NOTES FOR GUIDANCE OF EMPLOYERS

1. SCOPE OF TABLES

The tables have been designed to cover most categories of income. Where any payment is proposed which does not fall within the prescribed tables advice should be sought from the Income Tax Office before making payment.

2. DEFINITIONS AND EXPLANATIONS OF TERMS FOR PURPOSES OF THE TABLES

"Tax Year" means the year of assessment ending on 30th June.

"EMOLUMENTS" ("Gross Pay") means emoluments without any deductions.

"EMOLUMENTS" ("Gross Pay") embraces salary, wages, fees, overtime pay, bonus, commission, pension and includes every payment in cash including a gratuity and every allowance, perquisite or benefit given in kind.

3. CODES

Employees obtain from the Income Tax Office a "PAYE" Allowance and Social Insurance Contributions Class" certificate (form P3) which is in two parts. Part II of the certificate showing the employee's income tax "code" and social insurance contributions "class" is handed to the employer and this certificate is the employer's authority to deduct tax and social insurance from all payments made in accordance with the tax table applicable to that particular "CODE".

Where an employee fails to produce Part II of his "PAYE Allowance and Social Insurance Contributions Class" certificate to his employer, the employer is required to deduct tax according to "Code X" and social insurance under the Earnings Related Class.

4. HOW TO APPLY THE TABLES

(a) Use the monthly, weekly, daily or annual tables if the employee is paid monthly, weekly, daily, or annually respectively.

For example – an employee's emoluments are calculated at £30 per day but he is paid weekly. In this case the weekly table must be used. Another employee's wages are calculated at the rate of £30 per day in respect of each day. In this case, the daily table must be used.

(b) Also use the daily table – where a weekly or monthly paid employee works for only part of a week or month. For example – after working 3 days, a weekly-paid employee who has tax code 24 leaves your employ and is paid £105.00 for the three days.

The daily equivalent is $\frac{£105.00}{3}$ = £35.00 (read to the nearest £)

The tax must be read off in the "Daily Part 1 codes 19 to 36" against the income block of £35.00 and under code 24. The tax thereon will be £1.78 and the tax on £105.00 will therefore be 3 x £1.78 = £5.34.

The same applies in the case of a monthly-paid employee who resigns or is appointed during a month. The emoluments payable to him for the portion of the month is divided by the number of days worked during the month to date of resignation or from date of appointment and the

result is used to read off from the daily table the tax applicable to one day. The amount thus determined is multiplied by the number of days worked.

Example – a monthly-paid employee leaves your employment on the 15th of the month and is paid £600 for the portion of the month.

The daily equivalent is $\frac{£600}{15}$ = £40

Read off on the daily table the tax on £40 and multiply by 15 to arrive at the tax deduction on £600.

5. FORTNIGHTLY, FOUR-WEEKLY, QUARTERLY, HALF YEARLY, AND YEARLY PAY.

Fortnightly Pay - Use the weekly table. Example – assume an employee is paid £500 at two weekly intervals: -

(a) Divide by 2 - $\frac{£500}{2}$ = £250

(b) Read off weekly tables tax due on £250 and,

(c) Multiply the result by 2 to arrive at the tax to be deducted.

Four-weekly Pay - Use the weekly tables.

The calculation is similar to that above except you divide and multiply by 4.

Quarterly Pay – Use the monthly tables.

The calculation is similar to that above except you divide and multiply by 3.

Half-Yearly Pay - Use the monthly tables

The calculation is similar to that above except you divide and multiply by 6.

Yearly Pay - For employees paid once a year, the relevant "Annual Table" must be used irrespective of the date in the Income Tax year on which the payment is actually made.

6. LUMP SUM PAYMENTS ON CESSATION OF EMPLOYMENT

Before any 'Lump Sum' payment is made to an employee on cessation of employment, the employer must obtain a directive from the Income Tax Office as to the amount of Tax to be deducted from the proposed payment. Examples of such payments are:

Compensation for loss of office.
Ex-Gratia payments.
Payments in Commutation of pension.
Payments in lieu of notice.

7. STUDENTS

Students who are employed are exempt from paying income tax and social insurance contributions. **This exemption only applies to students who, at the end of the relevant period, will be returning to their school, college or university to continue their studies.** At the start of the employment, the employer should write to the Contributions Unit providing the name, date of birth, address and period of employment of the student, so that they are covered in the event of any employment injury. Details of all payments should be recorded in Form P8 at the end of the tax year.

8. PART-TIME EMPLOYEES

"Part Time Employees" – means persons who are not full-time in your employ and who are not paid as full-time employees for any services rendered. "Part-time" pay includes: -

(a) Casual payments for irregular services rendered.
(b) Fees paid to part-time lecturers.
(c) Honoraria paid to office-bearers of clubs, societies, etc.
(d) Payments for occasional services rendered.
(e) Any payment that cannot be regarded as full-time pay.

Examples

1. Mr A works for firm B during the day and acts as cashier for firm C for a few hours in the evening. He is regarded as a part-time employee of firm C.

2. Mr Z is a clerk at an insurance company and receives a fixed monthly salary. In his spare-time he canvasses business for his company and is paid separately from his wages, for such work. The commission he receives for his spare-time work is regarded as "part-time" pay and tax should be deducted according to the standard rate of tax "Code X". If the commission is paid with his regular monthly salary, it forms part of his monthly pay and should be deducted according to the applicable code on the relevant monthly table.

   Where there is any doubt as to whether a payment should be regarded as part of full-time pay, the Income Tax Office should be consulted.

PART 1 – ALLOWANCES BASED SYSTEM

9. HOW TO READ THE TABLES

(i) The first column: monthly, weekly, daily or annual emoluments means the basic wage plus overtime pay, monthly or weekly bonuses, commission, gratuities etc.

The first and last amounts shown in this column are both included in the respective income blocks. In the case of monthly, or annual emoluments, any pence appearing in the case of the daily table the amount of the emoluments must be taken to the nearest £1.

(ii) The second and third columns in the monthly, weekly and annual tables, represent the social insurance contributions in respect of "ER" (earnings related) class. Other classes of social insurance contributions should be deducted according to the amount shown in the "PAYE Allowance and Social Insurance Contributions Class" certificate issued to your employee.

(iii) The other columns represent the tax deductions according to the deduction codes applicable to employees who have opted to pay tax under the "PAYE Allowances" system.

(iv) Examples of how deductions should be made from Weekly Part 1 table : -

(a) Gross pay £343.95 – read off line £343 - 344
(b) Gross pay £351.20 – read off line £351 - 352
(c) Gross pay exactly £355 – read off line £355 - 356

(v) Example – to determine the monthly tax deduction and social insurance contribution for an employee with tax code "35" and social insurance contribution class "ER", whose monthly emoluments are £1523.50: -

Read off from Table Monthly Part 1 Codes 19 to 36 for the Allowances Based System:

Monthly Emoluments	Social Insurance Employee	Social Insurance Employer	Tax Deductions 34	Tax Deductions 35	Tax Deductions 36
1522 – 1523	131.08	173.98	110.85	108.72	106.60
1523 – 1524	131.08	173.98	111.02	108.89	106.77
1524 – 1525	131.08	173.98	111.19	109.06	106.94

The amount shown in the block opposite the monthly emoluments for £1523 - 1524 is the amount that has to be deducted.

PART 2 – GROSS INCOME BASED SYSTEM

10. HOW TO READ THE TABLES

(i) The first column: monthly, weekly, daily or annual emoluments means the basic wage plus overtime pay, monthly or weekly bonuses, commission, gratuities etc.

The first and last amounts shown in this column are both included in the respective income blocks. In the case of monthly, or annual emoluments, any pence appearing in the case of the daily table the amount of the emoluments must be taken to the nearest £1.

(ii) The second and third columns in the monthly, weekly and annual tables represent the social insurance contributions in respect of "ER" (earnings related) class. Other classes of social insurance contributions should be deducted according to the amount shown in the "PAYE Allowance and Social Insurance Contributions Class" certificate issued to your employee.

(iii) The fourth column represents the tax deduction applicable to employees who have opted to pay tax under the "Gross Income Based" system.

(iv) Examples of how deductions should be made from "Weekly Part 2" table: -

(a) Gross pay £343.95 – read off line £343 - 344
(b) Gross pay £351.20 – read off line £351 - 352
(c) Gross pay exactly £355 – read off line £355 – 356

(v) Example – to determine the monthly tax deduction and social insurance contribution for an employee whose monthly emoluments are £1523.50: --

Read off from "Monthly Part 2" table

Monthly Emoluments	Social Insurance Employee	Social Insurance Employer	Tax Deduction
1522 – 1523	131.08	173.98	196.30
1523 – 1524	131.08	173.98	196.58
1524 – 1525	131.08	173.98	196.86

The amount shown in the block opposite the monthly emoluments for £1523 - 1524 is the amount that has to be deducted.

PART 3 – TAX DEDUCTIONS ON BONUES

Worked example 1 – Single bonus payment in tax year: Allowance Based System

A monthly paid employee earns a monthly salary of £2,000 and pays PAYE tax under the Allowance Based System. The employee has a tax code "9" and earns an annual bonus of £2,000 in December.

Annual salary: £2,000.00 x 12 = £24,000.00

Annual salary including bonus: £24,000.00 +£2,000.00 = £26,000.00

Read off from "Annual Part 1 Codes 1 to 18" for the Allowances Based System:

Tax on annual salary of £24,000.00: £3,548.00 [A]

Tax on annual salary including bonus of £26,000.00: £4,328.00 [B]

Tax on bonus: £780.00 [B] – [A]

Worked example 2 – Single bonus payment in tax year: Gross Income Based System

A monthly paid employee earns a monthly salary of £2,500 and pays PAYE tax under the Gross Income Based System. The employee earns an annual bonus of £2,500 in December.

Annual salary: £2,500.00 x 12 = £30,000.00

Annual salary including bonus: £30,000.00 +£2,500.00 = £32,500.00

Read off from Table "Annual Part 2" for Gross Income Based system:

Tax on annual salary of £30,000.00: £5,477.50 [A]

Tax on annual salary including bonus £32,500: £6,102.50 [B]

Tax on bonus: £625.00 [B] – [A]

Worked example 3 – Multiple bonus payments in tax year: Allowance Based System

A monthly paid employee earns a monthly salary of £2,000 and pays PAYE tax under the Allowance Based System. The employee has a tax code "9" and earns an annual bonus of £2,000 paid in two tranches - £1,000 in December and £1,000 in June.

Annual salary: £2,000.00 x 12 = £24,000.00

Annual salary including bonus: £24,000.00 +£2,000.00 = £26,000.00

For the 1st tranche of the bonus (paid in June)

Read off from "Annual Part 1 Codes 1 to 18" for the Allowances Based System:

Tax on annual salary of £24,000.00: £3,548.00 [C]

Tax on annual salary including 1st tranche of bonus of £25,000: £3,938.00 [D]

Tax on 1st tranche of bonus: £390.00 [D] – [C]

For the 2nd tranche of the bonus (paid in December)

Read off from "Annual Part 1 Codes 1 to 18" for the Allowances Based System:

Tax on annual salary including 1st tranche of bonus of £25,000: £3,938.00 [C]

Tax on annual salary including total bonus of £26,000: £4,328.00 [D]

Tax on 2nd tranche of bonus: £390.00 [D] – [C]

Total tax on bonus (1st tranche + 2nd tranche): £390.00 + £390.00 = £780.00

Worked example 4 – Multiple bonus payments in tax year: Gross Income Based System

A monthly paid employee earns a monthly salary of £2,500 and pays PAYE tax under the Gross Income Based System. The employee earns an annual bonus of £2,500 in December paid in two tranches - £1,250 in December and £1,250 in June.

Annual salary: £2,500.00 x 12 = £30,000.00

Annual salary including bonus: £30,000.00 +£2,500.00 = £32,500.00

For the 1st tranche of the bonus (paid in June)

Read off from Table "Annual Part 2" for Gross Income Based system:

Tax on annual salary of £30,000.00: £5,477.50 [E]

Tax on annual salary including 1st tranche of bonus of £31,250: £5,802.50 [F]

Tax on 1st tranche of bonus: £325.00 [F] – [E]

For the 2nd tranche of the bonus (paid in December)

<u>Read off from Table "Annual Part 2" for Gross Income Based system</u>:

Tax on annual salary including 1st tranche of bonus of £31,250: £5,802.50 [E]

Tax on annual salary including total bonus of £32,500: £6,102.50 [F]

Tax on 2nd tranche of bonus: £300.00 [F] – [E]

Total tax on bonus (1st tranche + 2nd tranche): £325.00 + £300.00 = £625.00

INCOME TAX CALENDAR

WEEKS

Week No	Period Covered (Both Dates Inclusive)	Week No	Period Covered (Both Dates Inclusive)	
1	Jul 1 - 7	27	Dec	30 - 05-Jan
2	" 8 - 14	28	Jan	6 - 12
3	" 15 - 21	29	"	13 - 19
4	" 22 - 28	30	"	20 - 26
5	" 29 - 4 Aug	31	"	27 - 02-Feb
6	Aug 5 - 11	32	Feb	3 - 9
7	" 12 - 18	33	"	10 - 16
8	" 19 - 25	34	"	17 - 23
9	" 26 - 1 Sept		Leap Year	Other Years
10	Sept 2 - 8	35	Feb 24 - 02-Mar	Feb 24 - 02-Mar
11	" 9 - 15	36	Mar 2 - 8	Mar 3 - 9
12	" 16 - 22	37	" 9 - 15	" 10 - 16
13	" 23 - 29	38	" 16 - 22	" 17 - 23
14	" 30 - 6 Oct	39	" 23 - 29	" 24 - 30
15	Oct 7 - 13	40	" 30 - 05-Apr	" 31 - 06-Apr
16	" 14 - 20	41	Apr 6 - 12	Apr 7 - 13
17	" 21 - 27	42	" 13 - 19	" 14 - 20
18	" 28 - 3 Nov	43	" 20 - 26	" 21 - 27
19	Nov 4 - 10	44	" 27 - 03-May	" 28 - 04-May
20	" 11 - 17	45	May 4 - 10	May 5 - 11
21	" 18 - 24	46	" 11 - 17	" 12 - 18
22	" 25 - 1 Dec	47	" 18 - 24	" 19 - 25
23	Dec 2 - 8	48	" 25 - 31	" 26 - 01-Jun
24	" 9 - 15	49	Jun 1 - 7	Jun 2 - 8
25	" 16 - 22	50	" 8 - 14	" 9 - 15
26	" 23 - 29	51	" 15 - 21	" 16 - 22
		52	" 22 - 28	" 23 - 29
		53	" 29 - 30	" 30

MONTHS

Month No	Period Covered (Both Dates Inclusive)			Month No	Period Covered (Both Dates Inclusive)			
1	July	1 -	July 31	7	Jan	1 -	Jan	31
2	Aug	1 -	Aug 31	8	Feb	1 -	Feb	28/29
3	Sept	1 -	Sept 30	9	Mar	1 -	Mar	31
4	Oct	1 -	Oct 31	10	Apr	1 -	Apr	30
5	Nov	1 -	Nov 30	11	May	1 -	May	31
6	Dec	1 -	Dec 31	12	June	1 -	June	30

SOCIAL INSURANCE

1. CALCULATION OF SOCIAL INSURANCE CONTRIBUTIONS

The first contribution week in a contribution year always starts on the day of the week on which 1st July falls. The last contribution week of the year contains 8 days (9 days in a leap year) and will cover the period 23 June (22 June in a leap year) to 30 June. Please refer to tables 1 and 2 shown on page 11.

Contributions payable are subject to a minimum and maximum rate payable as shown in table Social Insurance Contributions Codes.

11.1 HOW TO CALCULATE SOCIAL INSURANCE CONTRIBUTIONS WHEN TWO PAYDAYS FALL IN THE LAST CONTRIBUTION WEEK OF THE YEAR :

The two pays must be added together to determine the amount of contribution payable.

Pay Day	Gross Earning	Employee Contribution	Employer Contribution
23 June	£150	£15 (£150 x 10%)	£30 (£150 x 20%)
30 June	£150	£15 (£150 x 10%)	£30 (£150 x 20%)

It is clear at this point that the total contributions due would exceed the maximum weekly contribution rate. Therefore, the contributions due on the second payday are calculated by subtracting the deductions made on 23 June from the maximum weekly contribution rate as follows:

	Employee	Employer
Maximum contribution rate	£30.25	£40.15
Less deducted on 23 June	£15.00	£30.00
Balance due on 30 June	£15.25	£10.15

11.2 HOW TO CALCULATE SOCIAL INSURANCE CONTRIBUTIONS WHEN A MONTHLY PAID EMPLOYEE ONLY WORKS FOR PART OF THE MONTH:

If a monthly paid employee works only part of a month, the minimum and maximum contribution is based on the weekly contribution payable for the number of weeks or part thereof actually worked during the month.

Example 1

An employee who commenced employment on 22 January and whose gross earnings for that month were £90.00.

(a) Employee contribution: -

Gross earnings £90 over 2 weeks (£45 per week)

Contribution (£90 x 10%=£9.00) minimum £12.10 (£6.05 per week)

(b) Employer monthly contribution: -

Gross earnings	£90 over 2 weeks (£45 per week)
Contribution	(£90 x 20%=£18.00) minimum £36.30 (£18.15 per week)

Example 2

An employee who commenced employment on 10 December and whose gross earnings for that month were £550.00.

(a) Employee contribution: -

Gross earnings	£550 over 4 weeks (£137.50 per week)
Contribution	(£550 x 10%) = £55.00 (£13.75 per week)

(b) Employer monthly contribution: -

Gross earnings	£550 over 4 weeks (£137.50 per week)
Contribution	(£550 x 20%) = £110.00 (£27.50 per week)

Example 3

An employee who commenced employment on 17 March and whose gross earnings for that month were £1,500.00.

(a) Employee contribution: -

Gross earnings	£1,500 over 3 weeks (£500 per week)
Contribution	(£1,500 x 10%=£150.00) maximum £90.75 (£30.25 per week)

(c) Employer monthly contribution: -

Gross earnings	£1,500 over 3 weeks (£500 per week)
Contribution	(£1,500 x 20%=£300.00) maximum £120.45 (£40.15 per week)

2. WHEN CONTRIBUTIONS NEED NOT BE PAID :

Contributors are not required to pay contributions for any week in which they are:

a) not in receipt of earnings; or
b) absent from work in exercise of their right to maternity leave.

3. EMPLOYEES WITH MORE THAN ONE EMPLOYER :

An employee who works for more than one employer is liable to pay contributions in respect of each and every employment unless the Income Tax Office has issued an exemption certificate. This also applies to the employer's contribution.

SOCIAL INSURANCE CONTRIBUTIONS CALENDAR

TABLE 1 - CONTRIBUTION YEAR WHICH IS NOT A LEAP YEAR

Week No.	Contribution Weeks				Contribution Month	No. of Contributions
1	Jul	1	-	7	July	5
2	"	8	-	14		
3	"	15	-	21		
4	"	22	-	28		
5	"	29	-	4-Aug		
6	Aug	5	-	11	August	4
7	"	12	-	18		
8	"	19	-	25		
9	"	26	-	1-Sep		
10	Sep	2	-	8	September	5
11	"	9	-	15		
12	"	16	-	22		
13	"	23	-	29		
14	"	30	-	6-Oct		
15	Oct	7	-	13	October	4
16	"	14	-	20		
17	"	21	-	27		
18	"	28	-	3-Nov		
19	Nov	4	-	10	November	4
20	"	11	-	17		
21	"	18	-	24		
22	"	25	-	1-Dec		
23	Dec	2	-	8	December	5
24	"	9	-	15		
25	"	16	-	22		
26	"	23	-	29		
27	"	30	-	5-Jan		

Week No.	Contribution Weeks				Contribution Month	No. of Contributions
28	Jan	6	-	12	January	4
29	"	13	-	19		
30	"	20	-	26		
31	"	27	-	2-Feb		
32	Feb	3	-	9	February	4
33	"	10	-	16		
34	"	17	-	23		
35	"	24	-	2-Mar		
36	Mar	3	-	9	March	5
37	"	10	-	16		
38	"	17	-	23		
39	"	24	-	30		
40	"	31	-	6-Apr		
41	Apr	7	-	13	April	4
42	"	14	-	20		
43	"	21	-	27		
44	"	28	-	4-May		
45	May	5	-	11	May	4
46	"	12	-	18		
47	"	19	-	25		
48	"	26	-	1-Jun		
49	June	2	-	8	June	4
50	"	9	-	15		
51	"	16	-	22		
52	"	23	-	30		

TABLE 2 - CONTRIBUTION YEAR WHICH IS A LEAP YEAR

Week No.	Contribution Weeks				Contribution Month	No. of Contributions
1	Jul	1	-	7	July	5
2	"	8	-	14		
3	"	15	-	21		
4	"	22	-	28		
5	"	29	-	4-Aug		
6	Aug	5	-	11	August	4
7	"	12	-	18		
8	"	19	-	25		
9	"	26	-	1-Sep		
10	Sep	2	-	8	September	5
11	"	9	-	15		
12	"	16	-	22		
13	"	23	-	29		
14	"	30	-	6-Oct		
15	Oct	7	-	13	October	4
16	"	14	-	20		
17	"	21	-	27		
18	"	28	-	3-Nov		
19	Nov	4	-	10	November	4
20	"	11	-	17		
21	"	18	-	24		
22	"	25	-	1-Dec		
23	Dec	2	-	8	December	5
24	"	9	-	15		
25	"	16	-	22		
26	"	23	-	29		
27	"	30	-	5-Jan		

Week No.	Contribution Weeks				Contribution Month	No. of Contributions
28	Jan	6	-	12	January	4
29	"	13	-	19		
30	"	20	-	26		
31	"	27	-	2-Feb		
32	Feb	3	-	9	February	4
33	"	10	-	16		
34	"	17	-	23		
35	"	24	-	1-Mar		
36	Mar	2	-	8	March	5
37	"	9	-	15		
38	"	16	-	22		
39	"	23	-	29		
40	"	30	-	5-Apr		
41	Apr	6	-	12	April	4
42	"	13	-	19		
43	"	20	-	26		
44	"	27	-	3-May		
45	May	4	-	10	May	4
46	"	11	-	17		
47	"	18	-	24		
48	"	25	-	31		
49	June	1	-	7	June	4
50	"	8	-	14		
51	"	15	-	21		
52	"	22	-	30		