

PAYE and NICs rates and limits for 2007-08

E12(2007)(2)
Employer Helpbook

Includes

- PAYE thresholds and rates
- Emergency tax code
- Mileage payments
- Class 1A NICs on benefits in kind
- NICs earnings limits, thresholds and rates
- Statutory Sick Pay (SSP)
- Statutory Maternity Pay (SMP)
- Statutory Paternity Pay (SPP)
- Statutory Adoption Pay (SAP)
- Funding of SMP, SPP and SAP
- National Minimum Wage
- Collection of Student Loans

Use from 18 May 2007

Help and further guidance

Help and further guidance about tax and National Insurance contributions (NICs) is available from the following sources.

The Internet

Go to www.hmrc.gov.uk/employers

Your Employer CD-ROM

Most of the forms and guidance you will need are available to view or print from your CD-ROM. There are also forms you can complete and save on-screen.

Your CD-ROM contains the following calculators

- P45 calculator to check the P45 details of new employees
- P11 calculator that works out the amount of tax and NICs due
- Car benefit and Car Fuel benefit calculator
- Collection of Student Loans calculator
- Statutory Payment calculators.

There is a Learning Zone to help you understand topics such as Statutory Payments and Student Loan deductions.

You will also find a Payroll Basics section designed to help new and less experienced employers understand what to do when employing someone for the first time.

Employer Helpbooks

Our Employer Helpbooks will help you understand and operate PAYE, NICs and other payroll related matters.

The Helpbooks are for guidance only, they are not comprehensive and have no legal force.

There are also other leaflets and booklets that give further guidance, for example:

- CWG2(2007), *Employer Further Guide to PAYE and NICs*
- CWG5(2007), *Class 1A NICs on benefits in kind*
- 480(2007), *Expenses and Benefits - a tax guide.*

You can view, download and print the full range of Helpbooks, booklets and other forms and guidance from our website at www.hmrc.gov.uk/employers or your Employer CD-ROM.

Or you can order copies from the Employer Orderline

- from our website at www.hmrc.gov.uk/employers/emp-form.htm
- by fax **0870 240 6406**
- by phone **0845 764 6646**.

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio call the Employer Orderline on **0845 764 6646** and ask to speak to the Customer Service Team.

Yr Iaith Gymraeg

Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

By phone - Employer Helplines

(We may record calls for quality and training purposes.)

New employers and employers with less than 3 years payroll experience

New Employer Helpline

0845 607 0143

Monday to Friday 08:00 -20:00
Saturday and Sunday
08:00 - 17:00

Employers with more than 3 years payroll experience

Employer Helpline

0845 714 3143

Monday to Friday 08:00 - 20:00
Saturday and Sunday
08:00 - 17:00

Employers who are deaf or hard of hearing

Textphone **0845 602 1380**

(You must have specialised equipment such as Minicom to use this service).

A list of Helplines and opening hours is available

- on our website at www.hmrc.gov.uk/contactus/helplines.htm
- on your CD-ROM, and
- in your Employer Bulletin.

Your HM Revenue & Customs office

Your own HM Revenue & Customs office can also help you.

All our office contact details are on our website at www.hmrc.gov.uk/local/employers/index.htm

When contacting us please tell us your Employer reference. You will find it on correspondence from your HM Revenue & Customs office.

In Person

We can offer you education and support on all aspects of your payroll explaining

- what you need to do
- the deadlines you need to meet
- the forms you need to fill in
- the records you need to keep.

We also have a range of workshops which are free of charge on many payroll topics.

You can get further information about the workshops from our website at www.hmrc.gov.uk/bst, or you can call the

- New Employer Helpline on **0845 607 0143**
- Employer Helpline on **0845 714 3143**

Online Services

For enquiries about our online services

- go to www.hmrc.gov.uk/efiling/help/mainhelp.htm
- email helpdesk@ir-efile.gov.uk
- phone **0845 605 5999**
open 7 days a week 08:00 -20:00.

PAYE and NICs rates and limits for 2007-08

This booklet gives details of

- Pay As You Earn (PAYE) thresholds and rates
- Mileage payments
- Class 1 National Insurance rates and earnings limits
- Class 1A National Insurance rate
- Class 1B National Insurance rate
- Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Statutory Adoption Pay rates
- Funding of SMP, SPP and SAP
- National Minimum Wage
- Collection of Student loans.

If you use payroll software you will need to make sure that this has been updated to incorporate the new rates and limits included in this booklet. Alternatively, the Employer CD-ROM contains calculators featuring most of these rates and limits.

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Pay As You Earn (PAYE)

Thresholds

The PAYE thresholds (the level of earnings at which tax becomes payable) are

£100.00	weekly
£435.00	monthly.

These are the same as the earnings thresholds for NICs.

Rates

The tax rates are

Starting rate	10%	up to £2,230
Basic rate	22%	from £2,231 to £34,600
Higher rate	40%	over £34,600.

Tax codes starting with a K have a Regulatory limit of 50%. The Regulatory limit is specified as a percentage of pay and so on, and restricts the amount of tax to be deducted from the pay in the period. Where for example, pay in the period is very low and the 'normal' operation of the K code would give rise to a very high tax liability, possibly even exceeding the pay and so on in the period, the overriding Regulatory limit will apply.

Emergency tax code

The emergency tax code is 522L.

The following information is to be used in conjunction with that contained at page 20 of Helpbook E13, *Day-to-day payroll, 'A new employee gives you a form P45'*.

Step 3 Deciding which tax code to use

- Check which year the P45 is for. To do this look at the leaving date at item 4. If the leaving date is in the current tax year (the period 6 April 2007 to 5 April 2008), use the tax code on the P45 and enter in Box K of the P11.
- A tax code is normally made up of one or more numbers followed by a letter. If the tax code on the P45 has only a number, add a letter 'T' to the end of the code when you enter it on the P11 but *do not alter the P45*.
- If the employee starts working for you during the period **6 April 2007 to 24 May 2007** and the P45 is for an earlier tax year, follow the help below to find out which tax code to use and enter the tax code in Box K of the P11.

If you take on a new employee

- **any time after 6 April 2007** and the P45 is for a tax year before 2006-07, or
- **after 24 May 2007** and the P45 is for the 2006-07 tax year, or earlier,

use the emergency tax code, shown on this page, on a week 1 or month 1 basis

- **during the period 6 April 2007 to 24 May 2007** and the P45 is for the 2006-07 tax year use the code on the P45, **but**
 - **add 19** to any tax code ending in L, for example tax code **503L** becomes **522L**
 - do not carry forward any week 1/month 1 markings from the P45
 - enter the amended code at item 12 on Part 3 of the form P45.

Mileage payments

The following rates are used to calculate the maximum amount that can be exempted from tax and NICs for business miles travelled in the employee's own vehicle.

Motor cars and vans

First 10,000 business miles* 40p per mile

Over 10,000 business miles 25p per mile

Motorcycles 24p per mile

Cycles 20p per mile

** For NIC purposes, and irrespective of the number of business miles travelled, use the rate which applies to the first 10,000 business miles only.*

Additional Passenger Payments

You can also pay up to **5p** per mile free of tax and NICs for each employee who travels as a passenger and is also on a business journey.

For further information on paying employees for business miles travelled using the employee's own transport, see the CWG2(2007), *Employer Further Guide to PAYE and NICs*, under 'mileage expenses for NICs'.

Class 1A NICs on benefits in kind

If you provide benefits, including cars, to an employee during the tax year you may have to pay Class 1A NICs.

The Class 1A NICs rate for benefits provided in 2006-07 is **12.8%**.

Class 1A NICs for benefits provided in the 2006-07 tax year are due to be paid by 19 July 2007. If you pay by an approved electronic payment method please pay any Class 1A NICs in time for your cleared payment to reach us no later than 22 July 2007. See * below.

For more detailed information about benefits and expenses see

- CWG5(2007), *Class 1A National Insurance contributions on benefits in kind - A guide for employers*
- CA33, *Class 1A National Insurance contributions on Car and Fuel Benefits - A guide for employers*
- 480(2007), *Expenses and Benefits - A tax guide*
- 490, *Employee travel - A tax and NICs guide for employers*
- P11D Guide
- P11D Working Sheets.

You can get these from the Employer Orderline on **0845 7 646 646** or view and print them off from your Employer CD-ROM.

Guidance can also be found under **Expenses and benefits in kind**, a guide to tax and NICs, available on your Employer CD-ROM or on our website at www.hmrc.gov.uk/employers/ebik

Class 1B NICs

If you make expenses payments to your employees or give them benefits, and you include these in a PAYE Settlement Agreement, you may have to pay Class 1B NICs.

The Class 1B NICs rate for the 2006-07 tax year is **12.8%**.

Class 1B NICs in respect of the 2006-07 tax year are due to be paid by 19 October 2007. If you pay by an approved electronic payment method please pay any Class 1B NICs in time for your cleared payment to reach us no later than 22 October 2007. See * below.

For more detailed information about PAYE Settlement Agreements and Class 1B NICs see

- www.hmrc.gov.uk/guidance/payee-settlements.htm
- CWG2, *Employer Further Guide to PAYE and NICs*.

You can get a CWG2 from the Employer Orderline on **0845 7 646 646** or view and print it off from your Employer CD-ROM.

* *Where the 22nd falls on a weekend or is a bank holiday, your cleared payment must reach us on the previous bank working day.*

Class 1 National Insurance contributions (NICs)

Earnings limits

To calculate NICs three levels of earnings are used

- Lower Earnings Limit (LEL)
- Earnings Threshold (ET) and
- Upper Earnings Limit (UEL).

The corresponding weekly, monthly and annual earnings limits and thresholds are in the tables on pages 4 and 5.

This information has already been used in the NI tables and the NI calculator on your Employer CD-ROM.

If you are using the NI Tables or the NI calculator on your Employer CD-ROM, you do not need to do anything else other than make yourself aware of the changes to the thresholds and earnings limits.

Lower Earnings Limit (LEL)

This is the minimum level of earnings that an employee needs to qualify for benefits, such as Retirement Pension and Jobseekers Allowance. If an employee's earnings reach or exceed this level, but do not exceed the Earnings Threshold, they will not pay NICs but will be treated as having paid them when claiming benefit. For this reason, you must keep details of an employee's earnings at or above the LEL on a form P11 or equivalent record and report them at the end of the year on a form P14.

Earnings Threshold (ET)

When the earnings exceed this level NICs become payable by the employee and employer.

This is set at the same level as the PAYE threshold.

Upper Earnings Limit (UEL)

Where earnings exceed the UEL, the employee pays NICs at 1% on those earnings above the UEL. The UEL does not apply to employer's NICs, which are payable on all earnings above the ET, including those above the UEL, at the appropriate rate.

Not contracted-out

National Insurance rates and earnings limits 2007-08 – you do not n					
		Lower Earnings Limit (LEL)		Earnings Threshold	
		£			
		Weekly	87	Weekly	
		Monthly	377	Monthly	
		Annual	4,524	Annual	
Contribution Table letter	Employee's contributions and NIC rebate				
	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	N e: Lf in
A	NIL	0%	11%	1%	
B	NIL	0%	4.85%	1%	N d
C (Pensioners)	NIL	NIL	NIL	NIL	
J (deferment - not contracted-out)	NIL	0%	1%	1%	

Contracted-out

National Insurance rates and earnings limits 2007-08 – you do not n					
		Lower Earnings Limit (LEL)		Earnings Thre:	
		£			
		Weekly	87	Weekly	
		Monthly	377	Monthly	
		Annual	4,524	Annual	
Contribution Table letter	Employee's contributions and NIC rebat				
	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	
COSR	D	NIL	0%	9.4%	1%
	E	NIL	0%	4.85%	1%
	L (deferment - contracted-out)	NIL	0%	1%	1%
COMP	F	NIL	0%	9.4%	1%
	G	NIL	0%	4.85%	1%
	S (deferment - contracted-out)	NIL	0%	1%	1%

Need to look at this table if you are using the NI Tables

Threshold (ET)		Upper Earnings Limit (UEL)			
£		£			
100		Weekly		670	
435		Monthly		2,904	
5,225		Annual		34,840	

Employer's contributions and NIC rebate					
NIC rebate on earnings above LEL, up to and including ET	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	NIC rebate on earnings above LEL, up to and including ET
	NIL	0%	12.8%	12.8%	NIC rebate not due
	NIL	0%	12.8%	12.8%	
	NIL	NIL	12.8%	12.8%	
	NIL	0%	12.8%	12.8%	
Employer's rates for mariners should be reduced by 0.5%					

Need to look at this table if you are using the NI Tables

Threshold (ET)		Upper Earnings Limit (UEL)			
£		£			
100		Weekly		670	
435		Monthly		2,904	
5,225		Annual		34,840	

Employer's contributions and NIC rebate					
NIC rebate on earnings above LEL, up to and including ET	Earnings below LEL	Earnings at or above LEL up to and including ET	Earnings above ET up to and including UEL	Balance of earnings above UEL	NIC rebate on earnings above LEL, up to and including ET
1.6%	NIL	0%	9.1%	12.8%	3.7%
NIL	NIL	0%	9.1%	12.8%	3.7%
1.6%	NIL	0%	9.1%	12.8%	3.7%
1.6%	NIL	0%	11.4%	12.8%	1.4%
NIL	NIL	0%	11.4%	12.8%	1.4%
1.6%	NIL	0%	11.4%	12.8%	1.4%
Employer's rates for mariners should be reduced by 0.5%					

Statutory Sick Pay (SSP)

The **weekly** rate of SSP is £72.55 for employees with average weekly earnings of £87 or more.

The SSP **daily** rate is the weekly rate of SSP divided by the number of qualifying days in the week and then multiplied by the number of qualifying days of incapacity in the week, rounded up to the nearest penny. For SSP purposes, weeks begin on Sunday and end on Saturday.

Unrounded Daily Rates *	Number of Qualifying Days in week	Number of Qualifying Days of incapacity for work in the week						
		1	2	3	4	5	6	7
£		£	£	£	£	£	£	£
10.3642	7	10.37	20.73	31.10	41.46	51.83	62.19	72.55
12.0916	6	12.10	24.19	36.28	48.37	60.46	72.55	
14.5100	5	14.51	29.02	43.53	58.04	72.55		
18,1375	4	18.14	36.28	54.42	72.55			
24.1833	3	24.19	48.37	72.55				
36.2750	2	36.28	72.55					
72.5500	1	72.55						

* unrounded daily rates are shown for employers with computerised Payroll Systems.

Recovery of SSP

In certain circumstances you may be able to recover some of the SSP you pay under the Percentage Threshold Scheme.

You can get back any SSP you have paid over and above **13%** of your NICs liability for the same tax month in which you have paid SSP. For further information, see the Employer Helpbook E14(2007), *What to do if your employee is sick*.

Statutory Maternity Pay (SMP)

Women expecting a baby on or before 31 March 2007 who satisfy the qualifying conditions are entitled to a maximum of 26 weeks SMP. These include having average weekly earnings of

- £82 if their baby is due on or before 15 July 2006
- £84 if their baby is due on after 16 July 2006.

Women expecting a baby on or after 1 April 2007 who satisfy the qualifying conditions are entitled to a maximum of 39 weeks SMP. These include having average weekly earnings of

- £84 if their baby is due on or before 14 July 2007
- £87 if their baby is due on or after 15 July 2007.

The weekly rate is:

First 6 weeks of payment	90% of employee's average weekly earnings
Remaining weeks	Pay the lesser of - 90% of average weekly earnings, or - £112.75

For more information see the Employer Helpbook E15(2007), *Pay and time off work for parents*. You can see examples of SMP payments on the Internet at www.hmrc.gov.uk/employers

Statutory Paternity Pay (SPP)

SPP is paid for a maximum of 2 weeks to employees who satisfy the qualifying conditions. These include having average weekly earnings of

- £84 if their baby is due on or before 14 July 2007, or if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or before 1 April 2007
- £87 if their baby is due on or after 15 July 2007, or if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or after 2 April 2007.

The weekly rate is the **lesser of** £112.75 or 90% of the employee's average weekly earnings.

For more information see the Employer Helpbook E15(2007), *Pay and time off work for parents* if your employee is entitled to SPP because a baby was born. See the Employer Helpbook E16(2007), *Pay and time off work for adoptive parents* for more information if your employee is entitled to SPP because a child was being adopted in the UK or from abroad.

Statutory Adoption Pay(SAP)

Employees who are adopting a child and are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or after 1 April 2007 who satisfy the qualifying conditions are entitled to a maximum of 39 weeks SAP. These include having average weekly earnings of

- £84 if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or before 31 March 2007
- £87 if they are notified that they have been matched with a child or received official notification that they are eligible to adopt a child from abroad on or after 1 April 2007.

The weekly rate is the **lesser of** £112.75 or 90% of employee's average weekly earnings.

For more information see Employer Helpbook E16(2007), *Pay and time off work for adoptive parents*.

Funding of SMP/SPP/SAP

All employers are entitled to recover 92% of the SMP/SPP/SAP they pay.

If you qualify for Small Employer's Relief you are entitled to recover 100% of the SMP/SPP/SAP you pay plus 4.5% for payments made on or after 6 April 2007.

The Small Employer's Relief Threshold is £45,000 for payments made on or after 6 April 2007.

For more information see the

- Employer Helpbook E15(2007), *Pay and time off work for parents* where baby is born
- Employer Helpbook E16(2007), *Pay and time off work for adoptive parents* where a child has been adopted in the UK or from abroad
- learning packages on your Employer CD-ROM.

National Minimum Wage

From 1 October 2006

- **Main rate** **£5.35** per hour (22 years and over)
- **Development rate** **£4.45** per hour (18 - 21 year olds)
- **Young workers rate** **£3.30** per hour (for workers under 18 who are above compulsory school leaving age).

From 1 October 2007

- **Main rate** **£5.52** per hour (22 years and over)
- **Development rate** **£4.60** per hour (18 - 21 year olds)
- **Young workers rate** **£3.40** per hour (for workers under 18 who are above compulsory school leaving age).

For up to the minute information

- call the National Minimum Wage Helpline on **0845 6000 678** - Monday to Friday, 09.00 to 17.00
- visit the Department of Trade and Industry (DTI) interactive website at **www.dti.gov.uk**

Collection of Student Loans

The Annual Threshold, below which Student Loan repayments are not due, is £15,000.

You can use the calculator on the CD-ROM or the SL3, *Student Loan Deduction Tables*, to calculate deductions.

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

