



HM Revenue  
& Customs

# Collection of Student Loans

A quick guide

## How will this leaflet help you?

It will give you information on how student loans are collected.

## What are student loans?

Student loans are part of the Government's financial support package for students in higher education in the UK. They are available to help students meet their expenses while they are studying.

Since April 2000, HM Revenue and Customs (HMRC) has been responsible for collecting repayments of loans where the borrower is within the UK tax system. (Loans are collected directly by the Student Loans Company for borrowers outside the UK tax system.)

The Student Loans Company is still responsible for paying out the loans and for keeping details of the borrowers' accounts, including adding interest, sending a statement each year and answering questions from borrowers.

## How are the loans collected?

Loans are only collected

- from the April after borrowers finish or leave their higher education course and
- when their income exceeds a certain level (threshold).

From 6 April 2005 the annual threshold is £15,000. For employees paid monthly the threshold is £1,250 per month and for employees paid weekly the threshold is £288 per week. Repayment of the student loans is collected at the rate of 9% of income over the threshold.

The Student Loans Company advises HMRC when a borrower is due to start repaying a student loan.

In most cases, the employer collects the repayments through the PAYE scheme.

Employees, who also receive a tax return under the self assessment system, may have to make some loan repayments when they pay their annual balancing payment, as well as having deductions made by their employer.

A borrower, who is not an employee but who falls under the Self Assessment system, will have to send HMRC a tax return each year. Their student loan repayments will be collected through self assessment, along with their tax.

Borrowers can also make voluntary repayments direct to the Student Loans Company at any time.

## Collecting the loan through the PAYE scheme

The Student Loans Company sends details of the borrowers who are due to repay their loan to HMRC to identify them as a taxpayer with current employment.

Employers should start making Student Loan deductions only when

- the employer receives a Start Notice, form *SL1*.
- a new employee gives the employer a form *P45* with a 'Y' in the '*Continue Student Loan Deductions*' box (box 5).
- a new employee gives the employer a form *P46* with a tick in box D (Student Loans).

Employers can use the Student Loan Deduction Tables (SL3) or the calculator on the Employer CD-ROM to work out the deduction. Repayments deducted by the employer will be worked out on individual pay periods and not on the total income for a whole year.

When an employee leaves, the employer must identify on form *P45* that they are liable to make Student Loan repayments.

Employers should pay over the amount of Student Loan deductions together with PAYE tax & NICs deducted during the same period. Although employers keep separate details of Student Loan deductions, the amount is included with tax when making payment to HMRC.

After the end of each tax year, employers must notify HMRC of the student loan deductions they have collected. HMRC then collates this information and passes it to the Student Loans Company.

This may take some time after the end of each tax year as HMRC has to process large numbers of end-of-year returns from employers each year. It means that HMRC may not process forms received at the end of the tax year until many months later.

However, the repayments the employers have deducted will be used to pay off the borrowers loan for the right year. This helps to make sure the correct amount of interest has been added to the borrowers account. All interest charges are calculated to match when the payments were made.

There are only 3 circumstances when the employer should stop making Student Loan deductions.

- 1 The employer receives a Stop Notice, form *SL2*, from HMRC.
- 2 In exceptional circumstances, the employer may be asked by HMRC to stop making deductions more quickly. If this is the case we will make the request either in writing or by phone, then confirm in writing.
- 3 If the employer is an Educational Institution or LEA in England and Wales, the teacher may give the employer a letter from the Student Loans Company which tells the employer to stop making deductions as the teacher has been accepted by the Repayment of Teachers' Loan scheme.

It is possible that an employer could over collect loan repayments from a borrower. If that happens the borrower will receive a refund.

Employers who fraudulently or negligently make incorrect deductions or payments can be charged a penalty of up to £3000 for each employee for whom a failure has occurred.

## Further information

### By telephone

New and inexperienced employers **0845 60 70 143**

More experienced employers **0845 7 143 143**

A full list of Helplines and opening hours are available on our website at [www.hmrc.gov.uk/contactus/helplines.htm](http://www.hmrc.gov.uk/contactus/helplines.htm)

### Employer CD-ROM

#### See Employer Helpbook

*E17 - An employer's guide to the collection of student loans.*

To view the full range of booklets, other forms and guidance visit [www.hmrc.gov.uk/employers](http://www.hmrc.gov.uk/employers)

The regulations relating to the Collection of Student Loans are in SI 2000 No 944 Education (Student Loans)(Repayment) Regulations 2000 as amended.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

***Issued by***

HM Revenue & Customs  
Marketing and Communications  
February 2007

© Crown Copyright 2007

Printed in the U.K. by Adare Halcyon



**HM Revenue  
& Customs**