



# Online filing guide



# Helping you with your online filing obligations

Welcome to the Pegasus Opera II Online Filing Guide. As experts in online filing, we have compiled this guide for our customers and all companies who want to know more about this new Government initiative.

Compliance with the legislation may be closer than you think. Depending on the size of your company, you may have to file online as soon as 19 May 2005. The Inland Revenue has set guidelines for you to follow; this guide is intended to provide you with easy to understand Government information you can refer to whenever you need it, covering:

- help lines
- Internet resources
- deadlines
- what returns can be filed online
- tax free payments for early online filing

*The Inland Revenue encourages the use of software that meets the Quality Standard and enables employers to file their Annual Returns online*

**TESTED AND MEETS  
THE INLAND REVENUE  
PAYROLL STANDARD**

## Inland Revenue Accreditation

Opera II was the first professional and highly tailored application to gain Inland Revenue approval for online filing (Employer's Annual Returns) and, following extensive assessment, Pegasus are delighted to announce that the Inland Revenue has formally accredited Opera II.

*This software has been checked and meets the requirements of the published Inland Revenue Payroll Standard, version number 6.1, and the relevant sections of the Inland Revenue Quality Standard, version number 2.0. It incorporates electronic filing by Internet or EDI.*

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*This is a quick reference guide, which contains facts, figures and other useful information: we recommend you keep it close.*

# What online filing means to you

## Online filing explained

Online filing is a term to describe sending your Employer's Annual Returns (P14s and P35s) to the Inland Revenue electronically, cutting out the need for paper returns.

## The benefits of doing it online

- sending or receiving information online is secure, convenient, quick and easy
- it's more reliable and efficient than using paper, and can cut down on storage space, post and administration
- the chance of mistakes being made or information being misinterpreted is reduced

## How to file online

You have two choices for how to do your online filing; these are:



- use an intermediary, for example a Payroll Bureau, who can file on your behalf
- the Inland Revenue's secure PAYE Online for Employer's Service allows you to send and receive a range of forms online electronically, using the Internet or Electronic Data Interchange.
- For either option you are responsible for ensuring that the software you use to file can send your Returns online and meets the Inland Revenue Quality Standard.

## The online filing deadlines

The new Government initiative means that all employers may have to start filing their Employer's Annual Return (P14s and P35) online between 2005 and 2010, dependent upon the number of employees within the organisation:

- **If you are a large employer** (250 or more employees), you must start filing your 2004-05 Employer's Annual Return online by 19 May 2005
- **If you are a medium-sized employer** (between 50 – 249 employees), you must start filing your 2005-06 Employer's Annual Return online by 19 May 2006
- **If you are a small employer** (fewer than 50 employees) you do not have to start filing online until at least 19 May 2010; however, you will be entitled to up to £825 tax-free over five years from the Inland Revenue for taking up online filing early

## Up to £825 tax-free for small employers

If you are a small employer, you are entitled to a tax-free incentive of up to £825 over five years if you file your Employer's Annual Return online:

- File online for 2004-05 (return due by 19 May 2005) and receive **£250**
- File online for 2005-06 (return due by 19 May 2006) and receive **£250**
- File online for 2006-07 (return due by 19 May 2007) and receive **£150**
- File online for 2007-08 (return due by 19 May 2008) and receive **£100**
- File online for 2008-09 (return due by 19 May 2009) and receive **£ 75**

**£825**

## To qualify for the tax-free incentive:

- your company must have fewer than 50 employees in the relevant tax year
- you must send your Employer's Annual Returns online and your P35 must have at least one valid P14 with each of them
- the return must meet the Quality Standard set by the Inland Revenue (see page 14: *Online Filing: Inland Revenue Quality Standard*)

## How the Inland Revenue count your employees

New online filing legislation states that the Inland Revenue must count your employees every year and advise you if your company falls into the large, medium-sized or small employer category. They must make this count before the end of November and inform you by 30 December of the calendar year before your return is due.

For example, last year, the Inland Revenue made their 2004 count in October 2003 and advised you by letter in November 2003. The letter confirmed the number of employees, your online filing deadline and if you are entitled to the tax-free payments for online filing early.

*The Inland Revenue must count your employees every year*

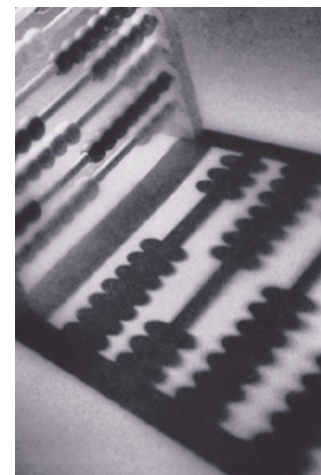
## Each year the Inland Revenue will advise you:

- whether your company is a large, medium-sized or small employer
- whether you must file online for the next tax year
- whether you qualify for the tax-free incentives
- how to appeal if you dispute the information
- where you can seek help

If your company is a large employer, the letter will also advise you that you are required to pay the monthly tax payments, National Insurance contributions, Construction Industry Scheme deductions and student loan deductions electronically for the next tax year.

## Who the Inland Revenue count

The count will include all employees, including directors, that you have advised the Inland Revenue work for your company; including any employees who have left, and whose leaving has not been reported to the Inland Revenue. For example; those employees for whom you send a P45 (3) or P46. They will include every employee who does not reach the tax and National Insurance contributions threshold and those who receive tax credit.



Your online filing deadline will be determined by the Inland Revenue count regardless of any new employees recruited during the tax year. Any change in the number of employees will be reflected in the count for the following year.

If your company has no employees at the time of the count, the Inland Revenue will still write to you. If employees are recruited after this count, you may still be entitled to the tax-free payments if you file your Annual Returns for these new employees early.

## Counting employees: new employers



After the date of the count, the Inland Revenue will treat all new businesses as small employers.

The next annual count will then determine whether your company is a large, medium-sized or small employer and the Inland Revenue will write to advise you as outlined on pages 6 and 7: *How the Inland Revenue count your employees.*

## How to appeal

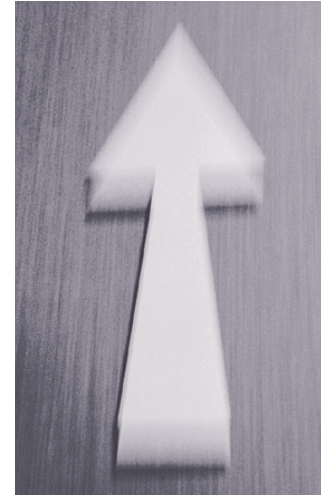
If you think the Inland Revenue count is incorrect, or have other valid reasons for not filing online, you can appeal. You must appeal within 30 days by contacting the Inland Revenue.

If you appeal, you must advise them how many employees you had on the day of the count (the date of the count will be stated on the letter). You must include all employees for whom you have a P11 Deductions Working Sheet (or equivalent). These include:

- employees for whom you have submitted starting details, but whose leaving has not been confirmed to the Inland Revenue
- employees who get Working Tax Credit
- employees for whom you have submitted starting dates, but are on unpaid parental, occupational or sick leave
- workers who are on your records and not treated by you as left, for example contractors
- agency workers who are paid directly by you

**Please note, the Inland Revenue may ask for evidence to back up your appeal.**

## PAYE schemes



Most employers have just one PAYE scheme. Each scheme has a separate employer's PAYE reference number, for example 123/A456.

If, however, your company has more than one PAYE scheme, you must file each of these separately. The deadline for each of these is dependent upon the total number of employees in each scheme.

**Remember: the deadline for online filing depends upon how many employees are in each PAYE scheme and not the total number of employees in your company.**

You cannot split your PAYE scheme to set up smaller ones to delay online filing, or to claim the incentives. If, however, you want to split your PAYE scheme into different schemes with more or less employees to ensure your payroll runs more smoothly, you must complete an Elective End-of-Year Return form and advise the Inland Revenue which employees should belong to each scheme.

You must complete this form before the start of the tax year to which you want it to apply and ensure that each employee is in the correct scheme. If you move an employee between schemes at a later date, you will have to mark the employee as a leaver in one scheme and a new starter in the other. You will be required to send these details to the Inland Revenue together with the employee's P45.

*You must  
make a  
separate return  
for each PAYE  
scheme*

## Returns that must be filed online

Different types of return can be made at the end of the tax year depending on the types of payment you make to the employees. Online filing only applies to the Employer's Annual Return for the following types of payments to employees:

- PAYE (subject to tax and/or National Insurance contributions)
- payments subject to National Insurance contributions only
- payments of Working Tax Credit only
- occupational pensions
- Statutory payments (Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay, Statutory Adoption pay) only
- tips (or TRONC) only
- PAYE-part only, where there is a combination of regular employees and subcontractors in Construction Industry schemes

*Returns made by employees do not have to be filed online*

Very rarely, an employee sends the Inland Revenue his or her own P14 information under the direct payment arrangements. Returns made by employees do not have to be filed online and will not qualify for an early online filing payment.

## Keeping certain employees' records separate

*You can split your PAYE scheme*

When you file online, you must send the P35 and all the P14s electronically. If, however, you want to keep certain employees' details separate (for example, your directors), you may have to make arrangements to send in your P14s in parts, but still make a single online P35 return.

Alternatively, you may be able to split your PAYE scheme into two separate schemes and make two separate returns. (see page 9: *PAYE Schemes*)

## Returns that do not have to be filed online

Some returns do not have to be filed online. These are:

- the Employer's Supplementary Return (P38A)\*
- returns of expenses and benefits (P9D and P11D)\*
- Construction Industry Scheme return of payments to sub-contractors (CIS36)
- Direct Collection and Payment
- electoral payment returns (P35 EP), P527 and P528
- examination payments returns (P523 and P524)
- Tax awarded schemes and returns (P440 and P35 TAS)
- Profit Sharing schemes returns (P35 PSS)
- Norwegian Protocol returns (P35 Offshore Protocol)



\*Please note: you are able to file these returns online; however, this is not mandatory.

## *If you do not have to make a return*

If you do not have to make a return, you must advise the Inland Revenue. You can write to them, or return a blank P35 stating that no return is required.

## *Sending in a P35 with no financial entries, but with P14s*

Occasionally, you may have to complete a P35 where you have nothing to report in the 'accounting' boxes, but you still have to send P14s. For example:

- where all your employees are paid at or above the Lower Earnings Limit for National Insurance, but below the National Insurance Earnings Threshold
- where all your employees are confirmed by the Inland Revenue as resident abroad and working for a UK employer, and they have been given an NT code

Remember: if you are a small employer, and send your P35 online with no financial entries but with P14s, you will still qualify for the tax-free payments.

## *End-of-Year Certificate*

By 31 May, you must provide each of your employees, who are on your payroll on 5 April, with an End-of-Year certificate (P60). If you file online, you can order P60s from the Employer's Order Line, alternatively you can order them from **[www.inlandrevenue.gov.uk/employers/emp-form.htm](http://www.inlandrevenue.gov.uk/employers/emp-form.htm)**. These are available in different formats (landscape, portrait, shortened and continuous).

Please note: for Pegasus products you can purchase Pegasus stationery, which is available at **[www.pegasusforms.co.uk](http://www.pegasusforms.co.uk)**

Please check with your payroll software provider that your payroll software will produce paper P60s in an Inland Revenue approved format. If it does not, you need to obtain paper P60s by calling the Employer's Order Line on 0845 7646 646. Lines are open Monday to Friday 8.00am – 8.00pm and Saturday 10.00am – 1.00pm. Calls are charged at local rates.

## **Doing it online**

You can choose how to do your online filing. The options are:

- a payroll bureau, who can file online on your behalf
- using the Internet or Electronic Data Interchange

### *Payroll Bureau*

If you use a payroll bureau, you are still responsible for making sure that your Employer's Annual Return is filed online, on time and is accurate. You must also authorise the bureau to send returns or receive information online for you; information regarding this can be obtained from the Inland Revenue. For further details regarding this:

- visit **[www.inlandrevenue.gov.uk/efiling/help/agentinfo.htm](http://www.inlandrevenue.gov.uk/efiling/help/agentinfo.htm)**
- call the Inland Revenue Online Services Helpdesk on 0845 6055 999. Lines are open Monday to Friday 8.00am – 10.00pm and Saturday and Sunday 10.00am – 6.00pm.

### *Using your Payroll Software*

The quickest and most convenient way to submit your returns online is via the Inland Revenue's Secure PAYE Online for Employers Service using your payroll software.

*You can  
choose how to  
file online*

You must ensure your Payroll software is capable of online filing and meets the Inland Revenue Quality Standard.

## Inland Revenue Quality Standard

*If your online return does not meet the Quality Standard, it will be rejected*



Payroll software that meets the Inland Revenue Quality Standard will demonstrate how you should display the information on your P14, automatically confirm you have the right entries in the correct boxes and that your calculations are correct.

If your online return does not meet the Quality Standard, it will be rejected by the Inland Revenue and an error message will be displayed stating the reason for rejection. You will need to correct the mistake and submit the return again, ensuring that you do not miss the deadline.

Your payroll software supplier will be able to advise you if your payroll software meets Inland Revenue Quality standard. If it does not, you will be unable to submit your returns electronically, and you will be required to upgrade your existing software.

Pegasus Opera II Payroll meets the Inland Revenue Quality Standard, submitting Annual Returns electronically via Opera II eSubmission.

## The Inland Revenue PAYE Online for Employers Service – via your Payroll Software

*You must register, enrol and activate before you can submit returns*



If you want to file online via your payroll software, you must register, enrol and activate the PAYE Online for Employers Internet service before you can submit your Employers's Annual Return.

This can take up to 7 working days, therefore you should do this as soon as possible to ensure you meet the online filing deadlines.

**Please note: if you use an agent or payroll bureau to handle part of your payroll, you should check with them to ensure this information is sent to the correct recipient.**

# Registering, Enrolling and Activating

## Step 1: Accessing PAYE Online for Employers

- visit [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk) and under [Do it Online](#), select [PAYE for Employers](#)
- alternatively, visit [www.businesslink.gov.uk](http://www.businesslink.gov.uk) and under [Do it Online](#), select [Tax and Payroll](#)

## Step 2: Registration and Enrolment

- in the New User box, click Register and select [PAYE Online for Employers](#)

## Step 3: Your information

*Register, enrol  
and activate in  
good time*



- complete the [Register and create password](#) form by entering your full name, company name and e-mail address
- choose your own password: this must be between 8 and 12 characters (numbers and letters) and must contain at least one number and one letter
- enter your PAYE and Accounting & Payments Service reference numbers. You will find these on your paying-in book or your annual electronic payment reminder
- select [Continue](#) and read and accept the terms and conditions
- the [Enrolment Confirmation](#) and [Next Step](#) screen will be displayed

## Step 4: Getting an ID

- the [Enrolment Confirmation](#) and [Next Step](#) screen will display your unique Identity Number (User ID), which you will need for all online services

**Important: please keep a note of this number as you will need this for all online services**

## Step 5: Activation

- the Inland Revenue will post your Activation PIN to you within seven days of your registration. You must activate this within 28 days or your registration will be deleted and you will be required to follow steps 1 – 4 again
- to activate, please visit [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)
- under [Do it Online](#), select [PAYE for Employers](#). Enter your User ID and password
- if it is your first visit following registration you will be prompted for your Activation PIN. You will then be guided through a number of screens, which will finalise your activation.



**Important: do not leave registration to the last minute. You need to ensure that you have registered and activated your service before filing your Employer's Annual Return online.**

# Opera II – Executive Summary

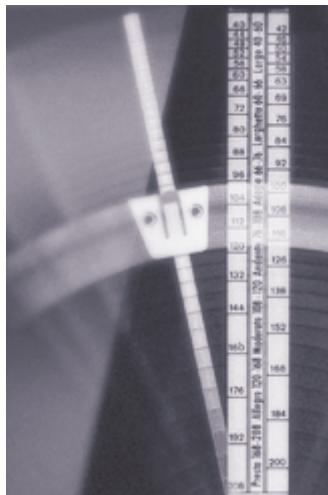
## Online filing with Opera II Payroll

*Using accredited software reduces the risk of returns being rejected*

In summary, Government legislation is changing and as you can see we are here to help. To ensure your company is equipped for online filing you need to plan ahead and understand what changes you need to make.

It is crucial that you take the time to review the tools you use, such as your payroll software, to ensure it meets the necessary quality standards. Inland Revenue accredited payroll software has been tested for the ability to make tax and NIC calculations correctly and send P14s and P35 electronically. Using accredited payroll software also reduces the risk of returns being rejected due to incorrect or incomplete data.

## Inland Revenue Accredited



Opera II eSubmission from Pegasus was the first professional application to gain Inland Revenue approval for verifying and electronically submitting P35 and P14 information. With the availability of P32 information on screen, Opera II allows you to review the payroll figures, thereby reducing the volume of End-of-Year checking and allowing an official production of the Employer's Annual Return for onward submission to the Inland Revenue.

## Opera II eSubmission

Opera II eSubmission is part of the Opera II Payroll and HR solution, a complete solution package for Payroll and HR requirements. The Payroll and HR solution has been designed to ensure that complicated procedures, including online filing, are simplified and performed automatically. Functionality includes:

- weekly, fortnightly, four weekly and monthly paid employees can be maintained on the same company
- employee profiles for efficient set-up
- employee payment details and payslip images can be held in period summaries for up to 99 periods
- payslips from past periods can be reprinted at any time as required
- employees can be paid electronically via BACS directly into their bank account, reducing the time and costs required to process payments
- automatic management of Tax Credits
- Director's National Insurance calculations
- multiple Pension schemes
- tracks all changes using the Audit Log
- full calculation of Statutory Sick Pay, Statutory Maternity Pay, Statutory Paternity Pay and Adoption Pay
- automatic calculation of Attachment Orders
- allows retrospective NI changes
- calculates holiday pay across year-end

*A complete financial management and business solution*

The Payroll & HR solution is available as a standalone package or combines with other modules available for Opera II, providing a complete financial management and business solution.

If you would like further details regarding Opera II, please call the Pegasus team on 0800 919704; alternatively e-mail [info@pegasus.co.uk](mailto:info@pegasus.co.uk) or visit [www.pegasus.co.uk](http://www.pegasus.co.uk).

# Government help and information

For further information regarding online filing, please contact the Inland Revenue. Details of useful guides, websites and telephone numbers can be found below:

- visit **[www.inlandrevenue.gov.uk/payeonline](http://www.inlandrevenue.gov.uk/payeonline)**
- call the Employer's Helpline on 0845 7143 143. Lines are open Monday to Friday 8.00am – 8.00pm, Saturday and Sunday 8.00am – 5.00pm. Calls are charged at local rates
- call the Online Services Helpline on 0845 6 055 999. Lines are open Monday to Friday 8.00am – 10pm, Saturday and Sunday 10.00am – 6.00pm
- you can also find further information on your Employer's Budget CD-ROM. If you need another copy of this, please call the Employer's order line on 0845 7 646 646. Lines are open Monday to Friday 8.00am – 8.00pm and Saturday 10.00am – 1.00pm. Calls are charged at local rates

## A Government guide

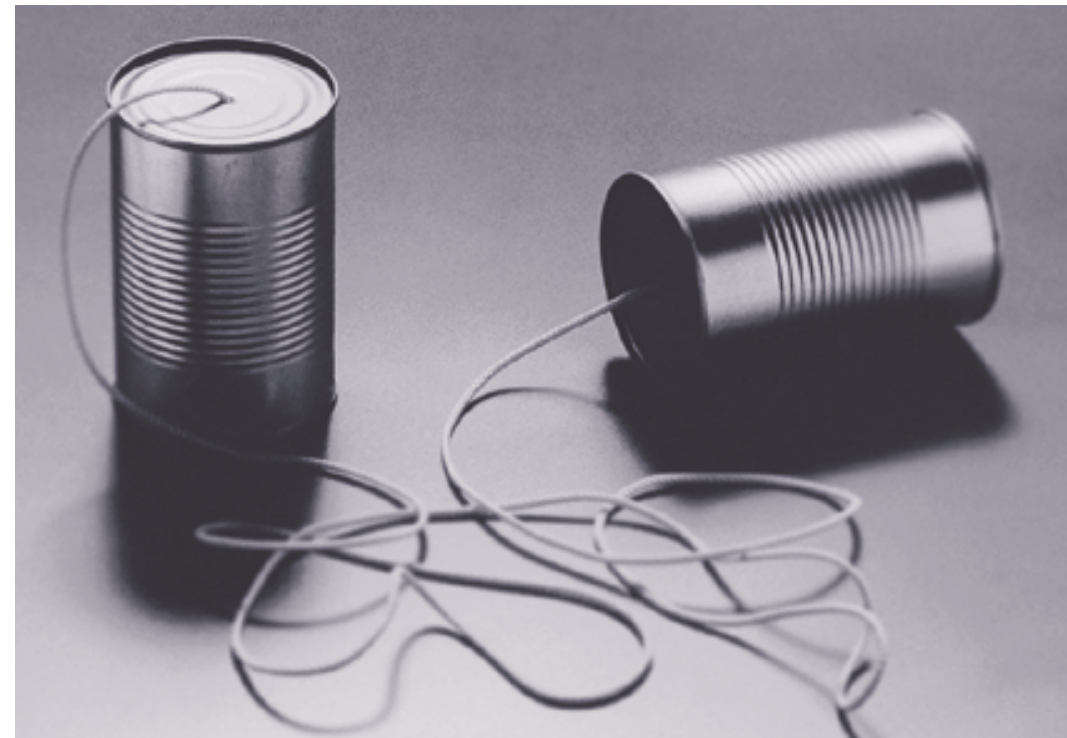
The Inland Revenue has also produced a comprehensive guide to online filing:  
*Do it online – Your guide to filing PAYE returns and paying electronically.*

You can obtain your free copy of this guide by:

- visiting **[www.inlandrevenue.gov.uk/employers/onlineguide.htm](http://www.inlandrevenue.gov.uk/employers/onlineguide.htm)**
- calling the Employer's order line on 0845 7 646 646. Lines are open Monday to Friday 8.00am – 8.00pm and Saturday 10.00am – 1.00pm. Calls are charged at local rates
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## Other Inland Revenue online services

- General Online Filing Assistance: visit **[www.inlandrevenue.gov.uk/employers/onlineindex.htm](http://www.inlandrevenue.gov.uk/employers/onlineindex.htm)**
- Employers: visit **[www.inlandrevenue.gov.uk/ebu/emp\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/emp_index.htm)**
- Agents: visit **[www.inlandrevenue.gov.uk/ebu/age\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/age_index.htm)**
- Software developers: visit **[www.inlandrevenue.gov.uk/ebu/softw\\_index.htm](http://www.inlandrevenue.gov.uk/ebu/softw_index.htm)**
- Quality Standard details: visit **[www.inlandrevenue.gov.uk/ebu/qual\\_stand\\_valid\\_spec.pdf](http://www.inlandrevenue.gov.uk/ebu/qual_stand_valid_spec.pdf)**





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