

Collection of Student Loans

An employer's guide to the collection of Student Loans

Help and guidance

Help and guidance is available from the following sources.

The internet

For help with payroll go to www.hmrc.gov.uk/paye

For wider interactive business help go to www.businesslink.gov.uk/mynewbusiness

Online Services

For information and help using our Online Services go to www.hmrc.gov.uk/online

For more help contact the Online Services Helpdesk by:

- email helpdesk@ir-efile.gov.uk
- phone **0845 60 55 999**, or
- textphone **0845 366 7805**.

Basic PAYE Tools

The Basic PAYE Tools contains a number of calculators and most of the forms that you will need to help you run your payroll throughout the year including:

- a P11 Calculator that will work out and record your employee's tax, NICs and Student Loan deductions every payday, with a linked P32 *Employer Payment Record* that works out how much you need to pay us
- a range of other calculators to work out Student Loan deductions and statutory payments and a learning zone to help you understand these and other payroll topics
- an employer database to record your employees' details
- interactive forms such as the P11D Working Sheets.

If you use the P11 Calculator in the Basic PAYE Tools you can file online your:

- starter and leaver information P45 Part 1, P45 Part 3, P46 information and P46(Expat) information
- Employer Annual Return (if you have up to and including nine employees) on the P11 Calculator at 5 April.

To download the Basic PAYE Tools, go to www.hmrc.gov.uk/paye/tools/basic-payee-tools.htm

Employer helplines

- Employer for **less than 3 years**, phone **0845 60 70 143**.
- Employer for **3 years or more**, phone **08457 143 143**.
- If you have a hearing or speech impairment and use a textphone, phone **0845 602 1380**.

Employer helpbooks and forms

Helpbooks and forms are available to download. Go to www.hmrc.gov.uk/payeformspublications.htm

Yr Iaith Gymraeg

I lawrlwytho ffurlenni a llyfyrnau cymorth Cymraeg, ewch i www.hmrc.gov.uk/cymraeg/employers/emp-pack.htm Os, yn eithriadol, nad oes gennych gysylltiad i'r rhyngwrwyd, cysylltwch â'r Ganolfan Gyswilt Cymraeg ar **0845 302 1489**.

Forms and guidance in Braille, large print and audio

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

In person

We offer free workshops covering some payroll topics. These workshops are available at locations throughout the UK. For more information:

- go to www.hmrc.gov.uk/bst or
- phone our Business Education & Support Team on **0845 603 2691**.

Employer Bulletin online

Employer Bulletins contain information and news for employers. We publish these several times a year. Go to www.hmrc.gov.uk/payee/employer-bulletin

Employer email alerts

We strongly recommend that you register to receive employer emails to prompt and direct you to:

- each new edition or news about the Basic PAYE Tools
- the Employer Bulletin
- important new information.

To register, go to www.hmrc.gov.uk/payeformspublications/register.htm

HM Revenue & Customs (HMRC)

If you have a query about your PAYE scheme:

- phone the Employer Helpline on **08457 143 143**, or
- write to:
HM Revenue & Customs
Customer Operations Employer Office
BP4009
Chillingham House
Benton Park View
NEWCASTLE
NE98 1ZZ

Please tell us your employer reference when you contact us. You will find it on correspondence from HMRC.

Real Time Information (RTI)

From April 2013, HMRC is introducing Real Time Information (RTI). Under RTI, employers and pension providers will send HMRC information when they pay their employees, instead of yearly. For more information go to www.hmrc.gov.uk/rti/index.htm

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter

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 HM Revenue & Customs (HMRC).

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What are Student Loans?

Student Loans (SLs) 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 Student Loans Company (SLC) provide more than one type of loan finance, however HMRC only collects loans advanced under the Income Contingent Repayment (ICR) scheme. For PAYE purposes an ICR loan is based on an individual's earnings not the amount borrowed.

The SLC administers ICR loans.

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

If you are using our Basic PAYE Tools at www.hmrc.gov.uk/payee/tools/basic-payee-tools.htm you will have the option of using:

- the P11 Calculator which will automatically work out the SL deductions for you along with PAYE and NICs, or
- the Student Loan Calculator.

Or, you can use the SL3 *Student Loan Deduction Tables* to calculate the SL deductions.

In addition to the guidance given in this helpbook, more information is available from:

- 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/csl2.pdf

Your responsibilities

You are responsible for:

- making deductions of SL repayments from your employee's earnings
- keeping records of the deductions made (column 11 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 and P60 certificate
- identifying on form P45, when the employee leaves your employment, that they are liable to make SL repayments.

You are **not** responsible for:

- identifying employees who are liable to make SL repayments
- handling queries about the employee's loan. You should advise the borrower to refer any queries directly to the SLC on **0845 073 8891**.

Penalties

Penalties may be charged:

- for the late payment of SL repayments deducted if you fail to pay those amounts on time
- if an incorrect return is made to HMRC.

When to start making Student Loan deductions

You should only start making SL deductions when:


- you receive a form SL1 *Start Notice*. Most Start Notices will look like the illustration below but they can be sent electronically if you have registered to receive notices this way, or sometimes they may be issued as a 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 supplies P46 information advising
 - they left higher education before last 6 April and they have not fully repaid an SL first taken out on or after 1 September 1998, and
 - they are not repaying their SL by agreement with the SLC 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 SLC record of borrowers and HMRC computer records.

The SL1 *Start Notice* identifies the employee and tells you to start making deductions using your commercial payroll software, one of the HMRC calculators or the SL3 *Student Loan Deduction Tables*.

You must start making deductions from the first available payday after the SL deduction start date shown on the SL1 *Start Notice*. Do not make deductions before the start date. By 'first available payday' we mean the first payday 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 payday 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 HMRC's Basic PAYE Tools which is available to download from www.businesslink.gov.uk/basicpayetools or the SL3 *Student Loan Deduction Tables*, to work out how much to deduct. Guidance can be found in the Employer Helpbooks E13 *Day-to-day payroll* and E17 *Collection of Student Loans: An employer's guide to the collection of student loans*. The SL3 *Student Loan Deduction Tables* and the helpbooks are available to download from www.businesslink.gov.uk/payeformsandpublications. Alternatively, if you don't have access to the Internet, please contact the Employer Orderline on 0845 7 646 646.

Employee's name

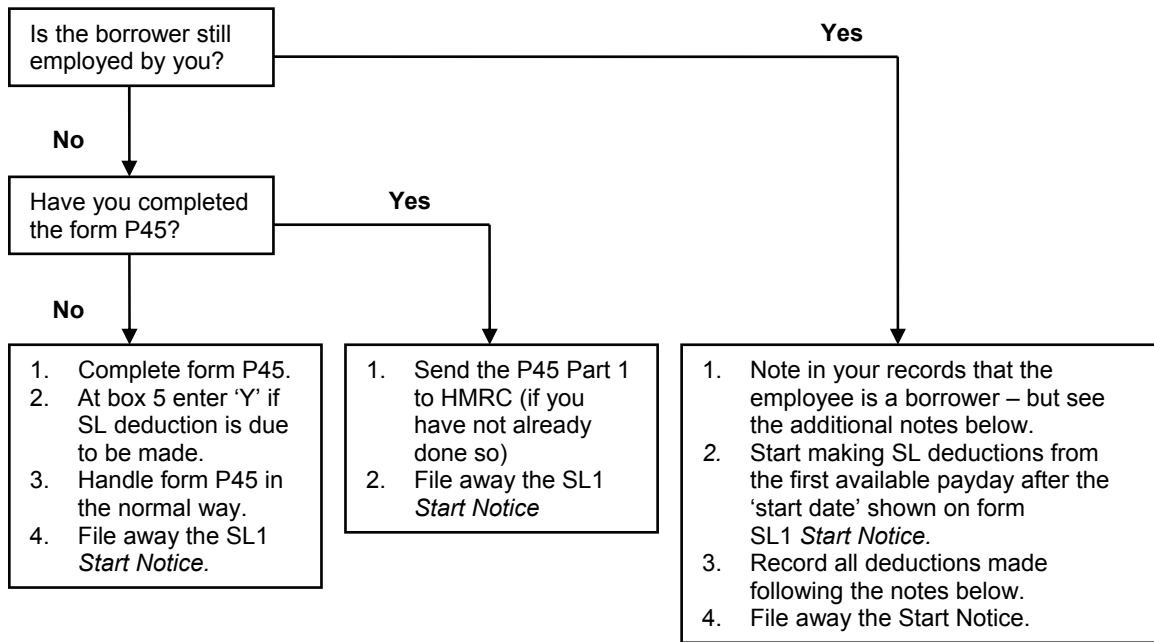
National Insurance number

Works/Payroll number, Branch etc

Student Loan deduction start date

SL1HMRC 01/11

Chart: what to do with the SL1 Start Notice



Recording SL deductions

- If you are using the **P11 Calculator** in the Basic PAYE Tools simply indicate the employee is an SL 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. You can use commercial payroll software, the calculator in the Basic PAYE Tools or the SL3 *Student Loan Deduction Tables*, to work out the amount of SL deduction.

Points to note

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

- that you have never employed, phone the Employer Helpline and give them details of the person concerned. HMRC 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 an SL, you should start making deductions, in line with the SL1 *Start Notice* and continue doing so unless HMRC tells you otherwise. You should file away your SL1 *Start Notice*
- for whom you are already making deductions you should file away the SL1 *Start Notice*.

Form P45 or P46/P46(Expat) information 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 commercial payroll software, the P11 Calculator or the Student Loan Calculator in the Basic PAYE Tools 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 in their P46 information that they were repaying an SL, you should start making deductions from the next payday. Do not make any deductions in arrears.

Where a new employee without a P45 completes 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 (more information is given in the CWG2(2012) *Employer Further Guide to PAYE and NICs*

which indicates Student Loan deductions apply you should start making these deductions from the next payday.

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, or
- are operating PAYE as though the employee was in the UK, or
- are required to deduct Class 1 NICs for an employee who works or is seconded abroad

then you should continue to make SL 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 are repaying their student loan in error

If an employee tells you that they have not fully repaid a Student Loan in error (including because they have a mortgage style loan advanced before 1 September 1998), check whether you have received either:

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

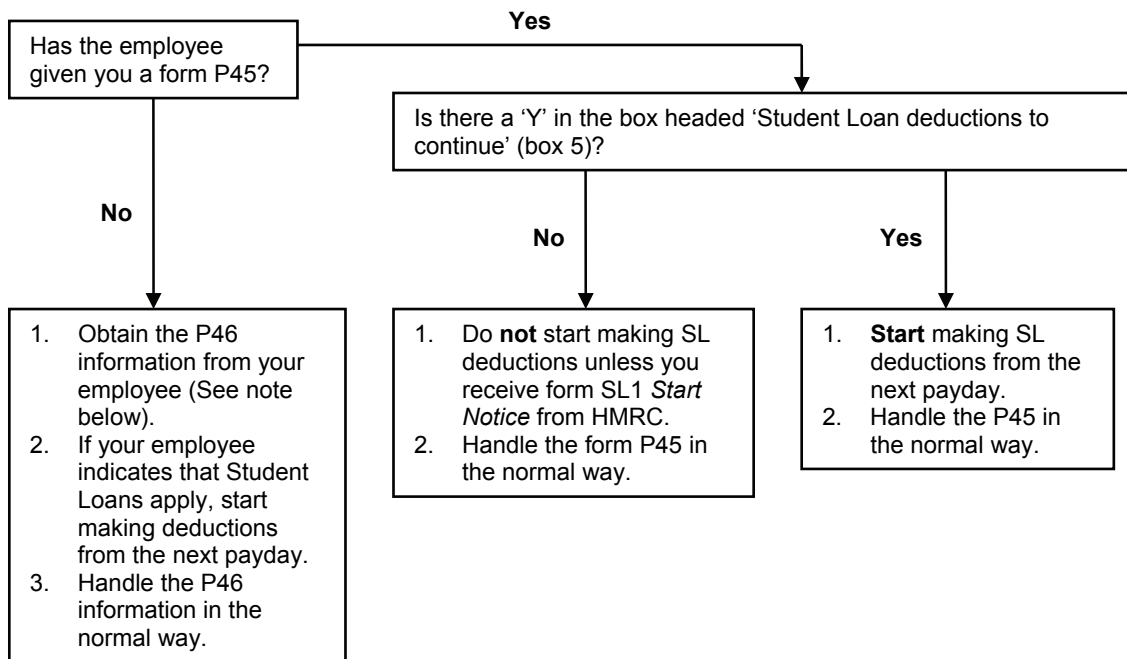
If you have received either of these forms continue making deductions as normal (your employee should contact the SLC if they still feel that deductions are not due).

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 SL deductions are not necessary, HMRC will write to you authorising you to stop making deductions and will ask you to refund any deductions made from your employee.

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

Chart: when to make Student Loan deductions for a new employee



Note

Please remember that all employers must file starter and leaver forms P45 and P46 online. You may get the required P46 information by email or on your own stationery as long as you keep a record of where it came from.

How to make Student Loan deductions

There is an annual threshold, currently £15,795, above which SL repayments become due. Employers making SL deductions apply a proportion of the threshold appropriate to the pay period in calculating the amount of SL repayment to deduct.

Annual threshold	£15,795
Monthly threshold	£1,316.25 (£15,795 ÷ 12)
Weekly threshold	£303.75 (£15,795 ÷ 52)

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

Deductions are made on a non-cumulative basis.

If you use commercial payroll software

Commercial payroll software will usually calculate any SL deductions automatically — along with PAYE and NICs deductions. Simply follow the payroll software instructions.

If you use the P11 Calculator in the Basic PAYE Tools

If you use the P11 Calculator to work out PAYE and NICs it will automatically work out your SL 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 SL 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 SL 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.

For pay periods other than weekly or monthly, see page 9.

If you complete a paper form P11

If you complete a paper form P11 *Deductions Working Sheet* we recommend that you use our Student Loan Calculator in the Basic PAYE Tools. This will work out the deduction automatically for each pay period. You then record the deduction in column 11 on form P11 *Deductions Working Sheet* as shown in the example below.

If your employee's pay is:

- weekly — between £303.75 and £1,170
- monthly — between £1,316.25 and £5,071

you can also use the SL3 *Student Loan Deduction Tables* to work out the deduction. However, this method is more time consuming and more prone to error than using the HMRC calculators or Payroll Software.

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 9 '**Earnings exceed highest amount**'.

Example

Step 1

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

Step 2

Use the calculators in the Basic PAYE Tools 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 SL deduction. (Where the exact figure is not shown, look for the nearest figure below and use the amount of SL deduction shown for that range of earnings.) See example on page 8.

Step 3

Record the amount of SL deduction in column 11 of the form P11 *Deductions Working Sheet*.

For pay periods other than weekly or monthly, see page 9.

Example

Earnings in week £400

Look at the weekly table in the SL3 *Student Loan Deduction Tables*
– earnings fall in range of £393 – £403 corresponding deduction is £8

When to use these tables

These tables should only be used if you have to manually calculate Student Loan deductions and you cannot or do not use any of the following.

- Third party payroll software.
- The HMRC basic tools software available to download from www.businesslink.gov.uk/basicpayetools

Use these tables for employees for whom you have received a 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 either complete a form P46, or supply you with the information asked for on that form. You may obtain the required information by email or on your own stationery as long as you keep a record of where it came from.

If the employee has ticked the Student Loan section, box D on the P46, or has otherwise given you this information, 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 purpose of deducting Student Loans. Use the same gross pay amount used to calculate National Insurance contributions (NICs) to calculate the Student Loan deduction.

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 pages 2 to 4.
- 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 5 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 - 314	Nil	604 - 614	27	904 - 914	54
315 - 325	1	615 - 625	28	915 - 925	55
326 - 337	2	626 - 637	29	926 - 937	56
338 - 348	3	638 - 648	30	938 - 948	57
349 - 359	4	649 - 659	31	949 - 959	58
360 - 370	5	660 - 670	32	960 - 970	59
371 - 381	6	671 - 681	33	971 - 981	60
382 - 392	7	682 - 692	34	982 - 992	61
393 - 403	8	693 - 703	35	993 - 1003	62
404 - 414	9	704 - 714	36	1004 - 1014	63
415 - 425	10	715 - 725	37	1015 - 1025	64
426 - 437	11	726 - 737	38	1026 - 1037	65
438 - 448	12	738 - 748	39	1038 - 1048	66
449 - 459	13	749 - 759	40	1049 - 1059	67
460 - 470	14	760 - 770	41	1060 - 1070	68
471 - 481	15	771 - 781	42	1071 - 1081	69
482 - 492	16	782 - 792	43	1082 - 1092	70
493 - 503	17	793 - 803	44	1093 - 1103	71
504 - 514	18	804 - 814	45	1104 - 1114	72
515 - 525	19	815 - 825	46	1115 - 1125	73
526 - 537	20	826 - 837	47	1126 - 1137	74
538 - 548	21	838 - 848	48	1138 - 1148	75
549 - 559	22	849 - 859	49	1149 - 1159	76
560 - 570	23	860 - 870	50	1160 - 1170	77
571 - 581	24	871 - 881	51		
582 - 592	25	882 - 892	52		
593 - 603	26	893 - 903	53		

Earnings exceed highest amount

Where earnings exceed £1,170 per week or £5,071 per month you will not be able to use the SL3 *Student Loan Deduction Tables* to calculate the SL deductions. You will need to use either the P11 Calculator or the Student Loan Calculator which are available in the Basic PAYE Tools, or calculate the deductions yourself.

SL deductions are calculated as follows.

Step 1

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

- £303.75 for weekly paid employees
- £1,316.25 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 SL deduction on the employee's form P11 *Deductions Working Sheet* in column 11 at the appropriate week or month.

Example – weekly paid

Earnings in week	£1,200.00
Minus pay period threshold	£303.75
	£896.25 (result Step 1)
Multiply £896.25 x 9% (0.09) =	£80.66 (result Step 2)
Round result of Step 2 to nearest £ below	
SL deduction =	£80 (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 SL deductions.

Pay period is a multiple of a week or month

Pay periods	P11 Calculator in the Basic PAYE Tools	SL Calculator in the Basic PAYE Tools	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 (see page 10)	No (see page 10)	No (see page 10)

If you are unable to use either the Calculators or the Tables to calculate the SL 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 SL deduction due for the average weekly or monthly amount.

Step 3

Multiply the amount of SL 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 11 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 £8 weekly (result Step 2)
Multiply by weeks in pay period £8 x 3 = £24
SL deduction = £24 (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 £15,795 (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 SL deduction on the employee's form P11 *Deductions Working Sheet*, in column 11 at the appropriate week or month.

Example

Earnings £1,500 for a pay period of 25 days

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

Calculate pay period
threshold $\frac{25 \times \pounds 15,795}{365} = \pounds 1,081.84$ (result Step 2)

Earnings in pay
period $\pounds 1,500$

Minus pay period
threshold $\frac{\pounds 1,081.84}{\pounds 418.16}$ (result Step 3)

Multiply $\pounds 418.16 \times 9\% (0.09) = \pounds 37.63$ (result Step 4)

Round result of Step 4 to nearest £ below

SL deduction = £37 (result Step 5)

You can also use these steps 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 to 4 and work out the overall SL deduction using the daily threshold figure
- give credit for any SL 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 16.

Paying Student Loan deductions over to HMRC

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

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

For more information:

- go to www.hmrc.gov.uk/payinghmrc/payee.htm or
- see the Employer Helpbook E13(2012) *Day-to-day payroll*

When to stop making Student Loan deductions

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

1. You receive a form SL2 *Stop Notice* from HMRC.
2. In exceptional circumstances, HMRC may ask you to stop making deductions more quickly. If this is the case we will tell you either in writing or by phone, then confirm in writing.
3. If you are an Educational Institution or Local Education Authority (LEA) in England and Wales, the teacher may give you a letter from the SLC 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 payday after the SL deduction stop date shown on the notice. By 'first available payday' we mean the first payday on which it is practical to apply that notice.


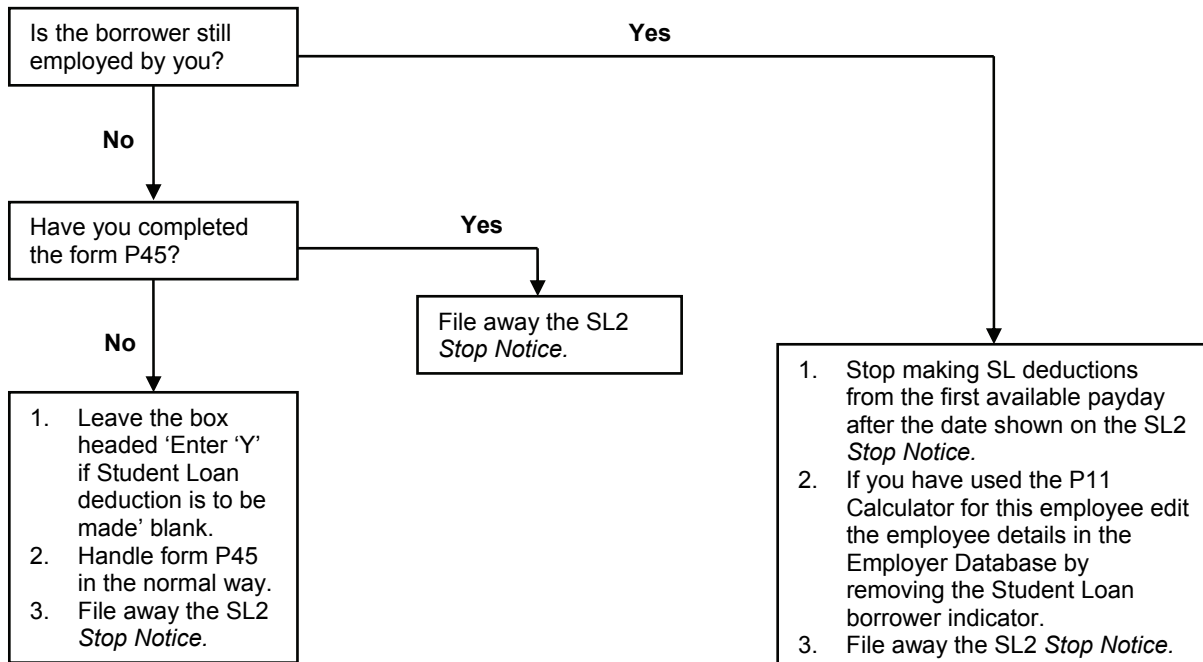
 HM Revenue & Customs	Student Loan - Stop Notice
Issued by	
Employer Reference	
Date	
Phone	
Fax	
Notice to employer to stop Student Loan deductions	
<small>Deductions must stop on the first available payday after the Student Loan deduction stop date shown below.</small>	
<small>You can find guidance in the Employer Helpbooks E13 <i>Day-to-day payroll</i> and E17 <i>Collection of Student Loans: An employer's guide to the collection of student loans</i>. The helpbooks are available to download from the Business Link website at www.businesslink.gov.uk/payeformsandpublications. Alternatively, if you don't have access to the Internet, please contact the Employer Orderline on 0845 7 646 646.</small>	
Employee's name	
National Insurance number	
Works/Payroll number, Branch etc	
Student Loan deduction stop date	
SL2	HMRC 02/11

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

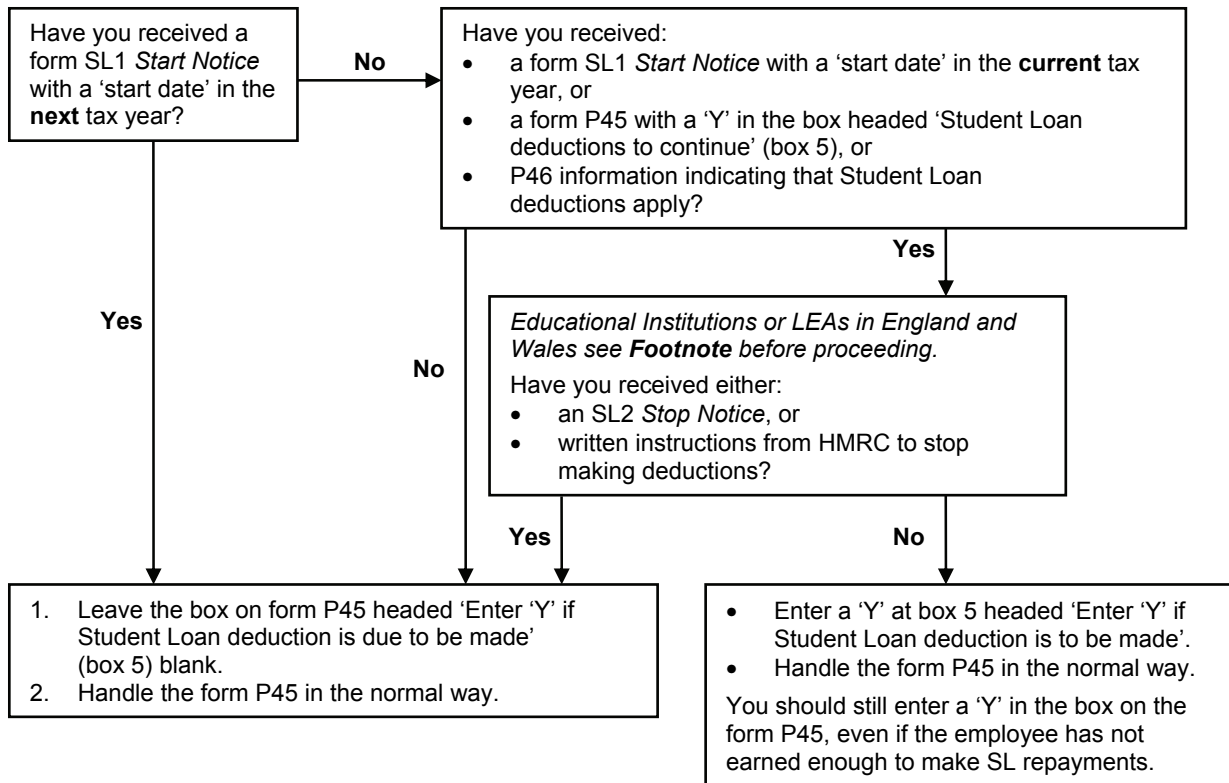


You cannot stop making deductions because your employee asks you to. If your employee thinks that you should not be making deductions they should contact the SLC. Do not contact the SLC on behalf of your employee, as they will not give information to a third party.

Where you receive form SL2 *Stop Notice* for someone that you have never employed you should contact the Employer Helpline and give them details of the person concerned. HMRC 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 SL deductions are due to be made.



Footnote

You should follow these procedures even if you are not making SL 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 SLC 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 SL 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 2012–13 must be kept until 5 April 2016.

Enter the amount of SL 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 SL deductions you have made in the tax year. To arrive at this figure, add together the total amount entered in column 1I 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 SL deductions are deducted at the same time as tax and NICs. There may, however, be a small number of cases where, in addition to SL 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 SL 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 SL 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 SL 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 SL 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 SL deductions are made.

You should:

- apply the priority orders to the employee's attachable earnings in the normal way
- calculate the SL deduction using commercial payroll software, the P11 Calculator or the Student Loan Calculator in the Basic PAYE Tools or the SL3 *Student Loan Deduction Tables*.

Specified level of protected earnings

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

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

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

Order of deduction

- | | | | |
|---|--|---|----------------------|
| 1. | Earnings for SL purposes | 1 | <input type="text"/> |
| 2. | Normal SL deductions (from commercial payroll software, the Basic PAYE Tools or SL3 <i>Student Loan Deduction Tables</i>) | 2 | <input type="text"/> |
| <hr style="border-top: 1px dashed black;"/> | | | |
| 3. | Attachable earnings for priority AEO/DEO | 3 | <input type="text"/> |
| 4. | Amount of priority AEO/DEO to be deducted | 4 | <input type="text"/> |
| 5. | Net attachable earnings after AEO/DEO (Box 3 <i>minus</i> Box 4) | 5 | <input type="text"/> |
| 6. | Level of protected earnings (from most recent AEO/DEO) | 6 | <input type="text"/> |
| 7. | Net attachable earnings <i>minus</i> level of protected earnings (Box 5 <i>minus</i> 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 SL purposes in this pay period | 7 | <input type="text"/> |
| 8. | Amount of SL deductions to be made.
This is the lower of: <ul style="list-style-type: none">• Box 2 – ‘Normal’ SL deductions, or• Box 7 – ‘Maximum’ SL deductions | 8 | <input type="text"/> |

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 SL deductions as calculated at Box 2 above.

Example

Monthly salary £2,000

Protected earnings level £850

Amount of priority order to be deducted £563

Order of deduction

1.	Earnings for SL purposes	1	£2,000
2.	Normal SL deductions (from commercial payroll software, the PAYE Tools or SL3 <i>Student Loan Deduction Tables</i>)	2	£61
<hr/>			
3.	Attachable earnings for priority AEO/DEO	3	£1,466 <i>net after PAYE/NICs</i>
4.	Amount of priority AEO/DEO to be deducted	4	£563
5.	Net attachable earnings after AEO/DEO (Box 3 <i>minus</i> Box 4)	5	£903
6.	Level of protected earnings (from most recent AEO/DEO)	6	£850
7.	Net attachable earnings <i>minus</i> level of protected earnings (Box 5 <i>minus</i> 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 SL purposes in this pay period	7	£53
8.	Amount of SL deductions to be made This is the lower of: <ul style="list-style-type: none">• Box 2 – ‘Normal’ SL deductions, or• Box 7 – ‘Maximum’ SL deductions	8	£53

Non-priority orders

SL deductions should be deducted before non-priority court orders.

You should use commercial payroll software, the P11 Calculator or the Student Loan Calculator in the Basic PAYE Tools 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 SL 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 SL 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 SL deduction should be made.

Scottish Debt Arrangement Scheme (DAS)

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

Special cases – other

Payments made after an employee dies

Do not make any SL 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 an employee leaves

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

Employee with more than one job

For SL 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 SLs.

Where the annual threshold (above which SL repayments become due) is to increase for the next year, 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 SL deduction from the first payment after the change based on the new earnings period. (This may mean you include details of pay and SL 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 SL deduction worked out on it, should be taken into account when working out the SL 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.

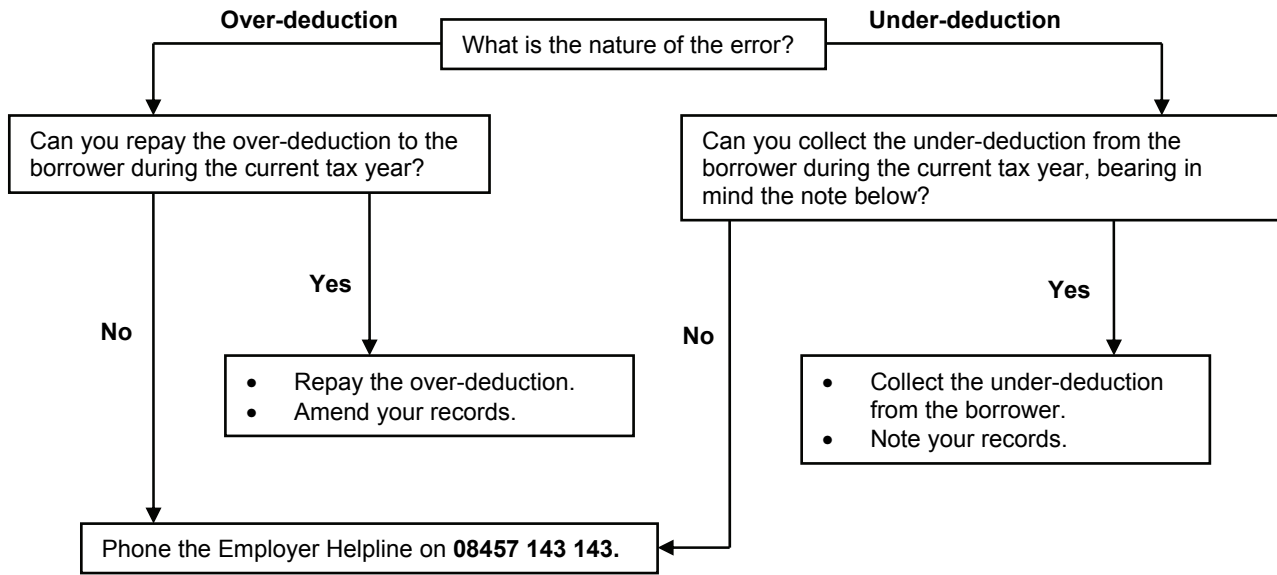
Week 1	SL deductions on pay of £500 are £17 (weekly pay)
Week 2	SL deductions on pay of £500 are £17 (weekly pay)
Week 3	The employee is now monthly paid and receives no pay in this week
Week 4	SL deductions on pay of £2,000 are £61. However, £34 has already been deducted, so the amount now due to be deducted is £27 (£61 <i>minus</i> £34).

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(2012) *Employer Further Guide to PAYE and NICs*.

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

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.

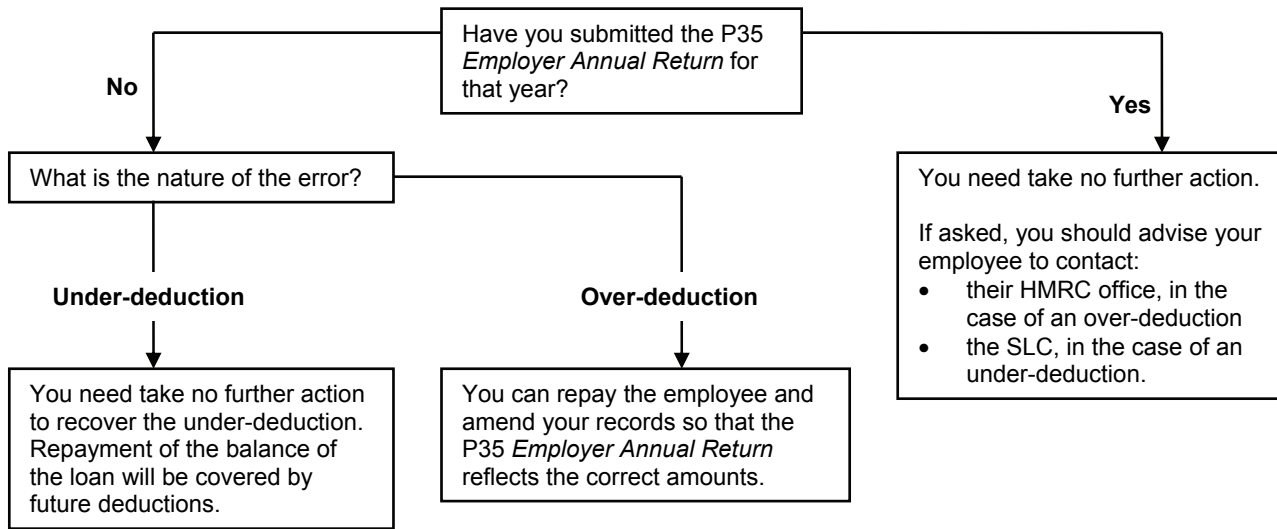
Example:

- 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



There are legal requirements that mean employers must comply with their obligations. At the time of writing, this guide sets out HMRC's view on how these legal requirements can be met. It will be updated annually and was last updated December 2011.

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