



6 Steps to a Trouble Free Payroll Year End

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With April fast approaching thoughts in the Payroll Department will be turning once again to Payroll Year End. Advances in [payroll software](#) and on-line submissions are serving to make the process less fraught but it is still important that the preparation is done in advance. In doing so many of the problems faced can be eliminated. Following the simple steps outlined below should help your Year End pass without a problem.

Step 1 – Prepare

A trouble-free Year End starts with ensuring you keep on top of administrative tasks throughout the year. [Carval](#) have been supporting payroll professionals with effective [payroll software systems](#) for over 20 years and offer the following advice in our Year End training courses:

- During the year reconcile P35 as often as possible, i.e.: at least once a month for a weekly payroll; at least once a quarter for a monthly payroll. Then at Year End you will only have to reconcile one month or quarter.
- Make sure that throughout the year you always enter a valid NI number for all employees. [Carval Uniwage](#) features a NI Trace Form which makes this very easy.
- Order any stationery and forms, such as P60s (single sheet) well in advance. You can order them from HMRC or many other stationery suppliers. Some may be spoilt dealing with printer alignment issues so ensure you order a few more than you need.

Step 2 – Be aware of the deadlines

At the end of this document you will find a calendar with all the dates you need to know, but here are a few key ones to bear in mind:

- The Employer's Annual Return can be sent at any time
- The Employer's Annual Return is due by 19 May 2010
- You have until 6 July 2010 to submit P11Ds to HMRC
- You have until 19 July 2010 to make your Class 1A Payment

The best time to file...

You might find that you have a smoother filing experience if you avoid the peak days of 7 and 8 April and 16 and 19 May. Or try filing outside of office hours or at weekends if you prefer.

Step 3 – Do you have to file online?

Year End Filing

Unless you have a special exemption all Employers must now file their Year End Reports on-line.

In Year Filing

From 6 April 2009, if you have 50 or more employees, you will have to send HMRC details of any employees starting or leaving employment with you and some pension information, online.

All employers must send this information online from April 2011.

If you are planning to file online for the first time register with HMRC

You need to register for the PAYE Online for Employers service with HMRC at least seven days before you plan to submit, although it is recommended that you do so as soon as possible. *To register visit the HMRC website and click PAYE for Employers.*

Written confirmation of your User ID and a separate Activation PIN will be sent to you in the post by HMRC. You must activate the service within 28 days of the date shown on the Activation PIN letter. Failure to do so will mean that you will need to repeat the registration process before you can submit.

Note: If you need any help registering for online submissions, please contact HMRC on 0845 60 55 999. Alternatively please visit the [HMRC website](#).

You will need software to file forms and returns online...

You can use HMRC's free Online Return & Forms PAYE system, but if you are looking for a comprehensive [payroll solution](#) that will also take care of Year End and In-Year filing make sure you choose a [HMRC Payroll Standard Accredited software](#) supplier.

Step 4 – Be aware of what you need to do

Your Final Payroll

If you have kept up to date with all your housekeeping throughout the year then running the final payroll should be straightforward and as with any other month we recommend that before they run period end our clients do the following:

- Check the Input Audit Report
- Check Department/Cost Centre Totals
- Check Nominal Analysis Report

- Check P35
- Check P32

If you have checked that these reports balance each period then Year End should be just a case of processing.

End of Year Reports

As part of the Year End processing, payroll packages like Carval zero all statutory cumulative balances. It is therefore a good idea to print off or save any reports containing statutory data that you might need for future reference, i.e.:

- NI Deductions Report
- Employee Master Report
- Deduction Listings
- P11 Records
- Payslip Summary Report

Step 5 – Ensure your computer systems and [payroll software](#) meet the required specifications of HMRC

General Considerations

If you are planning to submit Year End Returns online HMRC requires you to use Internet Explorer v6 or above, or Netscape Navigator v5.5 or above.

It is important to note that these versions of Internet Explorer and Netscape Navigator are not compatible with the Windows 95 operating system, therefore in the unlikely event that you are still using Windows 95 you will need to upgrade your operating system prior to Year End.

Payroll Software

It is important that you are using the correct program for the 2009/10 tax year, to ensure your calculations of tax and National Insurance are correct. Check now with your software supplier or on the [HMRC website](#) to avoid any problems at Year End.

Ensure the software you choose is future-proof...

Ask potential suppliers whether you will receive legislative updates and check if there is any cost associated with this. Visit the HMRC website to find a [Payroll Standard Accredited](#) software supplier or talk to Carval.

Step 6 – Be aware of the common errors

Your 2009/10 Return must pass all of the HMRC quality checks when you send it or they will reject it. Some of the common errors seen when submitting Year End Returns are shown below, hopefully this will help you avoid making similar mistakes:

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 e.g.: <i>K123 not K0123</i> Suffix 'K' must always be shown before the numbers e.g.: <i>K123 not 123K</i> Do not use 'W', 'X', 'WK1' or '/1' after the code number to show that week one applied. Left justify each code number within the field 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'.
Date of Birth	<ul style="list-style-type: none"> Only use genuine dates e.g.: avoid 30 February Do not use dates in the future
Invalid NINO prefixes e.g.: NI, PZ, TN	<ul style="list-style-type: none"> Use an acceptable NINO prefix – a list is published in the Quality Standard each year. If the NINO is not known leave the NINO field blank and make an entry in the date of birth and gender fields instead.
Addresses – leading spaces and punctuation	<ul style="list-style-type: none"> First character in 'Name' and 'Address' fields must be a letter, not a comma, apostrophe, full stop or space. Do not leave empty lines in the middle of the address Postcode field must be in the right format e.g.: WC2B 4RD.
Forename Field – incorrect characters	<ul style="list-style-type: none"> Use only A-Z upper or lower case, hyphen or apostrophe. Second forenames should be shown in a 'Fore' field Do not enter a full stop, comma, underscore, brackets, slash, numbers (including 0), an asterisk (*) or question mark (?) Do not use character "'" for an apostrophe, use "'".
Surname Field – incorrect characters	<ul style="list-style-type: none"> Only use A-Z upper or lower case, numbers 0-9, comma, period, forward slash, ampersand (&), hyphen, space, apostrophe and brackets. The first character must be alpha Do not leave leading or trailing spaces Do not enter an asterisk (*) or use '0' (zero) in place of 'O'. Do not use character "'" for an apostrophe, use "'". e.g.: 'O'Connor' not 'O'Connor'.

Pay and National Insurance Earnings - figures	<ul style="list-style-type: none"> • The lowest acceptable entry for the pay filed and National Insurance Earnings fields 1a – 1c is '0.00'. • Only use negative figures when sending an amendment • Always show monetary values to two decimal places • Do not use leading zeros for amounts greater than '0.99' • Do not use commas.
More than one Return for the same scheme	<ul style="list-style-type: none"> • Do not send HMRC the same information on paper once you have filed online! If the paper Return is received first it will be treated as the original return. That means that a small employer will not qualify for the tax-free incentive payment and a large employer will get a penalty.
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 PAYE reference, e.g.: 913/WZ51258. Do not show only the employer reference (WZ51258), or use the HMRC office number twice (913/913WZ51258). • Always use upper case for the reference • Check with your client for any changes to the three-digit HMRC office during the year.
Compressed Return	<ul style="list-style-type: none"> • Make sure that your software uses the correct compression routines • Contact your HMRC Account Manager before sending your return

Returns Sent in Parts

Error	Solution
Part submissions – incorrect number of parts	<ul style="list-style-type: none"> • The number of parts shown 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. •
Part submission – P35 with each part	<ul style="list-style-type: none"> • Do not send a P35 with every part submission of P14s • Each part containing paper P14s must be accompanied by a 'P35 (cover sheet)'. • HMRC recommend that you only send the P35 after you have sent all your P14 parts. •
Part submission – using the same Unique Identity on more than one part	<ul style="list-style-type: none"> • You must use a different Unique Identity number for each part of P14s sent. Using the same identity for a latter part means that the information on the first submission will be overwritten and lost.

Using the right software can help identify errors before they result in rejections...

Carval Uniwage has a unique combination of error capture methods, including an Employee Validation tool which can be run at any time. These will highlight any issues that need to be corrected before you file your Year End Return and mean that Carval Uniwage users have one of the lowest rejection rates of any software users. Indeed in 2010 HMRC singled us out for special praise! Make sure you ask potential software suppliers for their figures.

Do you have the right tools to manage your company's payroll, benefits and human resource processes?

The team at Carval hope that this year end will not be too problematic for you. A good payroll system will help you streamline your Year End process and avoid entry errors likely to result in returns being rejected by HMRC.

If you would like to discuss how Carval can help you with this or subsequent Year Ends please feel free to contact us via email sales@carval.co.uk or call 0870 787 3256.



Optional Features	2 weekly 4 weekly pay frequencies	Yes
	Directors National Insurance	Yes
	Contracted-out Pension Deductions	Yes

