

Income Tax



Income Tax is your contribution to Government spending, and is used to apply for services such as the National Health Service, education, defence, social security and law and order.

When you need to pay tax

Whether you work during term-time or just in the holidays you will normally have tax and National Insurance contributions deducted from your earnings. However, everybody can earn a certain amount tax-free in each tax year. This is known as your Personal Allowance. Each tax year begins on 6th April and ends the following 5th April.

Know your Personal Allowances

Everybody gets a personal allowance (yes even students!) which is £7,475 for the tax year April 6th 2011 to 5th April 2012, this means that you can earn £7,475 a year before you start paying income tax.

Many students do not earn enough during money whilst working during term-time or only in the vacations to be classed as a tax payer.

How to get a Tax Refund

You may have paid too much tax if:

- You started a new job and had an emergency tax code for a while
- Your employer was using the wrong tax code
- You were only employed for part of the year
- You're a student who only worked at holiday times and did not complete for P38s for student employees
- You had more than one job at the same time
- Other income you have which gets tax through your tax code, e.g. savings / investment income has reduced since you last told us about it- which means the amount of income included in your tax code is too high.
- You stopped working and didn't get any taxable earnings or benefits for the rest of the year.
- Your circumstances changed - for example you changed from full-time to part-time working or became self employed.

If you think you have earned up to the personal allowance or below it you can get a tax refund if you have been taxed, to check if you may be eligible for a tax refund go to

www.hmrc.gov.uk/calcs/stc.htm

OR

www.worksmart.org.uk/tools/tax_calc.ph

How to reclaim PAYE overpayments - this tax year / during the current tax year

How you reclaim this year's tax will depend on your circumstances.

If you are an employee

Tell your employer's tax office why you think you have paid too much tax. They may already have everything they need to check your claim. If not, they'll tell you what documents to send. You may get a new tax code, so any refund will be included in your wages.

If you get a new job within four weeks

If you finish employment and then start a new job within four weeks of finishing your old one, your new employer will pay any refund you're entitled to with your pay from your new job.

You will need to give your new employer your P45 parts 2 & 3 to make sure that you get any tax refund you're entitled to - you keep Part 1A.

If you have left your job for more than four weeks or you have finished your job to return to your studies.

You can claim a tax repayment by filling in form P50. Send this to your tax office together with form P45, parts 2 and 3 and keep Part 1 for your own records.

Any refunds will be sent to you by post, ensure you put your current address and inform HMRC of any changes of address you may have whilst waiting for your refund.

How to reclaim PAYE overpayments - If you have been taxed from previous years

Write to your tax office and include any relevant documents about your earnings during the tax year for which you are claiming, such as:

- P60, P45
- Information about your employment and benefit history

The tax office will look into your query, work out how much you owe and send you a refund in the post.

The time limit for making a claim is no later than 31st January five years after the end of the tax year (5th April) in which the overpayment was made. For example, a claim for the tax year 2002 -03 ending 5th April 2003 must be made by 31st January 2009.

Look after the forms your employer gives you

Forms and payslips that your employer gives you are important if you find you need to claim a tax refund, especially a form called P45 and another called P60.

A P45 should be given to you whenever you leave a job.

Keep this safe and give it to your next employer, remembering to keep the top copy for your records.

The P60 summarises the amount you have earned over the tax year as well as the amount of tax and National Insurance contributions that have been taken off your wages.

About your tax code

The tax code is used by your employer to work out how much tax to deduct. You may find a box called 'Tax Code' on your payslip, P45 or P60. Look for a 3 digit number followed by a letter or just the two letters, BR.

522L means that you have your full Personal Allowance being taken into account when you are paid. BR means all of your earnings are taxed at Basic Rate. This means none of your Personal Allowance is being used at that job and is quite common when you have more than one job as you can only have one Personal Allowance.

Quick Guide to Tax Forms

P38 (S)

If you are a student who works only in the holidays and whose earnings from your employment do not exceed their personal allowance for the tax year. Complete a P38(s) and give this to your employer.

P45

If you have had a job before, your employer should have given you a P45 when you left. Give Part1 to your employer to send to HMRC and keep the other parts of the form somewhere safe.

P46

If you have not worked before and / or do not have a P45 give a completed P46 to your employer. Completing this form enables your employer to operate the correct tax code for you.

P60

This is a summary statement for the tax year of your earnings, tax and National Insurance. It is given to you by your employer. keep these for your own records in a safe place.

P50

Use the P50 form to claim tax back if you are no longer working unless you are claiming Jobseekers Allowance or taxable Incapacity Benefit, or you are expecting to be working again within four weeks (if you are unemployed).

P85

If you are an international or EEA student and have left or are about to leave the UK, use form P85 to inform HMRC with the reasons for you're leaving and the nature of any UK income you will continue to receive if any. They will use the information to decide how you should be treated for tax purposes.

You can also use the form P85 to claim any repayment of Income tax you may be owed.