

Important information for Payroll Runs on or after 7th September 2008



Personal Allowances & Basic Rate Tax Band Changes

Following the Chancellor's announcement, the basic Personal Allowance for the 2008-09 tax year is increasing by £600 from £5,435 to £6,035 and the basic rate band is reducing from £36,000 to £34,800. As a result, many employees in Opera II will need to have their tax codes changed for payroll runs from 7 September 2008.

The new tax codes and basic rate tax band must be applied in Opera II for the first payroll run on or after 7 September 2008 - after the Week 22 or Month 5 payroll run but before the Week 23 or Month 6 payroll run. Instructions to do this are detailed in this guide.

As PAYE tables in Opera II use dates to control when they are used, the basic rate income tax band can be changed at any time before 7 September 2008. However, the tax code changes must be done after the Week 22 or Month 5 payroll run but before Week 23 or Month 6 payroll run. We suggest you make the changes to both the tax codes and basic rate income tax band at the same time.

Do not use the new tax codes and basic rate tax band in payroll runs before 7 September 2008.

Full details of the updates are available on the HMRC website (www.hmrc.gov.uk/employers/epa.htm). The updates will also be included on the revised Employer CD-ROM 2008 (August) Edition that HMRC will send employers in August.

How employee tax codes are changing

This table describes how you should change your employees' tax codes before running the first payroll run on or after 7 September 2008.

Type of tax code	Action
L suffix	Add 60 to the existing tax code number. For example, an old tax code 543L becomes 603L.
T suffix	Only change these tax codes when HMRC send you a P6 notice.
P, V or Y suffix	Only change these tax codes when HMRC send you a P6 notice.
NT, BR or D0	Only change these tax codes when HMRC send you a P6 notice.
K prefix	Only change these tax codes when HMRC send you a P6 notice

STEP 1: Changing Tax Codes in Opera II

Use the Tax Code Changes command on the Payroll > EOY/Special Reports menu to do a bulk update of your employees' L suffix tax codes. Employees using other tax code types can be updated individually in the Payroll > Processing command if necessary.

Important: This must be done after the Week 22 or Month 5 payroll run but before Week 23 or Month 6 payroll run. Do not use the new codes in payroll runs before 7 September 2008.

To change employees' L suffix tax codes

1. Open the **Payroll** folder, click **EOY/Special Reports**, and then click **Tax Code Changes**.
2. If you are using groups, in the *Select Payroll Groups* list, click to select the group(s) you want to process and then click **OK**.
3. In the *Suffix Code L* box, type '60'.
4. Click **OK**.
5. On the **Publisher** form, click the tab to select the output device you want to use and then complete any settings or options you want to apply to the output device. To process the output, click **Publish**.

How the basic tax rate band is changing

The basic rate income tax band from 7 September 2008 is reducing from £36,000 to £34,800. This band needs to be changed in Opera II.

STEP 2: Changing the basic tax rate band in Opera II

Use the PAYE/NI/SSP/SMP/SPP command on the Payroll > Utilities menu to change the basic rate income tax band.

Note: As PAYE tables in Opera II use dates to control when they are used, the basic rate income tax band can be changed at any time before 7 September 2008.

To update the PAYE tables

1. Open the **Payroll** folder, click **Utilities** and then click **PAYE/NI/SSP/SMP/SPP**.
2. Click the **Action** button, and then click **Add** to create a table with the new basic rate income tax band. The existing detail from *Table 2*, which was effective from 18 May 2008, is copied to *Table 1*. *Table 1* is then used in Payroll calculations until 7 September 2008 run when the new *Table 2* becomes effective.
3. Update the fields exactly as **highlighted** below.

The screenshot shows the 'PAYE/NI/SSP/SMP/SPP' dialog box. The 'Table 2' tab is active. The 'Date Table Becomes Effective' is 07/09/2008. The 'First Week Number for Table' is 23 and the 'First Month Number for Table' is 6. The 'Year Number for Table' is 0809. The 'Base Rate' is 2. The tax table has 20 rows. Row 2 has a % Rate of 20.00 and a Cumulative Bandwidth of 34800, which is highlighted with a blue box.

P.A.Y.E.					
	% Rate	Cumulative Bandwidth			
1	10.00		11		
2	20.00	34800	12		
3	40.00		13		
4			14		
5			15		
6			16		
7			17		
8			18		
9			19		
10			20		

4. Click **OK** to save the new table - ignore the 'Scottish tax tables may need updating' message. You are now ready to do the Week 23 or Month 6 payroll run.