

Collection of Student Loans

An employer's guide to the collection of Student Loans

Use from 6 April 2010

Employer Helpbook
E17(2010)

Help and guidance

Help and guidance is available from the following sources.

The Internet



Go to our website at www.hmrc.gov.uk/payee

Employer CD-ROM



Your Employer CD-ROM has most of the forms and guidance you will need to help you run your payroll throughout the year. For more information about your Employer CD-ROM see the inside back cover.

Employer Helplines



Employer for **less** than 3 years
Phone the New Employer Helpline

0845 60 70 143

Open 8.00am to 8.00pm Monday to Friday
8.00am to 5.00pm Saturday and Sunday

Employer for **more** than 3 years
Phone the Employer Helpline

08457 143 143

Open 8.00am to 8.00pm Monday to Friday
8.00am to 5.00pm Saturday and Sunday

If you have a hearing or speech
impairment, and use a textphone

0845 602 1380

(Only people with specialised equipment
such as Minicom are able to use this service)
Open 8.00am to 8.00pm Monday to Friday
8.00am to 5.00pm Saturday and Sunday

A list of helplines and opening hours is available:

- on our website, go to
www.hmrc.gov.uk/contactus/helplines.htm
- on your CD-ROM
- in your Employer Bulletin, and
- in **The Phone Book** from BT.

In person



We offer free workshops covering all payroll topics. These workshops are available at locations nationwide. Further information is available from our website, go to www.hmrc.gov.uk/bst or by calling the Advice Team on **0845 603 2691**.

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio call the Employer Orderline on **08457 646 646** and ask to speak to the Customer Service Team.

See the inside back cover for further help and guidance.

Collection of Student Loans

This helpbook gives general information about the Collection of Student Loans scheme and explains your responsibilities as an employer in making deductions and sending those deductions to HMRC.

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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.

HMRC is responsible for collecting repayments of Income Contingent Student Loans in cases where the borrower is within the UK tax system and is no longer in higher education.

The loans are still administered by the Student Loans Company.

If you use commercial software it will usually calculate any Student Loan deductions automatically along with PAYE and National Insurance contributions (NICs). Simply follow the software instructions.

Additionally, the Employer CD-ROM gives you the option of using:

- the HMRC P11 Calculator
- the Student Loan Calculator, or
- the SL3 *Student Loan Deduction Tables*.

Paper *SL3 Student Loan Deduction Tables* are available from:

- our website, go to www.hmrc.gov.uk/employers/emp-form.htm or
- the Employer Orderline on **08457 646 646**.

In addition to the guidance provided in this helpbook, further information is available from our website and Collection of Student Loans leaflets, go to:

- www.hmrc.gov.uk/payee/payroll/day-to-day/student-loan.htm
- www.hmrc.gov.uk/employers/collection-sl.pdf
- www.hmrc.gov.uk/leaflets/csl1.pdf

Your responsibilities

You are responsible for:

- making deductions of Student Loan repayments from your employee's earnings
- keeping records of the deductions made (column 1k of form P11)
- paying the deductions over to HMRC
- providing HMRC with details of the deductions at the year end
- giving your employee details of the deductions on their wage/payslip
- identifying on form P45, when the employee leaves your employment, that they are liable to make Student Loan repayments.

You are **not** responsible for:

- identifying employees who are liable to make Student Loan repayments
- handling queries regarding the employee's loan. You should advise the borrower to refer any queries directly to the Student Loans Company on **0845 073 8891**.

When to start making Student Loan deductions

You should only start making Student Loan deductions when:

- you receive a form SL1 *Start Notice*. Most Start Notices will look like the illustration below but they can also be sent electronically if you have registered to receive notices this way. They can also be issued by letter
- a new employee gives you a form P45 with a 'Y' in the 'Student Loan deductions to continue' box (box 5)
- a new employee gives you a form P46 with a tick in box D (Student Loans). The employee should tick this box if
 - they left higher education before last 6 April and they have not fully repaid a Student Loan first taken out on or after 1 September 1998, and
 - they are not repaying their Student Loan by agreement with the Student Loans Company to make monthly payments through a bank or building society account.

Form SL1 *Start Notice* received

Form SL1 *Start Notice* will be sent to you when a successful match is achieved between the Student Loans Company record of borrowers and HMRC computer records.

The SL1 *Start Notice* identifies the employee and tells you to start making deductions using your commercial software or one of the calculators on the Employer CD-ROM.

You must start making deductions from the first available pay day after the Student Loan deduction start date shown on the SL1 *Start Notice*. Do not make deductions before the start date. By first available pay day we mean the first pay day on which it is practical to apply that notice.

HM Revenue & Customs **Student Loan - Start Notice**

Issued by

Employer Reference

Date

Phone

Fax

Notice to employer to start Student Loan deductions

Deductions must start from the first available pay day after the Student Loan deduction start date shown below whenever total pay exceeds the Student Loan threshold.

Failure to comply with this notice may result in a penalty being charged.

Use the calculator on the Employer CD-ROM or the *Student Loan Deduction Tables*, SL3 to work out how much to deduct. Guidance can be found in the Employer Helpbooks *Day-to-day payroll*, E13 and *Collection of Student Loans: An employer's guide to the collection of student loans*, E17. The Helpbooks are available on the Employer CD-ROM, from the Employer Orderline, 0845 7 646 646, or the HM Revenue & Customs website, go to www.hmrc.gov.uk/employers

Employee's name

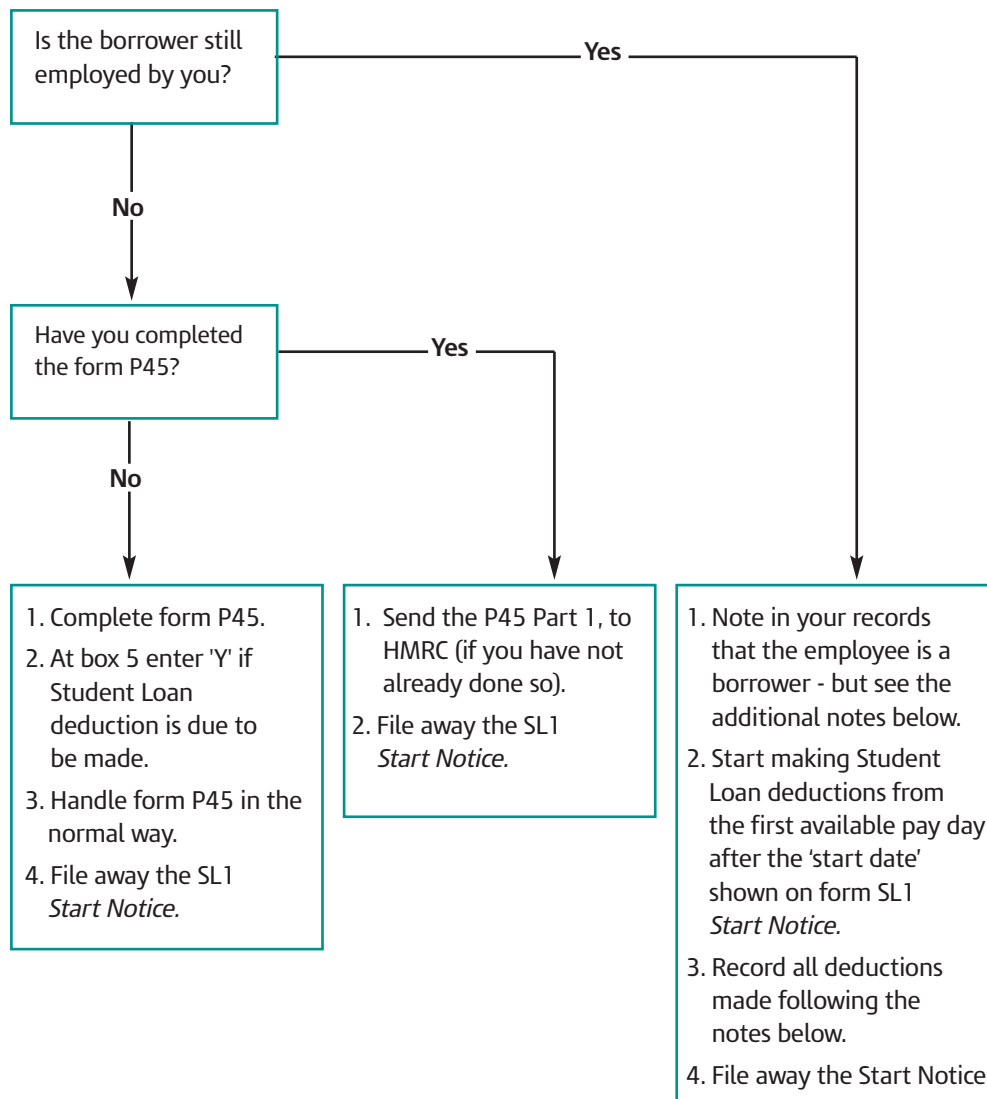
National Insurance number

Works/Payroll number, Branch etc

Student Loan deduction start date

SL1 HMRC 04/08

Chart: what to do with the SL1 *Start Notice*



Recording Student Loan deductions

- If you are using the **P11 Calculator on your CD-ROM** for your employee simply indicate the employee is a Student Loan borrower on the Employer Database by editing the employee details.
- If you are using a **P11 Deductions Working sheet or equivalent record** enter a tick in Box K headed 'Student Loan deductions case' on the form P11 and use the calculator on your Employer CD-ROM or *SL3 Student Loan Deduction Tables*, to work out the amount of Student Loan deduction.

Points to note

If you receive a form *SL1 Start Notice* for someone:

- that you have never employed, contact your HMRC office and give them details of the person concerned. They will investigate what has happened and contact you again if necessary. You should file away the *SL1 Start Notice*
- who claims never to have had a Student Loan, you should start making deductions, in accordance with the *SL1 Start Notice* and continue doing so unless advised otherwise. You should file away your *SL1 Start Notice*
- for whom you are already making deductions because the employee has ticked box D on form P46 you should file away the *SL1 Start Notice*.

Procedures for forms P45, P46 and P46(Expat) received from a new employee

Where a new employee gives you a form P45 and there is a 'Y' in box 5 'Student Loan deductions to continue' this means that form SL1 *Start Notice* has been issued to a previous employer and deductions should continue.

You should begin making deductions as soon as possible using the P11 Calculator, the Student Loan Calculator on the CD-ROM or the SL3 *Student Loan Deduction Tables*.

If you receive the form P45 some time after an employee has started to work for you, and there is a gap since their last employment or the employee did not indicate at box D of form P46 that they were repaying a Student Loan, you should start making deductions from the next pay day. Do not make any deductions in arrears.

Where a new employee without a P45 gives you a:

- form P46
- form P46(Expat) – only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer (further information is provided in the CWG2(2010) *Employer Further Guide to PAYE and NICs*)

with a tick in box D (Student Loans) you should start making deductions from the next pay day.

Student Loan deductions – employee working abroad

If you continue to pay an employee while they work abroad, and you:

- continue to pay the employee from the UK, and
- are operating PAYE as though the employee was in the UK

then you should continue to make Student Loan deductions until you receive a Stop Notice (SL2).

For more information about working abroad, go to

www.hmrc.gov.uk/employers/faq-sl-abroad.htm

What to do if an employee tells you they have ticked box D on form P46 in error

If an employee tells you that they have ticked box D on form P46 (including because they have a mortgage style loan advanced before 1 September 1998), check whether you have received either:

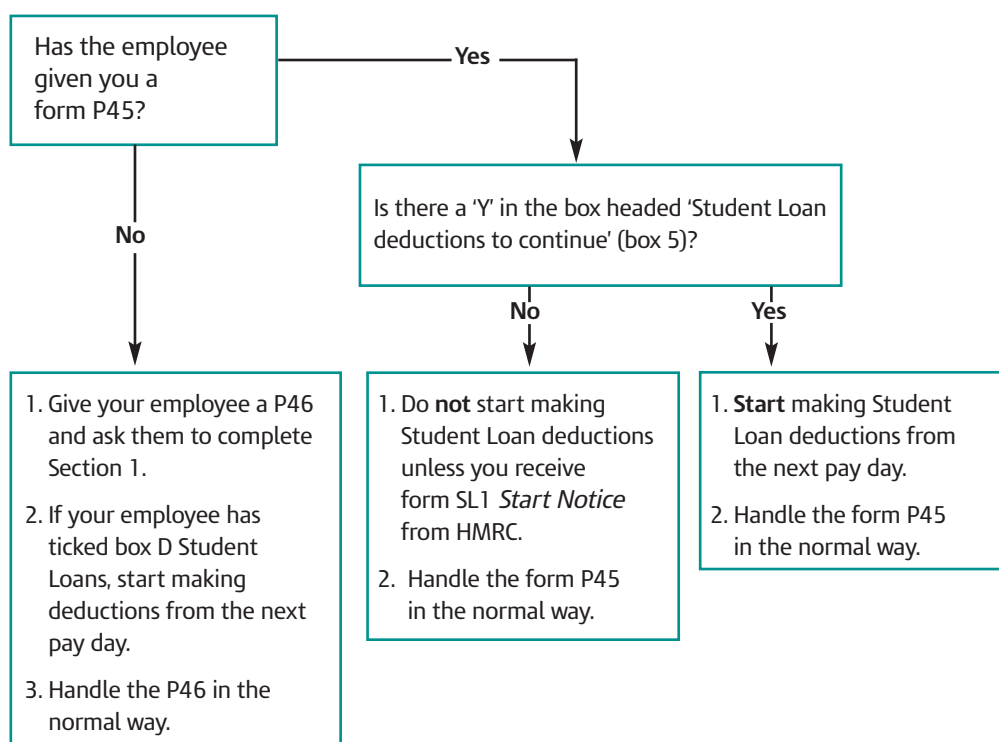
- a SL1 *Start Notice* from HMRC, or
- form P45 (Part 3) from their previous employer, marked with a 'Y' in box 5.

If you have received either of these forms continue making deductions as normal (your employee should contact the Student Loans Company if they still feel that deductions are not due).

If you haven't received either of these forms continue making deductions for the time being and phone the HMRC Employer Helpline on **08457 143 143** who will tell you what further action to take.

If it is confirmed that Student Loan deductions are not necessary, HMRC will write to you authorising you to stop making Student Loan deductions and will ask you to refund any deductions made from your employee.

The chart below will help you to consider whether Student Loan deductions should be made from the pay of a new employee.



How to make Student Loan deductions

There is an Annual Threshold, currently £15,000, above which Student Loan repayments become due. Employers making Student Loan deductions apply a proportion of the threshold appropriate to the pay period in calculating the amount of Student Loan repayment to deduct.

Annual threshold	£15,000	
Monthly threshold	£ 1,250	(£15,000 ÷ 12)
Weekly threshold	£ 288.46	(£15,000 ÷ 52)

The rate of deduction when calculating the amount of Student Loan deduction is 9%.

Deductions are made on a non-cumulative basis.

If you use commercial payroll software

Commercial payroll software will usually calculate any Student Loan deductions automatically - along with PAYE and NICs deductions. Simply follow the payroll software instructions.

If you use the P11 Calculator on your Employer CD-ROM

If you use the P11 Calculator to work out PAYE and NICs it will automatically work out your Student Loan deductions for you. It will do this for:

- weekly
- fortnightly
- 4-weekly, and
- monthly

pay periods.

Follow the instructions in the employee database to indicate that Student Loan deductions need to be made.

You can do this either:

- when entering the employee's details for the first time
- by amending their details after we send you form SL1 *Start Notice*
- by amending details of an existing employee already set up for whom you currently add Student Loan deductions separately.

Once you've entered the details, the P11 Calculator will make deductions automatically for each pay period - there's no need to use the separate Student Loan Calculator on the Employer CD-ROM.

For other pay periods see 'Pay periods other than weekly or monthly' on page 7.

If you complete a paper form P11

If you complete the paper form P11 *Deductions Working sheet* we recommend that you use our Student Loan Calculator on the Employer CD-ROM. This will work out the deduction automatically for each pay period. You then record the deduction in column 1k on form P11 *Deductions Working sheet* as shown in the following example.

If your employee's pay is:

- weekly - between £288.46 and £1,155.00
- monthly - between £1,250.00 and £5,005.00

you can also use the Student Loan tables to work out the deduction. However, this method is more time consuming and more prone to error than using the calculator.

You can't use the SL3 *Student Loan Deduction Tables* to work out the deduction if your employee's pay is outside the above limits, instead you should follow the instructions on page 7 '**Earnings exceed highest amount**'.

Step 1

Work out the employee's earnings for Student Loan deduction purposes (identical to the earnings calculated for Class 1 NICs).

Step 2

Use the calculators on the CD-ROM or the SL3 *Student Loan Deduction Tables* to calculate the deduction.

If using the SL3 *Student Loan Deduction Tables*:

- decide which table to use - weekly or monthly
- look up the amount of earnings in the week or month to find the corresponding Student Loan deduction. (Where the exact figure is not shown, look for the nearest figure below and use the amount of Student Loan deduction shown for that range of earnings.)

Step 3

Record the amount of Student Loan deduction in column 1k of the form P11 *Deductions Working sheet*.

For other pay periods see 'Pay periods other than weekly or monthly' on pages 7 and 8.

Example

Earnings in week £400

Look at weekly table - earnings fall in range of £400 - £410 corresponding deduction is £10

Student Loan Deduction Tables

When to use these tables

- Use these tables for employees for whom you have received form SL1 *Student Loan – Start Notice* or for new employees who have given you a form P45 with an entry in box 5 ‘Student Loan deductions to continue’.
- If your employee doesn’t give you a form P45 they should complete a form P46. If they have ticked the Student Loans section, box D on the P46, you should use these tables to start making Student Loan deductions.
- Before you can use these tables, you must work out the employee’s earnings for the purposes of deducting Student Loans. Follow the instructions at Part 9 of the Employer Helpbook E13 *Day-to-day payroll*.

How to use these tables

- Decide which table to use:
 - for **weekly** paid employees use the table below
 - for **monthly** paid employees use the monthly table on page 3.
- Look up the amount of earnings in the week or month in the left hand column to find the corresponding Student Loan deduction. If the **exact** amount of earnings is not shown, look for the nearest figure **below** and use the amount of Student Loan deduction shown for that range of earnings.
- Turn to page 6 if:
 - earnings in the week or month **exceed** the highest amount of earnings shown in the table, or
 - you are making payment for a pay period other than a standard week or month.

If you need help using these tables, please phone the Employer Helpline on **08457 143 143** for advice.

Weekly table

Earnings in week £	Student Loan deduction £	Earnings in week £	Student Loan deduction £	Earnings in week £	Student Loan deduction £
1 – 299	Nil	589 – 599	27	889 – 899	54
300 – 310	1	600 – 610	28	900 – 910	55
311 – 321	2	611 – 621	29	911 – 921	56
322 – 332	3	622 – 632	30	922 – 932	57
333 – 344	4	633 – 644	31	933 – 944	58
345 – 355	5	645 – 655	32	945 – 955	59
356 – 366	6	656 – 666	33	956 – 966	60
367 – 377	7	667 – 677	34	967 – 977	61
378 – 388	8	678 – 688	35	978 – 988	62
389 – 399	9	689 – 699	36	989 – 999	63
400 – 410	10	700 – 710	37	1000 – 1010	64
411 – 421	11	711 – 721	38	1011 – 1021	65
422 – 432	12	722 – 732	39	1022 – 1032	66
433 – 444	13	733 – 744	40	1033 – 1044	67
445 – 455	14	745 – 755	41	1045 – 1055	68
456 – 466	15	756 – 766	42	1056 – 1066	69
467 – 477	16	767 – 777	43	1067 – 1077	70
478 – 488	17	778 – 788	44	1078 – 1088	71
489 – 499	18	789 – 799	45	1089 – 1099	72
500 – 510	19	800 – 810	46	1100 – 1110	73
511 – 521	20	811 – 821	47	1111 – 1121	74
522 – 532	21	822 – 832	48	1122 – 1132	75
533 – 544	22	833 – 844	49	1133 – 1144	76
545 – 555	23	845 – 855	50	1145 – 1155	77
556 – 566	24	856 – 866	51		
567 – 577	25	867 – 877	52		
578 – 588	26	878 – 888	53		

Earnings exceed highest amount

Where earnings exceed £1,155 per week or £5,005 per month you will not be able to use the SL3 *Student Loan Deductions Tables* to calculate the Student Loan deductions. You will need to use either the P11 Calculator or the Student Loan Calculator which are available on your Employer CD-ROM, or calculate the deductions yourself.

Student Loan deductions are calculated as follows.

Step 1

Deduct the pay period threshold from the total earnings in the week or month, that is:

- £288.46 for weekly paid employees
- £1,250.00 for monthly paid employees.

Step 2

Multiply the result of Step 1 (the excess) by 9% (0.09).

Step 3

Where the result at Step 2 includes an amount of pence, round the figure to the nearest whole £ below.

Step 4

Record the amount of the Student Loan deduction on the employee's form P11 *Deductions Working sheet* in column 1k at the appropriate week or month.

Example - weekly paid

Earnings in week £1,200.00
Minus pay period threshold £ 288.46
 £ 911.54 (result Step 1)
Multiply £911.54 x 9% (0.09) = £82.03 (result Step 2)
Round result of Step 2 to nearest £ below.
Student Loan deduction = £82 (result Step 3)

Pay periods other than weekly or monthly

Use the table below to find out if you are able to use the Calculators or the Tables to calculate the Student Loan deductions.

Pay period is a multiple of a week or month

Pay periods	P11 Calculator	SL Calculator on CD-ROM	SL3 <i>Student Loan Deduction Tables</i>
Weekly	Yes	Yes	Yes
2-weekly	Yes	Yes	No
3-weekly	No	No	No
4-weekly	Yes	Yes	No
Monthly	Yes	Yes	Yes
Other frequencies	No	No	No

If you are unable to use either the Calculators or the Tables to calculate the Student Loan deductions please follow Step 1 to Step 4 below.

Step 1

Divide the earnings into equal weekly or monthly amounts to get an average weekly or monthly amount.

Step 2

Find the amount of Student Loan deduction due for the average weekly or monthly amount.

Step 3

Multiply the amount of Student Loan deduction by the number of weeks or months in the pay period.

Step 4

Record the multiplied amount on the employee's form P11 *Deductions Working Sheet*, in column 1k at the appropriate week or month.

Example

Pay period 3 weeks, earnings £1,200
Average weekly earnings £1,200 ÷ 3 = £400 (result Step 1)
Using SLD Tables - SLD is £10 weekly (result Step 2)
Multiply by weeks in pay period £10 x 3 = £30
Student Loan deduction = £30 (result Step 3)

Pay period is not a multiple of a week or month

Step 1

Work out the number of days in the pay period.

Step 2

Multiply the number of days by £15,000 (the annual threshold) and then divide the result by the number of days in the year to give you the pay period threshold. (Round the resulting figure to the nearest penny.)

Step 3

Deduct the pay period threshold from the total earnings in the pay period.

Step 4

Multiply the result of Step 3 by 9% (0.09).

Step 5

If the result of Step 4 includes an amount of pence, round the resulting figure to the nearest whole £ below.

Step 6

Record the amount of Student Loan deduction on the employee's form P11 *Deductions Working Sheet*, in column 1k at the appropriate week or month.

Example

Earnings £1,100 for a pay period of 25 days

Number of days in pay period is 25 (result Step 1)

Calculate pay period

threshold $\frac{25 \times \pounds 15,000}{365} = \pounds 1,027.39$ (result Step 2)

Earnings in pay

period £1,100.00

Minus pay period

threshold £1,027.39

£72.61 (result Step 3)

Multiply £72.61 x 9% (0.09) = £6.53 (result Step 4)

Round result of Step 4 to nearest £ below.

Student Loan deduction = £6 (result Step 5).

These steps can also be used to arrive at a deduction where you change the pay interval from any number of weeks to another interval, for example 4-weekly to monthly. In these circumstances if your last pay period overlaps with your new pay period, you would aggregate the pay for both periods and then:

- follow Steps 1- 4 and work out the overall Student Loan deduction using the daily threshold figure
- give credit for any Student Loan deduction already made (from the last pay period before the change of pay interval)
- make a deduction for the balance by following Steps 5 and 6.

Another example around a change of pay interval is also given on page 14.

Paying Student Loan deductions over to HM Revenue & Customs

You should pay over the amount of Student Loan deductions together with PAYE tax and NICs deducted during the same period.

Although you keep separate details of Student Loan deductions, the amount is included with tax when making payment. You may have to pay penalties if you do not pay the amounts due on time and in full.

Details are in Part 4 of Employer Helpbook E13(2010) *Day-to-day payroll*, available from:

- our website, go to www.hmrc.gov.uk/employers/emp-form.htm
- your Employer CD-ROM
- the Employer Orderline, phone **08457 646 646** or fax **08702 406 406**.


When to stop making Student Loan deductions

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

1. You receive a form SL2 *Stop Notice* from HMRC.
2. In exceptional circumstances, you 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 you are an Educational Institution or LEA in England and Wales, the teacher may give you a letter from the Student Loans Company which tells you to stop making deductions as the teacher has been accepted by the Repayment of Teachers' Loan scheme.

Form SL2 *Stop Notice* received

You must stop making deductions from the first available pay day after the Student Loan deduction stop date shown on the notice. By first available pay day we mean the first pay day on which it is practical to apply that notice.


Student Loan - Stop Notice

Issued by

Employer Reference

Date

Phone

Fax

Notice to employer to stop Student Loan deductions

Deductions must stop on the first available pay day after the Student Loan deduction stop date shown below.

You can find guidance in the Employer Helpbooks *Day-to-day payroll*, E13 and *Collection of Student Loans: An employer's guide to the collection of student loans*, E17. The Helpbooks are available on the Employer CD-ROM, from the Employer Orderline, 0845 7 646 646, or the HM Revenue & Customs website, go to www.hmrc.gov.uk/employers

Employee's name

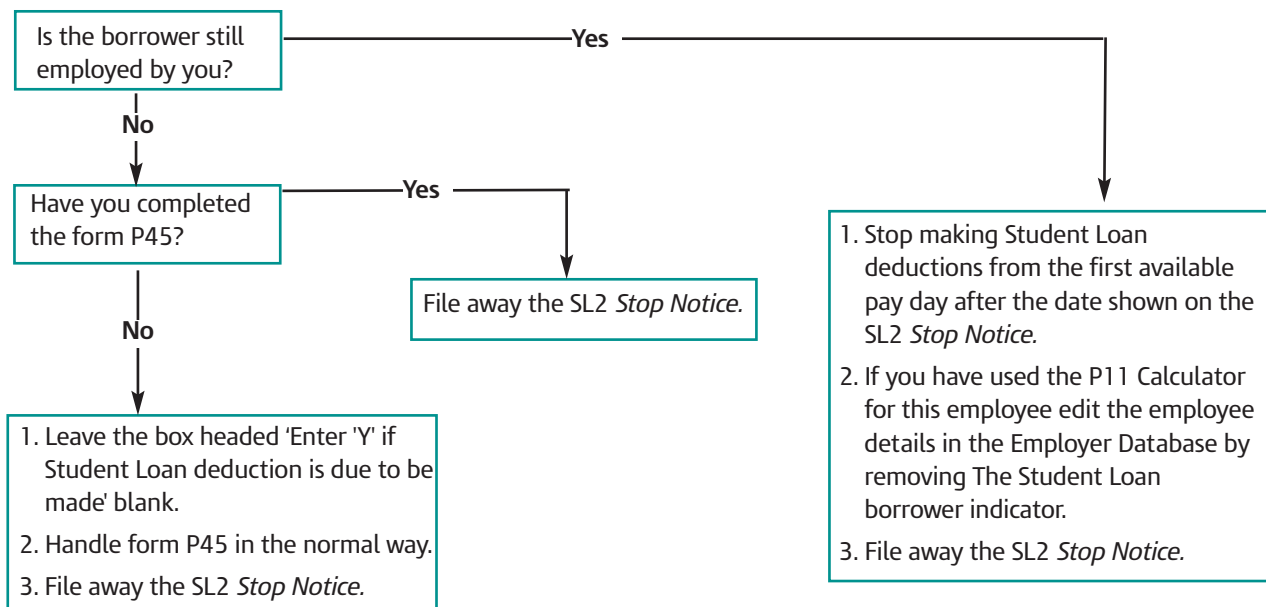
National Insurance number

Works/Payroll number, Branch etc

Student Loan deduction stop date

SL2 HMRC 04/08

Chart: what to do with the SL2 *Stop Notice*

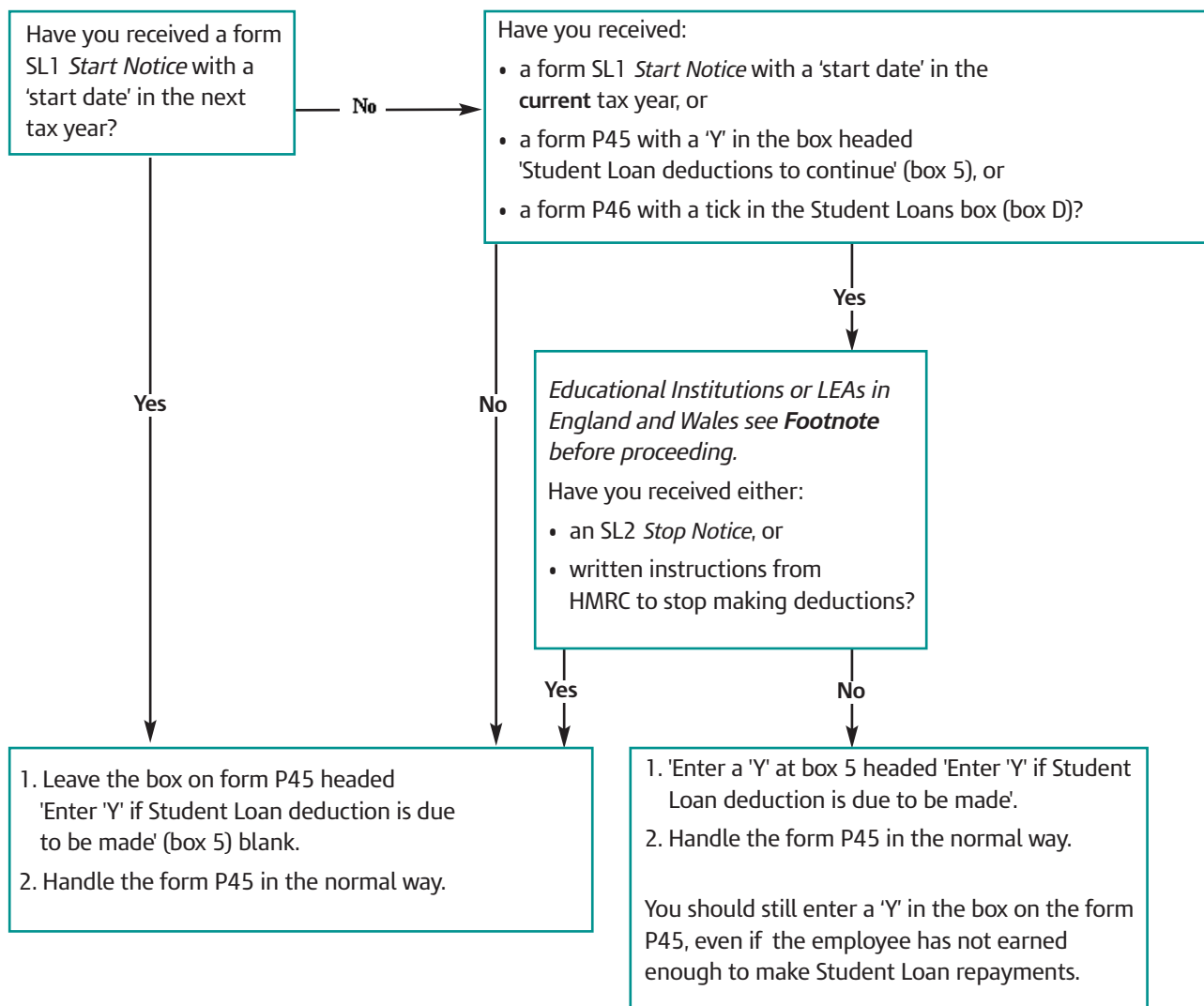


You cannot stop making deductions because your employee asks you to. If your employee thinks that you should not be making deductions they should contact the Student Loans Company. Do not contact the Student Loans Company on behalf of your employee, as they will not give information to a third party.

Where you receive form SL2 *Stop Notice* for someone that you have never employed you should contact your HMRC office and give them details of the person concerned. They will investigate what has happened and contact you again if necessary. You should file away the SL2 *Stop Notice*.

Chart: what to do when an employee leaves

When an employee leaves you will issue a form P45 in the normal way, taking care to consider the completion of box 5 if Student Loan deductions are due to be made.



Footnote

You should follow these procedures even if you are not making Student Loan deductions because the teacher who is leaving your employment has been accepted by the Repayment of Teachers' Loan scheme and has given you a letter from the Student Loans Company confirming that deductions should stop. Such a letter is not a written instruction from HMRC.

Record keeping and the end of the year

You should keep a record of all wages sheets, and other documents relating to the calculation and deduction of Student Loan repayments, including forms SL1 *Start Notice* and SL2 *Stop Notice*, for a period of at least three years after the end of the tax year to which they relate. For example, records for 2010-2011 must be kept until 5 April 2014.

Enter the amount of Student Loan deductions in the appropriate box on your employee's form P14 *End of Year Summary*, and P60 (whole pounds only).

Enter on your form P35 *Employer Annual Return*, the total Student Loan deductions you have made in the tax year. To arrive at this figure, add together the total amount entered in column 1k on all the forms P11 *Deductions Working Sheet* and enter this new total in Box 10 (whole pounds only).

Special cases – court orders and how they affect Student Loan deductions

In the majority of cases Student Loan deductions are deducted at the same time as tax and NICs. There may, however, be a small number of cases where, in addition to Student Loan deductions, you will be obliged to consider a court order, for example Attachment of Earnings Order (AEO) or Deduction from Earnings Order (DEO).

The order and amount of Student Loan deductions varies depending on whether:

- the AEO/DEO is a priority or non-priority order
- the AEO/DEO is based on specific or percentage amounts
- the total deductions, including Student Loan deductions breach the protected earnings level stipulated in the court order.

Order of deduction – England, Wales and Northern Ireland

Priority order – percentage based

Some priority orders – Council Tax or Community Charge AEOs (CCAEOs), or Income Support Deduction Notices – are based on percentage deductions.

Do not deduct any Student Loan repayments until all such orders have been paid in full.

Note: the above guidance also applies to the pre-April 1992 CCAEOs which are table based.

Whilst AEOs issued by Magistrate's Courts under The Courts Act 2003 Regulations are also percentage based, they should, nevertheless, be treated as 'Priority order – specific amounts' as in the following paragraph and the Student Loan deduction should be calculated as normal.

Priority order – specific amounts

No specified level of protected earnings

Apply the priority order against the borrower's attachable earnings before Student Loan deductions are made.

You should:

- apply the priority orders to the employee's attachable earnings in the normal way
- calculate the Student Loan deduction using the calculator on the CD-ROM or by reference to the SL3 *Student Loan Deduction Tables*.

Specified level of protected earnings

Apply the priority order against the borrower's attachable earnings before Student Loan deductions are made.

The combined deduction of court orders and Student Loan deductions must not reduce the available income below the level of protected earnings.

The working sheet below will help you calculate the correct Student Loan deduction when there is a priority order based on specified amounts.

Order of deduction

1. Earnings for Student Loan purposes

2. Normal Student Loan deductions (from the CD-ROM calculator or SL3 *Student Loan Deduction Tables*)

3. Attachable Earnings for priority AEO/DEO

4. Amount of priority AEO/DEO to be deducted

5. Net attachable earnings after AEO/DEO (Box 3 *minus* Box 4)

6. Level of protected earnings (from most recent AEO/DEO)

7. Net attachable earnings *minus* level of protected earnings (Box 5 *minus* Box 6) (The resulting figure should be rounded down to the nearest pound. If negative, set to zero.) This is the maximum amount available to be deducted for Student Loan purposes in this pay period

8. Amount of Student Loan deductions to be made

This is the lower of:

- Box 2 - 'Normal' Student Loan deductions, or
- Box 7 - 'Maximum' Student Loan deductions

In either case, the amount to be deducted should be a figure that has been rounded down to the nearest pound.

Do not carry forward any balance of deductions not made because the maximum deductions (Box 7) is less than the 'normal' amount of Student Loan deductions calculated from the CD-ROM calculator or the SL3 *Student Loan Deduction Tables* (Box 2).

Example

Monthly salary £2,000

Protected earnings level £850

Amount of priority order to be deducted £563

Order of deduction

1. Earnings for Student Loan purposes

1 £ 2,000

2. Normal Student Loan deductions (from the CD-ROM calculator
or SL3 *Student Loan Deduction Tables*)

2 £ 67

3. Attachable Earnings for priority AEO/DEO

£ 1,466
net after PAYE/NICs

4. Amount of priority AEO/DEO to be deducted

£ 563

5. Net attachable earnings after AEO/DEO (Box 3 *minus* Box 4)

£ 903

6. Level of protected earnings (from most recent AEO/DEO)

£ 850

7. Net attachable earnings *minus* level of protected earnings (Box 5 *minus* Box 6)
(The resulting figure should be rounded down to the nearest pound. If negative,
set to zero.) This is the maximum amount available to be deducted for Student
Loan purposes in this pay period

£ 53

8. Amount of Student Loan deductions to be made
This is the lower of:

- Box 2 - 'Normal' Student Loan deductions, or
- Box 7 - 'Maximum' Student Loan deductions

£ 53

Non-priority orders

Student Loan deductions should be deducted before non-priority court orders.

You should use the P11 Calculator, the Student Loan Calculator on the CD-ROM or the SL3 *Student Loan Deduction Tables* in the normal way.

Order of deduction – Scotland

Scottish Court Orders

In Scotland employers may be required to apply:

- an Earnings Arrestment
- a Current Maintenance Arrestment, or
- a Conjoined Arrestment Order.

If any of these are to be applied for a pay period then no Student Loan deductions should be made.

Deduction of Earnings Order

If a Scottish employer is required to operate a DEO then the same rules apply as for any other employer.

The Student Loan deductions should be made after the DEO, which is a Priority Order, and must not breach the protected earnings level set in the DEO.

Scottish Court Orders and Deduction of Earnings Orders

If an employer is required to apply both a DEO and a Scottish CO then no Student Loan deduction should be made.

Scottish Debt Arrangement Scheme (DAS)

Income contingent Student Loans will not be included in the debts coming within the DAS. Therefore, the collection of Student Loan deductions should continue unaffected by any instructions received by an employer to make deductions under the DAS.

Special cases – other

Payments made after the death of an employee

Do not make any Student Loan deductions from any payments made after an employee has died. This is because such payments are not subject to Class 1 NICs.

This applies even though the payment may relate to a period prior to death for example unpaid wages.

Payments made after employee leaves

If you make a payment to a borrower who is no longer your employee, you should calculate the Student Loan deductions on the same amount, and for the same earnings period as for NICs.

Employee with more than one job

For Student Loan purposes you should disregard any earnings from another employer.

However, if a borrower has more than one job with you, follow the NICs aggregation rules if they apply, otherwise treat both employments separately.

Holiday pay

There are various methods of calculating NICs on holiday pay, depending upon the circumstances and which method is most convenient.

Whichever method of calculation is used for NICs purposes the same method should be applied to Student Loans.

Where the annual threshold (above which Student Loan repayments become due) is to increase for the next year (as in April 2005), for payments of holiday pay around this time, it is acceptable for employers to apply the threshold applicable to the period in which any holiday pay is paid.

Change of pay interval

If the interval between the payment of an employee's earnings changes, for example, weekly to monthly paid, take the following action.

Work out the Student Loan deduction from the first payment after the change based on the new earnings period. (This may mean you include details of pay and Student Loan deductions already included in the last pay period before the change.)

If you have included a payment already made in the first of the new longer periods, the payment already made, and the Student Loan deduction worked out on it, should be taken into account when working out the Student Loan deduction for the new period as a whole.

Example

An employee is paid £500 weekly. The pay interval changes to monthly in the third week of the month. The monthly pay is £2,000. In the example below, the £2,000 payment in week 4 is made up of the two £500 payments made in weeks 1 and 2 plus £1,000 for weeks 3 and 4.

Week 1	Student Loan deductions on pay of £500 are £19 (weekly pay)
Week 2	Student Loan deductions on pay of £500 are £19 (weekly pay)
Week 3	The employee is now monthly paid and receives no pay in this week
Week 4	Student Loan deductions on pay of £2,000 are £67. However, £38 has already been deducted, so the amount now due to be deducted is £29 (£67 minus £38).

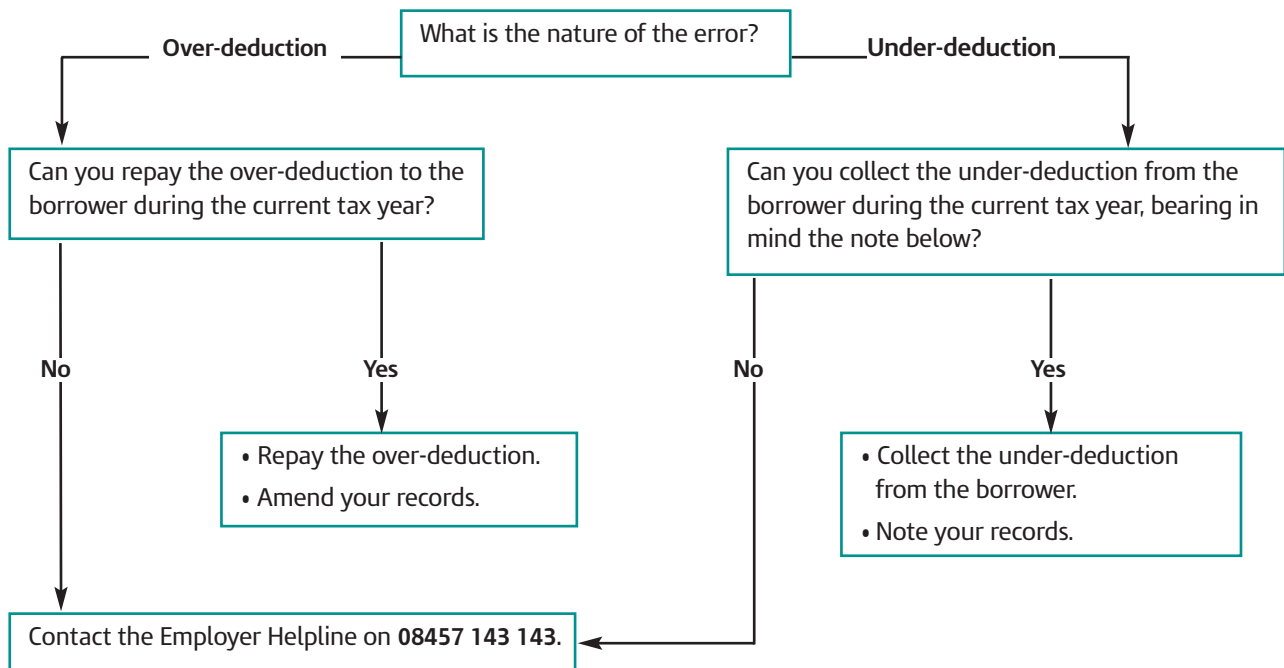
You will find more information on what to do if the interval between the payment of an employee's earnings changes in Chapter 1 of the Employer Helpbook CWG2(2010) *Employer Further Guide to PAYE and NICs*.

You can view, download or print the helpbook from the Internet, your Employer CD-ROM or you can order a copy from the Employer Orderline.

The guidance given for NICs purposes also applies to Student Loans deductions, though no Upper Earnings Limit applies to Student Loans.

Error made in deducting Student Loan repayments – what to do

Chart: error made in the current tax year



Note

During each period you can only collect an additional amount less than, or equal to, the amount that is due to be deducted in that period.

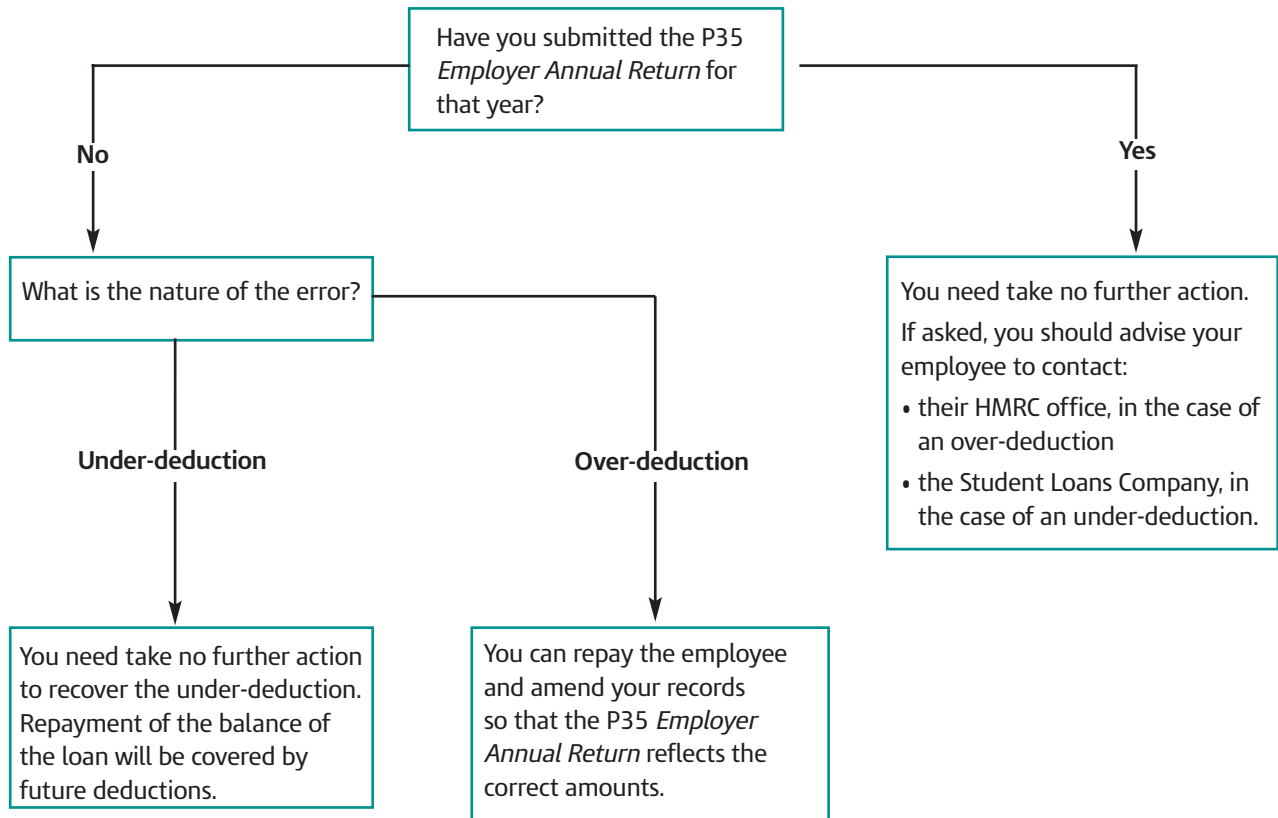
Example:

- under-deduction in week 8 £25
- deduction from Tables in week 9 £15
- under-deduction recovered in week 9 £15
- maximum total deduction £30*

(*that is, £15 week 9 deduction + £15 under-deduction)

Remaining £10 under-deduction may be recovered in subsequent pay periods following the above rules.

Chart: error made in a previous tax year



Further help and guidance

Further help and guidance for employers is available from the following sources.

The Internet

Go to www.hmrc.gov.uk/payee in the 'PAYE for employers' section where you'll find:

- a 'Getting started with PAYE' section for new employers
- advice on setting up and operating your payroll
- step-by-step guidance on filing your Employer Annual Return
- links to key PAYE forms, tools and publications.

Online services

For information about our online services go to

www.hmrc.gov.uk/online

For help and assistance using our online services contact the Online Services Helpdesk:

- email helpdesk@ir-efile.gov.uk
- phone **0845 60 55 999** open 8.00am to 8.00pm seven days a week.

Your Employer CD-ROM

Your CD-ROM has:

- most of the forms and guidance you will need to run your payroll throughout the year
- a P11 Calculator that will work out and record your employees' tax, NICs and Student Loan deductions every payday with a linked P32 *Employer Payment Record* that works out what you need to pay us
- a range of other calculators that work out car and car fuel benefit, statutory payments and Student Loan deductions.

Employer Annual Return

Almost all employers are required to file their 2009-10 Employer Annual Return (P35 and P14s) online.

If you have used the P11 Calculator for all your employees during the year and have nine or less employees at 5 April you can send us your Employer Annual Return online direct from your Employer CD-ROM.

Starter and leaver information

You can also send starter and leaver information P45(Part 1), P45(Part 3), P46 and P46(Expat) online using the CD-ROM.

There is also:

- a Learning Zone to help you understand payroll topics such as statutory payments, Student Loan deductions and PAYE Online
- a PAYE for Employers section for new and less experienced employers explaining what to do when employing someone for the first time.

Your HM Revenue & Customs (HMRC) office

Your own HMRC office can also help you if you have a query about your PAYE scheme. All our office contact details are on our website, go to

www.hmrc.gov.uk/local/employers/index.htm

Please tell us your employer reference which you will find on correspondence from your HMRC office.

Employer helpbooks

Our Employer helpbooks are designed to help you understand and operate PAYE, NICs and other payroll related matters.

The helpbooks are for guidance only, they are not comprehensive and have no legal force.

We also have many other leaflets and booklets that give further guidance, for example:

- CWG2(2010) *Employer Further Guide to PAYE and NICs*
- CWG5(2010) *Class 1A NICs on benefits in kind*
- 480(2010) *Expenses and benefits - A tax guide*
- 490 *Employee travel - A tax and NICs guide for employers.*

You can view, download or order most of the helpbooks, booklets and other guidance from:

- our website go to www.hmrc.gov.uk/employers/emp-form.htm or
- your Employer CD-ROM.

Or you can order copies from the Employer Orderline by phoning **08457 646 646**.

Yr Iaith Gymraeg

Ffoniwch **0845 302 1489** i dderbyn fersiynau Cymraeg o ffurflenni a chanllawiau.

Business Link

As an employer you will have wider issues to consider such as health and safety, working time and time off and so on. Business Link, managed by the Small Business Service, provides a wide range of information and various tools to help you.

For more information:

- go to www.businesslink.gov.uk
- phone **0845 600 9006**, 8.30am to 5.30pm Monday to Friday.

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

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