

students and income tax

Some basic questions answered

what is income tax?

Income tax is your contribution to government spending. Everyone who earns or receives income over a certain amount in a tax year pays income tax, and the more you earn the more income tax you pay. If you work for someone else your employer will take the tax from your earnings each pay day and pass it on to HM Revenue & Customs ("HMRC"). This is known as the Pay as You Earn (PAYE) system. It takes care of your tax automatically.

Most people who work for someone else do not have to fill in a tax return every year, but if you receive a notice to complete a tax return you should do so within the time limit given. You can be fined if you do not complete your tax return on time. You can do so online. For more information, see www.gov.uk/self-assessment-tax-returns.

do I have to pay tax on all my taxable income?

No. Everyone can earn or receive an amount of income in each tax year before paying tax. This is called the personal allowance. For the 2017-18 tax year it is

£11,500 (£11,850 for 2018-19).

Overseas students may be able to reclaim tax and NI when you leave the UK using form P85. For details on applying see: www.gov.uk/government/publications/income-tax-leaving-the-uk-getting-your-tax-right-p85.

is my student loan taxable?

No, and neither are scholarships, most research awards, universal credit and housing benefit.

what income is taxable?

The most common forms of taxable income are:

- earnings from full or part-time work, including tips and bonuses
- profits from a business/self employment
- interest from savings with a bank or building society
- dividends
- interest from National Savings investments
- Jobseekers' Allowance (JSA)

As far as bank or building society interest is concerned tax is normally taken off before you get it, but you can claim back tax if you have overpaid. However, if you are sure that your total income, including your interest and earnings, will be less than your personal allowance, you can arrange for your interest to be paid without the tax being deducted.

If your total taxable income is below your personal allowance in the tax year you will not have to pay any tax (a tax year starts on 6 April in one year and finishes on 5 April in the next). If you have paid tax but your total income was not, or is not likely to be, as much as your personal allowance, you may be able to get a refund. See www.gov.uk/claim-tax-refund/youve-stopped-work.

what should I do if I get a job?

If you have a form P45 give it to your new employer. It shows your PAYE code, your total earnings and how much tax you have paid since the start of the tax year.

If you do not have a P45 your employer will use a starter checklist from HMRC to work out your tax code. The checklist can be downloaded here: hmrc.gov.uk/forms/starterchecklist.pdf

You should complete the form and give it to your employer.

The amount of tax you are paying can then be assessed. If you do not fill in the form you will be put on a basic tax code. If you are put on a basic tax code, but an assessment reveals that you earn below the tax limit, then you will need to claim the tax back in April, at the end of the tax year.

what should I do when I leave my job?

If you do not go to another job and do not claim Jobseekers' Allowance you may be entitled to a tax rebate. See www.gov.uk/claim-tax-refund/youve-stopped-work for how to do this. If you change address often inform your tax office so that any tax rebates can be sent to the appropriate address. If you have worked for short periods for different employers your records may be with more than one tax office.

do I need to give a reference number when contacting HM Revenue & Customs?

If HMRC hold any tax records it can find them under your National Insurance number and you should quote it when you contact your tax office. If you register for self-assessment, you will also be given a Unique Taxpayer Reference (UTR).

what about national insurance?

Most students will not earn enough to have to pay NI whilst they are studying. You will only pay NI on earnings in excess of a minimum threshold which can be found at: www.gov.uk/government/publications/rates-and-allowances-national-insurance-contributions

how do I get a national insurance number?

Everyone who works in this country needs a National Insurance number.

You can apply for a national insurance number by phone:

National Insurance number application line

Telephone: 0800 141 2075

Textphone: 0800 141 2438

Monday to Friday, 8am to 6pm

where can I get more information?

If you want to check whether you are paying the right amount of tax, try the HMRC tax checker:

www.gov.uk/income-tax/check-youre-paying-the-right-amount.

For further information please visit:

www.gov.uk/student-jobs-paying-tax.

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