

PAYE and NICs rates and limits for 2008-09

Includes

- PAYE thresholds and rates
- Emergency tax code
- Mileage payments
- Class 1A NICs on benefits in kind
- Class 1B NICs
- 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 7 September 2008

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 our website at www.hmrc.gov.uk/employers

Your Employer CD-ROM

Your Employer CD-ROM has most of the forms and guidance you will need to run your payroll throughout the year.

The CD-ROM has:

- a P11 calculator that will work out and record your employees' tax, NICs and Student Loan deductions every payday with a linked P32 record of deductions that works out what you need to pay us
- a range of other calculators that work out car and car fuel benefit, Statutory Payments and Student Loan deductions
- a P45 checker that tells you what gross pay and tax to date figures to enter on the P11 for a new employee.

There is also:

- a Learning Zone to help you to understand payroll topics such as Statutory Payments, Student Loan deductions and PAYE Online
- a Payroll Basics section for new and less experienced employers explaining what to do when employing someone for the first time.

Employer Helpbooks

Our Employer Helpbooks are designed to help you to 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.

We also have many other leaflets and booklets that give further guidance, for example:

- CWG2(2008) *Employer Further Guide to PAYE and NICs*
- CWG5(2008) *Class 1A NICs on benefits in kind*
- 480(2008) *Expenses and Benefits - A tax guide*
- 490(2008) *Employee travel - A tax and NICs guide for employers.*

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
- by phone **08457 646 646**
- by fax **08702 406 406**.

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 **08457 646 646** 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 60 70 143 Monday to Friday 08:00 – 20:00 Saturday and Sunday 08:00 – 17:00.
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Employers with more than 3 years payroll experience	Employer Helpline 08457 143 143 Monday to Friday 08:00 – 20:00 Saturday and Sunday 08:00 – 17:00.
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If you have a hearing or speech impairment, and use a textphone	0845 602 1380 (only people with specialised equipment such as Minicom are able to use this service).
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A list of Helplines and opening hours is available:

- on our website at www.hmrc.gov.uk
- 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/employers

Please tell us your employer reference which is on correspondence from your HM Revenue & Customs office.

In Person

Our Revenue & Customs Advice Teams 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.

They 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/employers or you can call the:

- New Employer Helpline on **0845 60 70 143**
- Employer Helpline on **08457 143 143**.

Online Services

For information about our online services:

- go to www.hmrc.gov.uk/employers

For help and assistance using our online services contact the Online Services Helpdesk.

- email helpdesk@ir-efile.gov.uk
- phone **0845 60 55 999**

open 7 days a week 08:00 – 20:00.

PAYE and NICs rates and limits for 2008-09

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 (SSP), Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP) and Statutory Adoption Pay (SAP) 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: £116.00 weekly
£503.00 monthly.

Rates

The tax rates are: Basic rate 20% up to £34,800
Higher rate 40% over £34,800.

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 543L for paydays **before** 7 September 2008.

The emergency tax code is 603L for paydays **on or after** 7 September 2008.

Deciding which tax code to use

Use the information in **Step 3** below together with the guidance at **Step 3** on page 23 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 tax year the P45 is for. To do this look at the leaving date at item 4 of the P45.
- Use the table below to find out which tax code to use. Find the date of leaving in Column A, then follow the instructions in column B to decide which tax code to use.
- 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 a P11 but **do not** alter the P45.

A Date of leaving on P45 (item 4)	B Date employee started working for you
Employee's P45 has a date of leaving on or after 7 September 2008	Employee starts working for you on or after 7 September 2008 Use the tax code on the P45 and enter in Box K of the P11.
Employee's P45 has a date of leaving during the period 6 April 2008 to 6 September 2008	Employee starts working for you during the period 6 April 2008 to 6 September 2008 Use the tax code on the P45 and enter in Box K of the P11. Employee starts working for you on or after 7 September 2008 Use the code on the P45 and add 60 to any tax code ending in L, for example, tax code 543L becomes 603L.
Employee's P45 has a date of leaving during the period 6 April 2007 to 5 April 2008	Employee starts working for you during the period 6 April 2008 to 24 May 2008 <ul style="list-style-type: none"> • use the code on the P45 and add 21 to any tax code ending in L, for example, 522L becomes 543L, but do not carry forward any week1/month 1 markings from the P45 • enter the amended code at item 12 on Part 3 of the P45. Employee starts working for you during the period 24 May 2008 to 6 September 2008 Use tax code 543L on a week 1/month 1 basis. Employee starts working for you on or after 7 September 2008 Use the emergency tax code 603L on a week 1/month 1 basis.
Employee's P45 has a date of leaving before 6 April 2007	Employee starts working for you during the period 6 April 2008 to 6 September 2008 Use tax code 543L on a week 1/month 1 basis. Employee starts working for you on or after 7 September 2008 Use the emergency tax code 603L on a week 1/month 1 basis.

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, the higher rate applies to all miles, not only the first 10,000.

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(2008) *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 2007–08 is **12.8%**.

Class 1A NICs for benefits provided in the 2007–08 tax year are due to be paid by 19 July 2008. 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 2008. See * opposite.

For more detailed information about benefits and expenses see:

- CWG5(2008) *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(2008) *Expenses and Benefits - A tax guide*
- 490 *Employee travel - A tax and NICs guide for employers*
- P11D Guide
- P11D Working Sheets.

You can view, download and print these from our website at www.hmrc.gov.uk/employers or from your Employer CD-ROM. Paper copies can be ordered from the Employer Orderline on **08457 646 646**.

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 2007–08 tax year is **12.8%**.

Class 1B NICs in respect of the 2007–08 tax year are due to be paid by 19 October 2008. 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 2008. See * below.

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

- www.hmrc.gov.uk/employers
- CWG2 *Employer Further Guide to PAYE and NICs*.

* *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 Jobseeker's 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.

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 2008–09 – you do not need to contract out				
		Lower Earnings Limit (LEL)		Earnings Threshold (ET)
		£		£
		Weekly	90	Weekly
		Monthly	390	Monthly
		Annual	4,680	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
A	NIL	0%	11%	1%
B	NIL	0%	4.85%	1%
C (Pensioners)	NIL	NIL	NIL	NIL
J (deferment – not contracted-out)	NIL	0%	1%	1%

Contracted-out

National Insurance rates and earnings limits 2008–09 – you do not need to contract out					
		Lower Earnings Limit (LEL)		Earnings Threshold (ET)	
		£		£	
		Weekly	90	Weekly	
		Monthly	390	Monthly	
		Annual	4,680	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	
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%

look at this table if you are using the NI Tables

Upper Earnings Limit (UEL)	
£	£
105	Weekly 770
453	Monthly 3,337
5,435	Annual 40,040

Employer's contributions and NIC rebate					
Rebate on earnings above 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	0%	12.8%	12.8%	
	NIL	0%	12.8%	12.8%	
Employer's rates for mariners should be reduced by 0.5%					

look at this table if you are using the NI Tables

Upper Earnings Limit (UEL)	
£	£
105	Weekly 770
453	Monthly 3,337
5,435	Annual 40,040

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 £75.40 for employees with average weekly earnings of £90 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
£		£	£	£	£	£	£	£
10.7714	7	10.78	21.55	32.32	43.09	53.86	64.63	75.40
12.5666	6	12.57	25.14	37.70	50.27	62.84	75.40	
15.0800	5	15.08	30.16	45.24	60.32	75.40		
18.8500	4	18.85	37.70	56.55	75.40			
25.1333	3	25.14	50.27	75.40				
37.7000	2	37.70	75.40					
75.4000	1	75.40						

*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(2008) *What to do if your employee is sick*.

Statutory Maternity Pay (SMP)

Women expecting a baby on or before 5 April 2008 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 between 16 July 2006 and 14 July 2007
- £87 if their baby is due between 15 July 2007 and 19 July 2008.

Women expecting a baby on or after 6 April 2008 who satisfy the qualifying conditions are entitled to a maximum of 39 weeks SMP. These include having average weekly earnings of:

- £87 if their baby is due between 15 July 2007 and 19 July 2008
- £90 if their baby is due between 20 July 2008 and 18 July 2009.

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 – £117.18.

For more information see the Employer Helpbook E15(2008) *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:

- £87 if their baby is due on or before 19 July 2008, 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 5 April 2008
- £90 if their baby is due on or after 20 July 2008, 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 6 April 2008.

The weekly rate is the **lesser of** £117.18 or 90% of the employee's average weekly earnings.

For more information see the Employer Helpbook E15(2008) *Pay and time off work for parents* if your employee is entitled to SPP because a baby was born. See the Employer Helpbook E16(2008) *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 6 April 2008 who satisfy the qualifying conditions are entitled to a maximum of 39 weeks SAP. These include having average weekly earnings of:

- £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 before 5 April 2008
- £90 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 6 April 2008.

The weekly rate is the **lesser of** £117.18 or 90% of employee's average weekly earnings.

For more information see Employer Helpbook E16(2008) *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 2008.

The Small Employer's Relief Threshold is £45,000 for payments made on or after 6 April 2008.

For more information see the:

- Employer Helpbook E15(2008) *Pay and time off work for parents* where baby is born
- Employer Helpbook E16(2008) *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 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).

From 1 October 2008

- **Main rate £5.73** per hour (22 years and over)
- **Development rate £4.77** per hour (18 - 21 year olds)
- **Young workers rate £3.53** per hour (for workers under 18 who are above compulsory school leaving age).

For further details and up to the minute information

- call the National Minimum Wage Helpline on **0845 6000 678** - Monday – Friday 09:00 – 17:00, or
- visit the Department for Business and Regulatory Reform (BERR) interactive website at **www.berr.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*.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

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