

Student Loans – a quick guide

This factsheet gives 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. There are different types of finance available but this factsheet covers one particular type of Student Loan known as an Income Contingent Repayment (ICR) Student Loan.

Since April 2000, HM Revenue & Customs (HMRC) has been responsible for collecting repayments of ICR Student Loans where the borrower is within the UK tax system and is no longer in higher education. Workers from overseas who have studied in their own country are not part of this scheme. (The Student Loans Company (SLC) is directly responsible for collecting the loans of borrowers outside the UK tax system.)

In most cases, the employer of the borrower collects the Student Loan repayments through the Pay As You Earn (PAYE) scheme. However, there are different rules for borrowers who submit returns through the Self Assessment (SA) system. For more information on the collection of Student Loans for SA customers, see page 2 of this factsheet or go to www.hmrc.gov.uk/leaflets/csl1.pdf

Employers play a vital role in helping us collect Student Loan repayments which in turn helps the SLC maintain and administer the loans.

The Student Loans Company (SLC)

The SLC is responsible for paying out the loans and keeping details of the borrowers' accounts, including:

- adding interest
- sending yearly statements
- answering any questions from borrowers.

The SLC repayment website has more detailed information about all of these subjects including a statement illustration. Go to www.studentloanrepayment.co.uk

When should an employer start collecting repayments?

The SLC sends us details of borrowers who are due to repay their loan. If the borrower is in employment, we will send a form SL1 *Start Notice* to the employer.

Repayments are only collected:

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

Since April 2005 the annual threshold has been £15,000 but from 6 April 2012 this will increase to £15,795. This means for employees paid:

- monthly, the threshold is £1,316 per month
- weekly, the threshold is £303 per week.

Repayments of Student Loans are collected at the rate of 9% of income over these thresholds.

Employers should start making Student Loan deductions only when:

- they receive form SL1 *Start Notice*
- a new employee gives them a form P45 with a Y in the box *Student Loan Deductions to continue*
- a new employee gives them a form P46 with an entry in box D *Student Loans*.
Please note - an employer may get the required P46 information by email or on their own stationery as long as they keep a record of where it came from.

How does an employer work out the repayments?

Repayments deducted by the employer are worked out on individual pay periods and

Help and guidance

Help and guidance is available from the following sources.

The internet

Employers

Go to www.businesslink.gov.uk/studentloandeductions

Employees

Go to www.hmrc.gov.uk/students/tma-repaying-student-loans.shtml

SLC website

For borrower enquiries about:

- the administration of a loan
- loan terms
- interest, or
- statements

go to

www.studentloanrepayment.co.uk

By phone

Employer Helplines

If you have been an employer for:

- less than three years, phone **0845 60 70 143**
- more than three years, phone **0845 714 3143**.

These helplines are for employers only.

Employee Helplines

Employees who have questions about their individual Student Loan tax affairs should phone their HMRC office. The office contact details depend on an individual's circumstances. You can find all of our helplines and opening hours online. Go to www.hmrc.gov.uk and select *Contact us*.

Student Loan factsheets and Employer Helpbooks

- CSL1 *Collection of Student Loans for SA customers*, go to www.hmrc.gov.uk/leaflets/csl1.pdf
- CSL2 *The collection of Student Loans*, go to www.hmrc.gov.uk/leaflets/csl2.pdf
- Employer Helpbook E17 *An employer's guide to the collection of Student Loans*, go to www.hmrc.gov.uk/helpsheets/2012/e17.pdf

Please turn over

not on a cumulative total for the year.

To work out how much they need to deduct, employers can use:

- commercial payroll software
- HMRC Basic PAYE Tools - available to download, go to www.businesslink.gov.uk/basicpayetools or
- the SL3 *Student Loan Deduction Tables*.

When the borrower leaves an employment, the employer must show that Student Loan deductions are due to continue on form P45 unless an SL2 stop notice has been received.

Collecting loans through the Pay As You Earn (PAYE) scheme

Employers should pay over the amount of Student Loan deductions together with PAYE tax and National Insurance contributions (NICs) deducted during each pay period. Although employers keep separate details of Student Loan deductions, the amount is included with tax when making payments to us.

After the end of each tax year, employers must tell us of the Student Loan deductions that they have collected. We then pass this information to the SLC.

This may take some time after the end of each tax year as HMRC has to deal with large numbers of end-of-year returns from employers each year. However, the repayments the employers have deducted will be used to pay off the borrower's loan for the year in which they were deducted and all interest charges are calculated to match when the repayments were made. This makes sure that the correct amount of interest is added to the borrower's account. Please contact the SLC direct if you have any questions about interest charges.

Employers may have to pay penalties if they do not pay the amounts due on time and in full. For more information on penalties go to www.hmrc.gov.uk/payee/problems-inspections/late-payments.htm

Self Assessment (SA) borrowers

Borrowers who are employees, and who also make returns under the SA system may have to make additional student loan repayments when they pay their annual balancing payment. This is in addition to the deductions already made by their employer.

Borrowers who are not employees but who make SA returns each year will have their Student Loan repayments collected through SA, along with tax and National Insurance contributions (NICs).

Voluntary payments

Borrowers can also make voluntary payments direct to the SLC at any time. Voluntary payments will always be in addition to any repayments that we collect. Borrowers should contact the SLC direct if they want to know more about this option.

Stopping Student Loan deductions

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

- 1 The employer receives form SL2 *Stop Notice* from us.
- 2 In exceptional circumstances we may phone the employer and tell them to stop making deductions straightaway. If this is the case, we will confirm the request later in writing.
- 3 If the employer is an educational institution or a Local Education Authority (LEA) in England or Wales, and the borrower is a teacher, the borrower may give the employer a letter from the SLC which tells the employer to stop making deductions as the borrower has been accepted by the 'Repayment of Teachers' Loans scheme'.

Over deductions by employers

It is possible that an employer could make a mistake and over deduct loan repayments from a borrower. If this happens and the employer can correct the mistake before they complete their end-of-year return, the borrower will receive a refund through their salary. If the error is not corrected before the employer has completed their end-of-year return, the employer should contact us. We will arrange to make the refund. You can find more information about this in the Employer Helpbook E17 *Collection of Student Loans*.

Your rights and obligations

To find out what you can expect from us and what we expect from you go to www.hmrc.gov.uk/charter and have a look at *Your Charter*.

Forms and guidance in Braille, large print and audio

We have a range of services for people with disabilities, including Braille, large print and audio. Most of our forms and guidance are also available in large print. Please contact us on any of our phone helplines shown on page 1 if you need these services.

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