending an amended P35 using Online Return & Forms - PAYE, the questions on the 'Amended P35 - Checklist' screen should show the same answers as the original P35 unless they are specifically affected by the reason for the amendment.

On the 'Amended P35 - Declaration' screen, the P14 box must be "checked" and only P14s that have changed because of the amendment must be included with the amendment. If no P14s have changed, the box must still be "checked".

The P38A and P11D questions should show the same answers as in your original P35. If your original P35 had the button "P11D will be sent later" checked, then the amended P35 should show the same even if the amendment has been made after the P11Ds have been sent.

If you are amending any P14s, you must also send us an amended P35, even if the P14 changes do not alter any of the figures shown on the original P35. (If so, you need to send us a 'No Return necessary' P35.)

You can amend your P35 even if you do not have any amendments to make to your P14s.

3.14 Viewing your PAYE notices and reminders

When you register to use PAYE Online for Employers - Internet, we will automatically send your PAYE notices and reminders (like P6s and P9s) online. We will do this after you have activated the service.

To access your PAYE notices and reminders:

- go to www.hmrc.gov.uk and select 'PAYE for employers' from the 'do it online' menu
- enter your Password and User ID
- select one of the following options
 - view latest tax codes
 - view latest student loan changes
 - view employer notices
 - view notices issued for tax years to 5 April 2006.

You can send your Return using PAYE Online for Employers - Internet and get notices like P6s and P9s from us on paper or by Electronic Data Interchange. If you do not want to receive some notices over the Internet you can de-select the forms from the PAYE Online - Internet service when you activate the service.

If you want to change your preferences later, you can do this by selecting 'change how you receive your statutory notices' option from the PAYE service page.

Because what we send you will affect your employees' pay you must check your PAYE notices regularly and we recommend that you check immediately before you calculate their pay.

If you want us to send you an e-mail to tell you that PAYE notices and reminders are available, you can subscribe to the 'notifications' service. You can subscribe to the 'notifications' service by going to your PAYE Online service page and selecting the link 'provide us with an email address'.

You must keep what we send you for at least the last three years, as well as information for the current year. If you use any of these records to prepare your Employer's Annual Return, you will need to keep them for longer.

Some employers with more than one PAYE scheme run them all from the same payroll office, but keep details of the Passwords and User IDs, checking incoming notices and reminders for each scheme separately. If you handle more than one scheme, you can [register](#) as an agent so that all notices and reminders can be seen for each scheme.

When you are viewing your PAYE notices and reminders, use the print button on your Internet browser to print the message. We recommend that you print in landscape format. You will need to print off any information you may need for future reference.

If you have any questions about viewing your PAYE notices and reminders online, contact the Online Services Helpdesk on 0845 6 055 999.

You may want to give access to your data to other people within your organisation. We can help you [manage security](#) where you have more than one user.

Once you have registered for the PAYE Online - Internet service you can:

- add other people within your organisation as 'Users' by visiting the [Government Gateway](#) and selecting 'Manage users'. They will be able to act on your behalf for the services you have registered for, and also register for new services. They will also be able to create and delete other Users
- create 'Assistants' by visiting the [Government Gateway](#) and selecting 'Manage assistants'. Assistants can send your organisation's forms and returns to HM Revenue & Customs using appropriate software
- complete tasks such as deleting Users, changing the services that Users are assigned to and making changes to your registration details.

3.15 Getting forms by Electronic Data Interchange

You can keep getting some of your forms by Electronic Data Interchange when you use our PAYE Online for Employers - Internet service to send and receive other forms. Get in touch with your Account Manager at our Information Management Solutions before you register so we can help make sure that your service is not disrupted.

You can also send your forms to us through Electronic Data Interchange, if you use it.

2004-05 ONLINE FILING ARRANGEMENTS

4.1 2004-05 Return processing

As at March 2006, we had a small number of Returns to process. We are very sorry that it took us longer than we expected to process Returns for 2004-05.

When people filed online last year we:

- applied initial checks on Returns sent over the Internet at the 'Government Gateway' (through which Internet submissions have to pass to reach our computer)
- where the initial check was passed, we sent an on-screen message saying that we had accepted the Return (Internet filers who provided an e-mail address and Electronic Data Interchange filers also got an e-mail)
- stored accepted Returns until our new computer was up and running
- then passed Returns to the new computer for processing (sending Return information, like pay, tax and National Insurance details, to our other computer systems).

When online Returns failed the initial check at the Government Gateway, employers needed to put them right as quickly as possible and re-submit them by 19 May 2005 (the Return filing deadline). This is why we urged you to file Returns as soon as possible, and not leave it until the last minute and risk getting a penalty for not meeting the deadline.

Where a Return sent using commercial third party software failed the further checks, if we had not already done so, we looked at the reason for the failure. We corrected the Return with the employer's help. Very exceptionally, we needed to ask employers to correct a faulty Return and resubmit it. When we did this, we attached the original submission date to the re-submitted Return and - provided the original Return was received on time - we did not charge a late filing penalty.

When large employers could not re-submit a corrected Return because of limitations in their software, we did not charge an online filing penalty. Small employers got the £250 tax-free payment as long as all of their original Return was sent online. We did not charge a late filing penalty if the original Return was sent online by 19 May.

P14s sent by Electronic Data Interchange and HM Revenue & Customs' Online Returns and Forms - PAYE product were validated (checked for quality) immediately on receipt and Returns that included errors were rejected for correction.

4.2 Small employers and the tax-free online filing payment for 2004-05

We were not able to write to small employers to let them know that we were crediting the tax-free payment to their account until their Return had gone through all of our quality checks. This meant that we did not write to small employers to confirm that the tax-free online payment had been credited to their payment record until later in 2005. People could not claim the tax-free payment back from us as a cheque repayment until they got that letter.

But small employers did not have to wait for the letter to get their tax-free payment. The onscreen message that we will sent saying that we had accepted the online Return was the assurance that employers had met the requirements to qualify for the

incentive payment. Any time after getting the message that the whole Return (P14s and P35) had been accepted, small employers were able to deduct ('self-serve') the tax-free payment for filing online from their next payment due to us. This meant that they did not have to wait for us to credit the tax-free payment to their payment record. For example, they could deduct the tax-free payment from their September, October, November or later payment (if paying monthly), or October (or later) payment if paying quarterly.

If any employers were due to pay us less than the amount of the tax-free payment in tax or National Insurance in a month (or quarter), they were able to reduce their next payment by any of the tax-free payment left over until they had used it all up.

4.3 How we worked out the 2004-05 penalty for not filing online

The penalty for not filing online when you should is based on the number of P14s that should have been included in your Return.

For 2004-05 only, we will work out the penalty for not filing online based on whether you were a large employer when we made our 2004-05 count of your employees (24 October 2003). Our count does not include employees who have started with you or left since we did our count. So the penalty is likely to be no more than it would be if we worked out the penalty based on the number of P14s that you should have included in your online Return. Often, it will be less.

Unless you appeal, we will not alter the penalty and base it on the final P14 information you send us.

4.4 Excuse for not filing a 2004-05 cessation Return online

We will accept that you had a 'reasonable excuse' for not filing online if you stopped trading during 2004-05 and did not send us your cessation Return online straight away.

ELECTRONIC PAYMENT

5.1 Paying us electronically

If you are a large employer (250 or more employees), you must make monthly electronic payments of tax, National Insurance contributions, Construction Industry Scheme deductions and student loan deductions, on time and in full, from May 2004.

Employers paying electronically have until the 22nd of the month to pay. This means that cleared payment must reach our bank account no later than 22nd of the month.

Where the 22nd falls on a weekend or bank holiday, you must make sure your cleared payment reaches our bank account no later than the last bank working day before 22nd. Remember that some bank holidays are longer than one day, for example Easter and Christmas.

22 nd falls on a	We must have clear funds by	Latest date for initiating payment by	
		Internet, Telephone, BACS Direct credit, Bank Giro, and Alliance & Leicester Commercial Bank	CHAPS, Paymaster
Monday	Monday 22 nd	Thursday 18 th	Monday 22 nd
Tuesday	Tuesday 22 nd	Friday 18 th	Tuesday 22 nd
Wednesday	Wednesday 22 nd	Monday 20 th	Wednesday 22 nd
Thursday	Thursday 22 nd	Tuesday 20 th	Thursday 22 nd
Friday	Friday 22 nd	Wednesday 20 th	Friday 22 nd
Saturday	Friday 21 st	Wednesday 19 th	Friday 21 st
Sunday	Friday 20 th	Wednesday 18 th	Friday 20 th

Small, medium or exempt employers can choose to pay electronically by the 22nd of the month.

If you are a medium sized, small or exempt employer who pays us by cash or cheque, you still have to make sure your payment reaches us by the 19th of each month.

5.2 How to pay: BACS Direct Credit

You can use BACS Direct Credit to transfer money electronically direct from your bank account to ours on a specific date. It takes three bank working days or longer for the payment to reach our account. Your bank will ask you for our bank account details and reference. Your bank will also be able to advise you how long the payment will take to reach us.

5.3 How to pay: bank or building society Internet or telephone banking service

You can pay us through your bank or building society's Internet or telephone banking service. The amount of time these payments take to clear depends on the bank or building society's internal procedures, so again you must ask them for advice about when to make your payment to us.

5.4 How to pay: BillPay

If you have a Maestro, Solo, Electron or Visa debit card, you can pay over the Internet using BillPay. This is an Internet payment facility, run for HM Revenue & Customs by the Alliance & Leicester Commercial Bank.

The minimum payment you can make using BillPay is £1 and the maximum is £99,999.99. If you are paying us a large amount, you might want to tell your bank about this beforehand.

[Pay by BillPay.](#)

5.5 How to pay: CHAPS

Clearing House Automated Payments System (CHAPS) transfers money from your bank account to ours. On your instructions, the bank or building society arranges a same-day transfer of money to us. This can be more expensive than other ways of paying us, but it may suit you if you make very large payments.

5.6 How to pay: Paymaster

You can only use this service if you have an account with the Paymaster General. These are generally held by other Government Departments and health authorities. Payments are transferred direct to our account by the Office of the Paymaster General.

5.7 How to pay: Bank Giro

If we send you a payslip booklet, you can also pay by Bank Giro. You need to take the payslip and payment to your bank. We recommend you use your own bank branch as other banks may not accept your payment or may charge for this service.

You can pay by cheque or cash. You should make your cheque payable to 'HM Revenue & Customs only' and hand it in with a booklet payslip for the period you are paying.

You must allow at least three working days for the payment to reach us to allow for any delays in bank processing (for which we are not responsible, but could mean we send you a default notice). You should also ask what the bank's cut-off time is for processing the payment that day. If the payment misses that cut-off time it will not be processed until the next day and may arrive in our account late.

5.8 How to pay: Post Office

If we send you a payslip booklet you can take your payment to any Post Office and pay over the counter. You must make your cheque payable to 'Post Office Ltd' and hand it in with a booklet payslip for the period you are paying.

5.9 Making a payment

If you are using your bank or building society's Internet or telephone banking service, BACS Direct Credit or CHAPS, you need to give our bank account details to your bank. Those details will depend on which Banking Operations office you use - Cumbernauld or Shipley.

Their details are as follows:

If you pay to Cumbernauld

Sort code 10 51 67

Account number 23444401

Account name AO Cumbernauld

If you pay to Shipley
Sort code 10 50 41
Account number 23456000
Account name AO Shipley

For bank and building society Internet, telephone banking and for BACS Direct Credit payments you must also show your Accounts Office reference in the right format. That must be 13 characters long without any spaces, for example, 241PZ00037465. You will find your 13-character Accounts Office reference on the front of your payslip booklet or on the letter we have sent you in place of the booklet.

You no longer have to make separate payments of PAYE and National Insurance contributions. You can instead make your current payment in a single amount using the Accounts Office reference shown on your payslip booklet cover or on the letter we send you in place of your booklet, for example 123PA00012345

We will estimate the split of your payment between PAYE and National Insurance contributions and correct the split later when we process your Return.

If you prefer us to record an accurate split, you should make separate payments of PAYE and National Insurance contributions showing your Accounts Office reference as follows:

- for PAYE payments, add a P in front, for example **P123PA00012345**
- for National Insurance contributions, add an N in front, for example **N123PA00012345**.

5.10 Payment for earlier periods

If the payment you are making is for a previous deduction year, or your regular monthly/quarterly payment is more than 2 weeks after the payment date, your Accounts Office reference needs to show the period that the payment relates to.

To make a payment for an earlier year, for example 2006/07 add 0713 to your Accounts Office reference number to give 123PA000123450713.

Note: always show the month as 13 when paying an earlier year.

To pay an earlier month, for example, to make a payment for May (month 02) in August of 2006/07 add 0702 to your Accounts Office reference to give 123PA000123450702.

Note: when the month number is a single digit add a zero in front (month 2 is shown as 02)

If you use CHAPS, or the BillPay service, you only need to make one payment. You must include the 13-character reference (see above), for example, 241PZ00037465. BillPay already has our bank account details, so you will not be asked for them.

When paying by CHAPS it is better to make separate payments for each scheme (PAYE reference). But if you want to make one payment to cover a number of schemes, you must provide all the correct reference and payment details to our Banking Operations, so we can allocate the payment to the right reference. The easiest way to do this is by e-mailing the information to us at:

Banking Office Cumbernauld

Tel 01236 783631
Fax 01236 783016
E-mail aoc.directpayments@hmrc.gsi.gov.uk

Banking Office Shipley
Tel 01274 539328
Fax 01274 539616
E-mail aos.directpayments@hmrc.gsi.gov.uk

If you are thinking about starting to pay by CHAPS, you must contact our Banking Operations at least three days in advance, preferably by email.

We will let you know what information you need to give us and when to make sure we allocate your payment accurately.

5.11 Large employers: what happens if you do not pay electronically when you should

If you are a large employer and we do not receive cleared funds for the full monthly payment by the new payment date, you may face a surcharge at the end of the tax year. The surcharge depends on the amount on the P35 and on how many times you do not pay on time and get a default notice from us.

We will send large employers a default notice every time your monthly payment (or any part of it) is received after the payment date.

5.12 Large employers: appealing against a default notice

If you are a large employer, you may appeal against a default notice on the grounds that you did not pay late. For example, you may have a reasonable excuse for paying late, as a result of circumstances beyond your control, or you are not a large employer. You cannot appeal on the grounds that you are not a large employer if you have already appealed unsuccessfully on these grounds.

Inability to pay is not a reasonable excuse.

You must appeal in writing to the office that issued the notice within 30 days of the date on the notice, and must include:

- your Accounts Office reference shown at the head of the notice
- your PAYE scheme name
- the reason for the appeal and supporting evidence
- your position in the business.

Details of how to contact the issuing office are on the default notice.

5.13 Calculating the surcharge

Each time you send in a late payment in a surcharge period the surcharge percentage increases. At the end of the surcharge period we add up the percentages for all of your defaults in the year.

5.14 Surcharge period

The surcharge period starts at the point in the deduction year when you first default. It does not end until there has been a complete tax year with no defaults.

So if you have made a late payment, it could take you as long as 23 months to be completely clear of a surcharge.

For example, if you default in May 2007 (deduction year 2006-07), you must not default again in the rest of 2006-07 and make sure you do not default at all in deduction year 2007-08.

Payments that are not made electronically, but which clear by 19th of the month, will not count towards the surcharge, even though you have not paid electronically when you should have done.

The surcharge is calculated on the amounts shown on your Return, we will tell you how much your surcharge is when we have finished all our checks.

5.15 How we work out a surcharge

Each default is counted within each surcharge period. The first two defaults in a surcharge period are charged at 0%. If you default again, we will charge you at increasing percentage rates. These are:

Default number (within the surcharge period)	Percentage %
1	0
2	0
3	0.17
4	0.17
5	0.17
6	0.33
7	0.33
8	0.33
9	0.58
10	0.58
11	0.58
12 and more defaults	0.83

Surcharge example one

A large employer defaults four times in 2004-05, five times in 2005-06, once in year 2006-07, four times in year 2007-08, has no defaults in 2008-09 and three defaults in 2009-10.

Surcharge would be calculated as follows:

Tax Year	Total Default count value (at tax year end)	Surcharge percentage (at tax year end)	Surcharge value based on a form P35 net figure of £120K (£10K per month)	Surcharge value based on a form P35 net figure of £600K (£50K per month)	Surcharge value based on a P35 net figure of £12M (£1M per month)
2004-05	4	0.34 (0 + 0 + 0.17 + 0.17)	£408	£2,040	£40,800
2005-06	9	1.74 (0.17 + 0.33 + 0.33 + 0.33 + 0.58)	£2,088	£10,440	£208,800
2006-07	10	0.58	£696	£3,480	£69,600
2007-08	14	3.07	£3,684	£18,420	£368,400

		(0.58 + 0.83 + 0.83 + 0.83)			
2008-09	0	No surcharge and surcharge period ends as no defaults in the tax year	0	0	0
2009-10	3	0.17 (0 + 0 + 0.17)	£204	£1,020	£20,400

Surcharge example two

An employer incurs no defaults at all in 2004-05. In 2005-06 the employer fails to make a payment by the due date on three occasions and receives three defaults. In addition, the employer pays CIS deductions late twice that year and receives a further two defaults. In 2006-07 the employer again pays its CIS deductions late twice and receives a further two defaults.

Surcharge would be calculated as follows:

Tax Year	Default count (at tax year end)	Surcharge percentage (at tax year end) %	Surcharge
2004-05	0	0	£0
2005-06	5 CIS defaults and 3 defaults each on PAYE, NIC and Student Loan (SL) duties	CIS % used = 0.51 (0 + 0 + 0.17 + 0.17 + 0.17) PAYE / NIC / Student Loan % used = 0.17 (0 + 0 + 0.17)	CIS surcharge is £255 This is based on 0.51% of the 2005/2006 CIS annual charge of £50,000 The PAYE / NIC / SL surcharge is £935 This is based on 0.17% of the combined 2005-06 annual charge of £550,000 So total 2005-06 surcharge is £1,190 (255 + 935)
2006-07	7 CIS defaults and no defaults for PAYE, NIC and SL duties.	CIS % used = 0.66 (0.33 + 0.33) No surcharge charged on PAYE, NIC and SL duties. The surcharge period ends in respect of these duties as no default of these duties occurred in the tax year	CIS only surcharge, which is £330 This is based on 0.66% of the 2006-07 CIS annual charge of £50,000

5.16 Appealing against a surcharge

If you are a large employer you may appeal against a surcharge if:

- the number of defaults in the surcharge is wrong
- the amount of the surcharge is wrong.

You must appeal in writing to the office that issued the notice within 30 days of the issue date on the notice with all the same information as a default notice appeal.

You must pay the surcharge within 30 days of the surcharge notice.

You can pay the surcharge electronically in the same way as your monthly payments. We will acknowledge appeals against default and surcharge notices and will let you know the outcome in writing.

FOR AGENTS AND PAYROLL BUREAUX

6.1 Agents: registering for online filing

Before you can register for PAYE Online for Agents – Internet, you will need a PAYE Agent Reference. You get this from our [Agent Reference Service](#).

To give us time to update our records, wait at least four days from getting your PAYE Agent Reference before registering.

6.2 Registering for PAYE Online for Agents - Internet

Go to '[practitioner zone](#)', then 'File end of year Returns'.

Registration

If you are a new user, select 'Register' from the 'New User' box, select to register as an Agent and then select 'Next'. Now choose 'PAYE Online for Agents' and select 'Next'.

You are now told that you will need your PAYE Agent Reference Number and postcode to complete registration. Select 'Next' and you are then guided through a five-step registration process:

Step 1 - About you

Enter your full name, name of organisation and e-mail address.

Step 2 - Create password

You will need to choose your own password. It must be between 8 and 12 characters (letters and numbers) and must contain at least one number and one letter. The password cannot include the word 'password'. Make a note of your password as you will need it every time you login.

Step 3 - Enter details

To register for the services you have selected you will need your 'Agent reference' and postcode.

Step 4 - Terms and conditions

You will see our terms and conditions. **You must accept the terms and conditions to continue with the registration process.**

Step 5 - Note User ID

This screen will give you a user ID; you must use this when you next use our online services. Click 'Next' to complete registration. You will receive two letters from the Government Gateway within seven days of registering. One letter will have your user ID on a handy keep safe card and the other letter will have your activation PIN which you will need to 'switch on' the service.

To file online over the Internet you must first activate the service. **You must activate the service within 28 days of the date on the Activation PIN letter or you will have to register again.**

When you register to use PAYE Online for Agents - Internet we will automatically send you notices and reminders like P6s and P9s online. We will do this after you have activated the service.

If you want to carry on getting notices and reminders by paper or by Electronic Data Interchange, you do this after activating the service and when your clients have been added to your list:

- choose 'change your statutory notice option' from the PAYE service page. These changes can be made for individual clients or for your entire client list.
- go to 'change option' screen to select which notices you want to receive on paper or by Electronic Data Interchange.

6.3 More than one agent

Some employers may authorise more than one agent to act for them.

Often this is where a payroll bureau manages payroll for the bulk of the workforce, but someone else, often the company accountant, handles the directors' payroll.

We send 'output', for example P6 and P9 forms and information, to only one agent for an employer's PAYE reference. Where there is more than one agent, the employer must choose which agent gets this information. That agent must arrange to send the other agent(s) copies of the information relevant to their clients.

Employers need to think about privacy and confidentiality and be happy for the nominated agent to have access to information about employees for whom the agent does not act. The alternatives are:

- *employer receives notices*: all output will be sent to the employer who will sort and distribute the information among all the agents. The agents would send information to us for the employer, but not receive any 'outputs' from us. Agents using PAYE Online for Employers need to call our Online Services Helpdesk on **0845 6 055 999** to tell us.

We are introducing a new online service for 'output' preferences. Agents will be able to choose on screen whether or not they receive 'output' from us. If the agent is using Electronic Data Interchange and is receiving 'output' for the employer, they need to contact their Account Manager at our Information Management Solutions. If the agent is not already receiving 'outputs' by Electronic Data Interchange, no action needs to be taken.

- *nominated agent receives information on paper*: the nominated agent could choose to receive all the 'output' on paper and sort and distribute it between all the relevant agents. The employer needs to complete a form 64-8 to authorise the agent to act and send it to us.

You must activate the service within 28 days or your registration will close and you will have to register again.

To activate, go to www.hmrc.gov.uk and select 'practitioner zone', then 'file end of year Returns'. Enter your User ID and password. If it is your first time after registering, you must enter your Activation PIN.

Do not leave registration until just before your client's online filing deadline. You need to make sure that you have registered and activated your service before trying to file online.

Remember you must get authority from the employer to send and receive information online for them. See ['Employer's authority'](#).

The agent could sort and distribute the paper 'outputs' between the relevant agents. The agent would need to follow this guidance to stop us sending online 'outputs'

- *split scheme*: the employer may elect to split the PAYE scheme and each agent run a separate Return and negotiate any dispensations when they are received.

When the nominated agent gets all the online output and wants to send it on to the other agent(s), he or she may need to be able to download the messages from the PAYE Online service and distribute them. Some agents only complete the P14s and ask the employer to complete the P35, because they do not have information like:

- details of advances received from us to cover statutory payments or tax repayments
- details of the deductions made from subcontractors during the year (taken from the CIS36 *Contractor's Annual Return*)
- details of Construction Industry Scheme deductions for limited companies from payments received for working in the construction industry
- confirmation of whether the employer has kept a P38(S) for student employees or has provided P14 data for every person in paid employment, either on a casual basis or otherwise
- confirmation of whether 'free of tax' payments to any employee were made during the year
- confirmation of whether anyone else paid expenses or provided benefits or vouchers exchangeable for money goods or service to any employee because they were in that employment during the year
- confirmation of whether any employee's pay has been paid to someone other than the employee, for example to a school. If it has, confirmation that the payments have been included in the P14 data
- confirmation the employee worked for the employer in the UK for 30 or more days in a row. If they have, confirmation that the payments have been included in the P14 data
- confirmation of whether payments relating to services provided through an intermediary (sometimes known as IR35) have been Returned
- confirmation of whether all forms P14 have been submitted for each employee or director or whom the employer was required to maintain a P11 deductions working sheet or equivalent record
- confirmation of whether a P38A *Employer's Supplementary Return* is due or not due
- confirmation of whether the employer will make a 'NO RETURN NECESSARY' P11D and P11D(b) Return for Returns of expenses payments, benefits and Class 1A contributions.

6.4 Employer's authority

Employers no longer have to send us authorisation on form FBI 2 if they want an agent to send their PAYE information to us online.

But we must have a signed FBI 2 authorisation before we can send information to an agent. Employers can have as many agents as they want, but we can only send information or discuss issues with one FBI 2-authorised agent. Agents registered for PAYE Online can send their client's Returns without an FBI 2 by following the 'Filing for authorised clients' link at ['PAYE for Agents'](#).

A form 64-8 is still needed for an agent to send clients' Self Assessment and Company Tax Returns online, or to enable us to discuss issues relating to these types of Return with the agent.

6.5 Getting the employer's approval

When an agent files online for an employer, it is the employer's responsibility to make sure the Return is accurate. For audit purposes, agents should keep a copy of the employer's approval of the information.

6.6 How to remove clients from your authorised client list

If you need to remove an authorised client from your client list, use the 'delete' button on your client list.

FOR SOFTWARE DEVELOPERS

7.1 Payroll Standard accreditation

If you are a software developer and want to get our Payroll Standard Accreditation logo, call our Payroll Standard Helpline on **0845 9 159 146**.

7.2 2005-06 Quality Standard

The 2005-06 Quality Standard sets out the National Insurance number (NINO) prefixes that cannot be accepted on Returns for 2005-06. Prefixes QQ, NC, NK, NO, XX and ZZ and will not be acceptable on Returns for 2005-06 and later years. There is a full [list of acceptable NINOs](#) in the 2005-06 Quality Standard.

To avoid Returns being rejected it would help employers if the payroll systems could identify existing errors and an error message for newly input invalid National Insurance numbers. The message could suggest that the employer ask the employee to provide their National Insurance number, as the one they are using is invalid.

7.3 2006-07 Quality Standard

Follow this link for the [2006-07 Quality Standard](#).

A full list of changes from the 2005-06 Quality Standard is at Appendix 4 of the 2006-07 version.

7.4 Testing: software developers

You will need to test an online filing product while you are developing it.

These tests will generally fall into two categories:

- payload testing
- submission protocol testing.

Payload testing is testing the validity of just the Return information and its structure and format. Our Third Party Validation Service does this for you. The Validation Service accepts a payload and validates it synchronously, returning any errors or notifications as part of one interaction. A submission envelope is required and a submission protocol is used.

Submission protocol testing is provided by an Independent Software Vendor test service. This is a clone of the live Gateway that implements the Gateway document submission protocol and validates the GovTalk envelope required for Gateway submissions. Any payload in the submission is ignored.

A 'joined-up' test service, called Vendor Single Integrated Proving Service, is made up of both of these tests. This provides envelope, protocol and payload testing, but is limited to submissions of up to 1MB.

You can find all the information about testing at [Internet Service Technical Pack for Software Developers](#).

You can download payroll test data from Online services: Payroll Standard Accreditation Scheme and test whether your product meets our Payroll Standard.

You should only use one PAYE reference for testing your Return. The test service is not designed to use multiple PAYE references when testing P14s.

The replacement Third Party Vendor Service will test 2005-06 Employer's Annual Returns to support vendors who want to provide in-year or cessation filing for 2005-06 payroll products.

A full test service for 2006-07 Employer's Annual Returns will be available in October 2005.

7.5 PAYE End of Year validation tool ("desk-top checker") 2005-06

The "desk-top checker" is a free-standing instance of the Business Validation Rules that we will make available to payroll software vendors so they can check their products. It supplements the existing TPVS service. It is for 2005-06 End of Year only and incorporates the latest Business Validation Rules version 4.0.

The checker allows the user to select a file that they want to test and then run the rules against that XML file and produce the same XML result as it would in live, including all errors found.

To use it, vendors will need Unix or DOS and Java JRE 1.42 on your system. This is free to download from the Java/Sun website.

- Vendors can self-serve to check the standard of their products locally, without having to access the TPVS service. A local version of rules that are available 24/7 to vendors reduces pressure on use of TPVS to resolve customer queries during the filing period.
- Vendors can re-assure themselves that they have produced compressed files that HMRC will be able to read.

Legislation

- Sections 205 and 199 of the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003 No.2682) - Regulations for online filing and electronic payment.
 - Regulation 68 of the PAYE Regulations - regular payments by employers to HM Revenue & Customs.
 - Regulation 73 of the PAYE Regulations - the requirement to make an annual Return.
 - Regulation 201 of the PAYE Regulations - default notices for non-electronic payment.
 - Regulation 203 of the PAYE Regulations - surcharges for electronic payment.
 - Regulation 205 of the PAYE Regulations - employers must send specified information online.
 - Regulation 206(2) PAYE Regulations - religious objection.
 - Regulation 207 of the PAYE Regulations - definition of 'specified information'.
 - Regulation 210 PAYE Regulations - penalty of up to £3,000 if you send us your Return (or part of your Return) on paper or magnetic media when you should be filing online.
- _ Income Tax (Incentive Payments for Voluntary Electronic Communication of PAYE Returns) Regulations 2003 (S.I. 2003 No.2495) - tax-free early online filing payments.
- _ Income Tax (Incentive Payments for voluntary Electronic Communication of PAYE Returns) (Amendment) Regulation 2005 - amendments to tax-free early online payments.
- Section 98A(2)(a) and (b) Taxes Management Act 1970 - penalties for not filing on time.
 - Section 98A(4) Taxes Management Act 1970 - penalty for an incorrect and incomplete Return.
 - Section 118(2) Taxes Management Act 1970 - reasonable excuse for not sending a Return on time.
 - Copies of [Statutory Instruments](#).
 - [Board's Directions](#) on the approved methods of filing online and electronic payment and the use of the Quality Standard are at www.hmrc.gov.uk/ebu/irboadir.htm.