

Students and Income Tax

Welcome to Advice Direct... the written information service from Guild Advice.

This leaflet is designed to provide you with information on income tax whilst a student.

Do students pay tax?

Everyone who works in the UK is treated the same when it comes to 'Income Tax' or 'PAYE' (and that includes all students!). Usually, everybody has the same 'Personal Tax Allowance' that they can earn each year tax-free. Income Tax is managed by the government agency HM Revenue & Customs – HMRC.

How much can you earn before you get taxed?

The annual personal allowance of **£10,600** for this tax year 2014-2015, equates to being able to earn approximately **£204 per week** (or approximately **£883 per month** if you are paid monthly) tax-free. As soon as you earn above your 'Personal Allowance' for that week/month you then pay income tax. So:

If you earn below £10,600 in this tax year you will not get taxed.

If you earn above £10,600 and up to £31,785 this year, the income tax will be 20%.

If you earn over £31,786 the income tax will be 40%.

If you earn over £150,000 the income tax will be 45%.

When is the tax year?

The tax year runs from 6th April to 5th April each year.

Getting Your Tax Right

If you are employed, getting your tax right is mainly your employer's responsibility. When you commence your job it is your employer who should make sure that the correct tax forms are completed by both employer and new employee.

If the new job is your first job during that tax year (i.e. if you start a job in June and you haven't worked at all since 5th April that year) then your employer should ask you to complete a new starter checklist provided by HMRC.

P45

If you have had a previous job during the current tax year, you should have received a P45 from your employer shortly after leaving that employment.

Your previous employer will have sent part of this form to the HMRC as well, to indicate that you have left their employment. Keep your P45 safe as a record of your earnings and tax, and also to pass it on to your new employer as soon as you start a new job. Your new employer then uses part of this form to indicate to the Inland Revenue that you are now working for them. This helps the Inland Revenue to keep a track of where you are working, keeping your tax record and code up to date and ensuring that you don't end up making an over-payment of tax.

If you haven't left your previous job – either because you are staying on a recruitment agency's 'books' for casual work, or you actually plan to have two jobs at the same time - see some important information below about having more than one job at a time.

Tax Tip:

Make sure that you ask your employer for your P45 when you leave a job. Ensure you give them your most up to date address, or that you arrange to go back in to collect your P45.

Your Tax Code

When you receive your first payslip with a new job you will see your tax code on there. Check it is right! In most cases, it should say 1060L and a letter of the alphabet, which indicates that you are on the £10,600 personal allowance for this year.

Base Rate or Emergency Tax Code

If the tax code reads 'BR' this means that you are on 'Base Rate' tax (sometimes referred to as the 'emergency' tax code). You will also see that you are getting taxed at 20% on all your earnings.

You may have been allocated this 'BR' code for two reasons:

- You have not submitted your P45 to your employer, so the HMRC does not have a record of your new employment.
- You have submitted your P45 and returned it to your employer but the Inland Revenue have not yet processed your form.

If your employer has not yet taken your details for tax purposes, go to see your Supervisor or Manager as soon as possible.

It is up to you to provide your P45 for your new employer if you have had a previous job. If you haven't yet received it from your previous employer, contact them and request it as soon as possible. It could affect your tax code and result in over-payment of tax! If your previous employer cannot supply you with a P45 for any reason, contact Birmingham Inland Revenue office – remember; only employment during the current tax year is relevant.

Any over-payment of tax during your 'BR' period of earnings from that employment should start to appear back in your wages as tax rebate.

Tax Tip: Keep an eye on your payslips and your tax code and keep ALL payslips and HMRC correspondence as a record of your earnings and tax.

Frequently Asked Questions:

How do I claim back my tax?

As long as you do not exceed, or are not likely to exceed, your Personal Tax Allowance for the year, then you should be in a position to claim back any tax you have paid.

It's worth knowing that, if you have gone over your tax allowance during some weeks (e.g. in the vacations) and got taxed in those weeks/months, but then kept below it during others, then your tax over-payments may well appear back in your wages as a tax rebate or refund – as long as you stay on track to fall below the Personal Allowance for the entire year. You will see any tax rebate shown clearly on your payslip.

If you are sure you are owed over-payments of tax, there are two occasions when you can ask to claim this back:

At the end of a tax year (April)

Your current employer will issue you with a **P60** at some point at the end of April or during May. This is an 'end of year' tax statement showing your total earnings from that employment, and total tax paid for the year. If your 'earnings' box on the form shows less than £10,600 (in April 2016) and your 'tax paid' box shows a figure, then you can claim that figure back. Simply go in to the Birmingham HMRC office with your P60, and this will be sufficient evidence to claim back your tax. If your employer does not automatically issue you with this P60 by May at the latest, please ask for it, as you are entitled to receive one. Go to see the HMRC office if your employer does not give you your P60 – and take your payslips with you instead.

After leaving a job

After you leave your employment, your employer will issue you with a **P45**. Your P45 is your 'end of employment' tax form (see more on P45s above). It shows how much you have earned with that employer in that tax year (since 5th April) and how much tax you paid in the same period. If the earnings are below £10,600 (tax year 2015-16) and your P45 shows that you have paid some tax, then you may be entitled to claim this back.

The important thing to be aware of is whether you are going to get another job in that tax year, and will this take you over the Personal Allowance limit? For example, if you leave your job in January, and you have earned, say, £7,500, and you know you will not get another job between January and April, then claim the tax back. If you do plan to get another job, and this may mean that you go over the Personal Allowance limit, it is best to leave claiming the tax back until the end of the tax year.

To claim back your tax with a P45, take the P45 in to the local HMRC office, and you will be asked to fill in a **P50** form in order to make your claim.

You can now **download a P50** online at:

<http://www.hmrc.gov.uk/pdfs/p50.pdf>

Your claim can take a number of weeks to be processed. The HMRC should offer you the option to either receive a cheque in the post (make sure you give them a safe address that you can gain access to in a few weeks time) or possibly to have the tax refund paid into your bank account.

I've got more than one job – what happens with my tax?

The first job will be treated normally with regard to tax and you should have a normal tax code on your payslip for this job. However, on the second job you will automatically be taxed at 'Base Rate' and the BR tax code will appear on your payslip.

You may be able to ask the HMRC to split your tax code between your jobs in some situations.

If your 'first' job was for 5 hours a week and your 'second' job was for 10 hours a week, and both jobs were paid at £7.00 per hour. If you did nothing, you would find yourself in the situation of not getting taxed in job number one, but automatically getting taxed at 20% every single week/month in job number two. This payment of tax would build up, and you would then need to claim back your overpayment of tax later on.

However, if you went to the HMRC early on and explained your situation clearly, they may suggest that your £10,600 allowance for this tax year was split, so that you had a personal tax allowance of, say £4,240 for job number one and the remaining allowance of £6,360 for job number two. This may work better for you and help to stop you getting taxed every week at such a high rate. Our advice is – talk to the HMRC.

As an international student, do I need an NI number before I can claim back the tax I have paid?

No, this shouldn't stop you from claiming back your tax. However, a NI number does make it easier for the HMRC to keep a track of your records. As the Jobs, Skills and Volunteering always advises you to apply for your NI number as soon as you have secured your job, it is likely that, by the time you come to claim back any tax, you will have your NI number.

What about National Insurance?

You also automatically get National Insurance deductions at 12% (of anything over the NI Limit) once you earn above £155 in a week/approximately £672 in a month (if you earning over £815 per week, you will pay 2% rather than 12% over that figure).

International students or students without an NI number - Please see the advice direct on National Insurance

<http://www.guildofstudents.com/support/thearc>

Where do I stand with tax if I'm self-employed?

You can visit: <http://www.hmrc.gov.uk/selfemployed/>

Jobs, Skills and Volunteering also has paper copies of the relevant form you need to complete to register as self-employed.

Sources of Help

Guild Advice, Guild of Students

Email: thearc@guild.bham.ac.uk

Visit the website at: <http://www.guildofstudents.com/support/thearc/>

Guild Advice Opening Hours (Term Time)*

Monday - Friday	10am — 4pm
<i>Drop In Clinics</i>	<i>12-2pm</i>
Saturday & Sunday	CLOSED
*Vacation Periods	12 noon – 2pm

Jobs, Skills and Volunteering, Guild of Students

Email: jobs@guild.bham.ac.uk

Website: <http://www.guildofstudents.com/jsv/>

gov.uk

Public services information

<https://www.gov.uk/student-jobs-paying-tax>

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