

## Summary: Intervention & Options

<b>Department /Agency:</b> HMRC	<b>Title:</b> Modernising PAYE for students	
<b>Stage:</b> Consultation	<b>Version:</b> 1	<b>Date:</b> 20/02/2008
<b>Related Publications:</b> HM Revenue & Customs consultation paper "Modernising PAYE Processes for Students"		

Available to view or download at: ["Modernising PAYE Processes for Students"](#)

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### What is the problem under consideration? Why is government intervention necessary?

Current arrangements to help students pay the right amount of tax no longer work for the majority of students in employment, and are inefficient for both employers and HM Revenue & Customs. The P38(S) form, which allows an employer to pay a student employee gross, imparts an administrative burden of around £5m a year on business. On the other hand, students' regular overpayment of tax can cause them needless financial hardship and stress. Modernising current processes will help address these concerns.

### What are the policy objectives and the intended effects?

- To reduce the numbers of students who overpay tax and need to make a repayment claim
- Reduce the administrative burden on employers by making PAYE processes for students fit better with electronic payroll systems.

### What policy options have been considered? Please justify any preferred option.

Based on initial discussion with representative bodies, a number of options have been produced and are presented here, although there is no clear preference at this stage. We are therefore consulting on three main options: abolish the P38(S) form and include students within the standard PAYE system; introduce a student tax code to provide the personal allowance upfront, rather than across the year; introduce a tax code allowing students to be paid gross (in certain circumstances).

### When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

A further Impact Assessment of all options, taking into account stakeholders' responses to the consultation, will be produced prior to implementation. Impacts will be monitored and a Post Implementation Review produced once the policy has bedded in, 2 to 3 years later

### **Ministerial Sign-off** For consultation stage Impact Assessments:

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister: Jane Kennedy (Financial Secretary to the Treasury)

Date: 20/02/2008

## Summary: Analysis & Evidence

<b>Policy Option: 1</b>	<b>Description: Abolish form P38(S) and put students into standard PAYE</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>	Description and scale of <b>key monetised costs</b> by 'main affected groups' The minority of working students currently using the P38(S) process would require a repayment of tax at the end of the year. This could be burdensome, particularly if they would not otherwise have any direct contact with HMRC or were unfamiliar with the system. It would also cause a small rise in HMRC costs.
	One-off (Transition) <span style="float: right;">Yrs</span>	
	£ low	
	Average Annual Cost (excluding one-off)	
£ moderate	<b>Total Cost (PV)</b>	<b>£ moderate</b>
Other <b>key non-monetised costs</b> by 'main affected groups' Transitional costs for all parties (employers, students and HMRC), plus ongoing costs of operating PAYE.		

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>	Description and scale of <b>key monetised benefits</b> by 'main affected groups' This option would be simple for employers to operate and would bring students into mainstream PAYE. The abolition of P38(S) and the need for repayments would mean lower administrative costs for business and HMRC although any new costs associated with PAYE would offset these savings.
	One-off <span style="float: right;">Yrs</span>	
	£ nil	
	Average Annual Benefit	
£ moderate	<b>Total Benefit (PV)</b>	<b>£ moderate</b>
Other <b>key non-monetised benefits</b> by 'main affected groups'		

### Key Assumptions/Sensitivities/Risks

In simplistic terms, this option would shift the paperwork burden away from employers and on to the students themselves. Costs and benefits will be assessed fully in the light of responses to the consultation.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £ to be determined	<b>NET BENEFIT (NPV Best estimate)</b> £ to be determined
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What is the geographic coverage of the policy/option?	UK wide				
On what date will the policy be implemented?	<b>to be determined</b>				
Which organisation(s) will enforce the policy?	HMRC				
What is the total annual cost of enforcement for these	£ to be				
Does enforcement comply with Hampton principles?	Yes				
Will implementation go beyond minimum EU requirements?	No				
What is the value of the proposed offsetting measure per year?	£ to be				
What is the value of changes in greenhouse gas emissions?	£ to be				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border: none;"> <tr> <td style="width: 25%; text-align: center;">Micro TBA</td> <td style="width: 25%; text-align: center;">Small TB</td> <td style="width: 25%; text-align: center;">Medium TBA</td> <td style="width: 25%; text-align: center;">Large TBA</td> </tr> </table>	Micro TBA	Small TB	Medium TBA	Large TBA
Micro TBA	Small TB	Medium TBA	Large TBA		
Are any of these organisations exempt?	<table style="width: 100%; border: none;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)		(Increase - Decrease)
Increase    £	Decrease    £	<b>Net</b> £ to be determined

Key: Annual costs and benefits: Constant Prices (Net) Present Value

# Summary: Analysis & Evidence

Policy Option: 2

Description: Student Tax Code, Personal Allowance Upfront

<b>COSTS</b>	<b>ANNUAL COSTS</b>		Description and scale of <b>key monetised costs</b> by 'main affected groups' There are likely to be some transitional costs for all parties (employers, students and HMRC), additionally there will be ongoing costs for employers and HMRC in administering both the new codes and PAYE generally for anyone previously using the P38(S).
	<b>One-off</b> (Transition)	<b>Yrs</b>	
	£ low		
	<b>Average Annual Cost</b> (excluding one-off)		
	£ low		<b>Total Cost (PV)</b> £ moderate
<b>Other key non-monetised costs</b> by 'main affected groups' There may some costs associated with proving / auditing eligibility to receive a code.			

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>		Description and scale of <b>key monetised benefits</b> by 'main affected groups' There would be a reduction in repayment claims for HMRC and the abolition of the paper Form P38(S) which would benefit both HMRC and employers. The latter would save employers around £5m in admin burden per year in isolation, although this would be set against the ongoing costs identified above.
	<b>One-off</b>	<b>Yrs</b>	
	£ nil		
	<b>Average Annual Benefit</b>		
	£ moderate		<b>Total Benefit (PV)</b> £ moderate
<b>Other key non-monetised benefits</b> by 'main affected groups'			

### Key Assumptions/Sensitivities/Risks

Costs and benefits will be assessed fully in the light of responses to the consultation. Administrative costs to employers and to HMRC will need to be considered together, and account also taken of how the option works for students.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £ to be determined	<b>NET BENEFIT (NPV Best estimate)</b> £ to be determined		
What is the geographic coverage of the policy/option?		UK wide			
On what date will the policy be implemented?		to be determined			
Which organisation(s) will enforce the policy?		HMRC			
What is the total annual cost of enforcement for these		£ to be determined			
Does enforcement comply with Hampton principles?		Yes			
Will implementation go beyond minimum EU requirements?		No			
What is the value of the proposed offsetting measure per year?		£			
What is the value of changes in greenhouse gas emissions?		£			
Will the proposal have a significant impact on competition?		No			
Annual cost (£-£) per organisation (excluding one-off)		Micro TBA	Small TBA	Medium TBA	Large TBA
Are any of these organisations exempt?		No	No	N/A	N/A
<b>Impact on Admin Burdens Baseline</b> (2005 Prices)				(Increase - Decrease)	
Increase	£	Decrease	£	<b>Net</b>	£ to be determined

Key: Annual costs and benefits: Constant Prices (Net) Present

## Summary: Analysis & Evidence

<b>Policy Option: 3</b>	<b>Description: Student NT (no tax) Code</b>
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<b>COSTS</b>	<b>ANNUAL COSTS</b>	Description and scale of <b>key monetised costs</b> by ‘main affected groups’ Students who exceed the personal allowance in year may not have the proper tax collected; HMRC would need to either issue a tax bill at the end of the year or collect tax due from the previous year via a PAYE code adjustment in the following year. The number of students affected would be relatively small.		
	<b>One-off</b> (Transition) <span style="float: right;">Yrs</span>			
	£ low			
	<b>Average Annual Cost</b> (excluding one-off)			
	£ low	<b>Total Cost (PV)</b>	£ moderate	
Other <b>key non-monetised costs</b> by ‘main affected groups’ There may be some transitional costs for all parties, plus (like option 2) costs around proving eligibility.				

<b>BENEFITS</b>	<b>ANNUAL BENEFITS</b>	Description and scale of <b>key monetised benefits</b> by ‘main affected groups’ This option would be simple for employers to operate and bring students into mainstream PAYE. Abolition of P38(S) and repayment claims will lower costs for students. The impact on business will depend on the relative cost of P38(S) and PAYE.		
	<b>One-off</b> <span style="float: right;">Yrs</span>			
	£ low			
	<b>Average Annual Benefit</b>			
	£ moderate	<b>Total Benefit (PV)</b>	£ moderate	
Other <b>key non-monetised benefits</b> by ‘main affected groups’				

**Key Assumptions/Sensitivities/Risks** Costs and benefits will be assessed fully in the light of responses to the consultation. In simple terms, this option reduces costs for the majority of students and businesses, but imposes a requirement, on those students earning more than the personal allowance, to pay tax retrospectively.

Price Base Year	Time Period Years	<b>Net Benefit Range (NPV)</b> £ to be determined	<b>NET BENEFIT (NPV Best estimate)</b> £ to be determined
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What is the geographic coverage of the policy/option?	UK wide				
On what date will the policy be implemented?	to be determined				
Which organisation(s) will enforce the policy?	HMRC				
What is the total annual cost of enforcement for these	£ to be determined				
Does enforcement comply with Hampton principles?	Yes				
Will implementation go beyond minimum EU requirements?	No				
What is the value of the proposed offsetting measure per year?	£				
What is the value of changes in greenhouse gas emissions?	£				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

<b>Impact on Admin Burdens Baseline</b> (2005 Prices)				(Increase - Decrease)
Increase	£	Decrease	£	<b>Net</b> £ to be determined

Key: Annual costs and benefits: Constant Prices (Net) Present Value

## Evidence Base (for summary sheets)

The policy objective is to look at ways in which HMRC might modernise the form P38(S) Student Employees process in order to:

- Improve the numbers of students taxed correctly during a tax year;
- Make PAYE administration easier for employers with students on their workforce
- Make handling student employees easier and more efficient for both employers and HMRC

Currently the P38(S) process is entirely paper based and there is no fit with the electronic environment.

### Background

#### The Student population

The table below is derived from Table 2.7 from Post Compulsory Education and Training: Students and Learners, an internet publication by the Department for Innovation, Universities and Skills (DIUS). It shows the number of students in further and higher education for the UK in the latest year available 2004/05. Higher education (HE) is defined as courses that are of a standard that is higher than GCE A level or equivalent, i.e. degree level. Further education (FE) is defined as all non-advanced courses taken after the period of compulsory education, but excludes those staying on at secondary school and those in HE.

#### Students<sup>1</sup> in further and higher<sup>2</sup> education - time series

United Kingdom	('000s)			
	2001/02 <sup>3 4</sup> 5	2002/03 <sup>6</sup>	2003/04 <sup>7 8</sup>	2004/05 <sup>9</sup>
<b>Further education</b>				
<b>All<sup>10</sup></b>				
Full-time <sup>11</sup>	974.6	1,026.7	1,077.2	1,083.5
Part-time <sup>11</sup>	3,161.4	3,701.6	3,755.7	3,963.7
All further education	4,136.0	4,728.3	4,832.9	5,047.2
<b>Higher education</b>				
<b>Undergraduate</b>				
Full-time <sup>11</sup>	1,112.5	1,179.3	1,207.3	1,229.8
Part-time <sup>11</sup>	544.9	693.2	706.6	726.1
<b>Postgraduate</b>				
Full-time <sup>11</sup>	162.5	207.5	221.1	226.9
Part-time <sup>11</sup>	240.6	295.0	308.3	311.5
All higher education <sup>12</sup>	2,060.5	2,375.0	2,443.3	2,494.3
All Full-time <sup>11</sup>	2,249.5	2,413.5	2,505.6	2,540.2
All Part-time <sup>11</sup>	3,946.8	4,689.8	4,770.6	5,001.2
All FE & HE students	6,196.4	7,103.3	7,276.2	7,541.4

*Sources: Department for Innovation, Universities and Skills; National Assembly for Wales; Scottish Executive; Northern Ireland Department for Employment and Learning*

- 1 Home and overseas students.
- 2 Higher education (HE) figures include Open University students. Part-time figures include dormant modes (up to 2003/04), those writing up at home and on sabbaticals.
- 3 Further education (FE) figures are enrolments and are not comparable with later figures (other than for Scotland FE colleges) which are headcounts.
- 4 FE institution figures shown from 2000/01 are whole year counts except for Northern Ireland, which are collected on a snapshot basis.
- 5 Figures shown from 2000/01 for FE institutions (other than in Scotland FE colleges, and, from 2004/05, FE institutions in England), are snapshots counted at a particular point in the year [December for UK HE institutions and FE institutions in Wales, November for FE institutions in England (up to 2003/04) and Northern Ireland]. Students starting courses after these dates will not therefore be counted. Figures for Scotland, and England from 2004/05, however, are whole year (not snapshot), and enrolments, in Scotland, (rather than headcounts).
- 6 Figures shown for HE institutions, from 2002/03, are based on the HESA 'standard registration' count and are not directly comparable with years prior to 2001/02.
- 7 Includes revised data.
- 8 2003/04 saw the introduction of a new MIS system across the Northern Ireland FE sector, as a result 2003/04 figures are not comparable with earlier years.
- 9 Provisional.
- 10 Full-time includes sandwich. Part-time comprises both day and evening, including block release and open/distance learning.
- 11 Includes students in Scotland whose gender is not recorded.
- 12 Figures from 2000/01 include data for FE institutions in Wales which cannot be split by level.

## Working student population

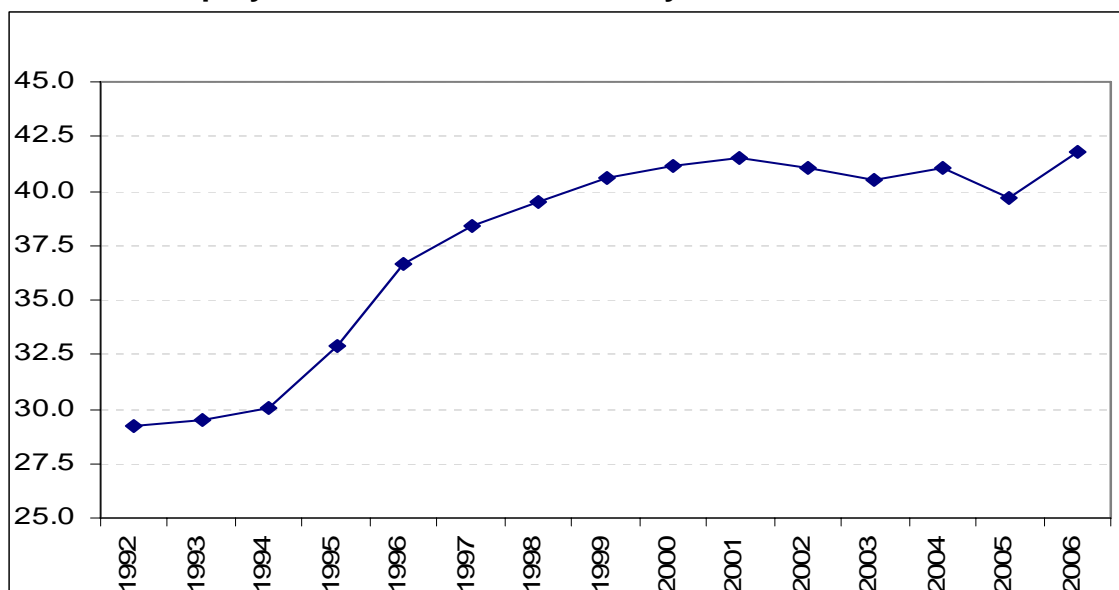
Student work patterns have changed significantly over the many years since the introduction of form P38(S) student employees. The form allows students who work in the holidays only to be paid tax free if they expect to earn below the Personal Allowance (PA) in a tax year.

Twenty years ago the proportion of students taking out part-time jobs was substantially lower. The proportion of UK 18-24 year olds in full-time or part-time education working at a given point in the year has more than doubled since 1984. Nowadays over half of working students work in term time and cannot make use of the form, despite indications that the majority of working students are earning less than the PA annually.

Latest available data:

- 40% of students in either full-time or part-time education are working at any given point during the year (2.9million individuals)
- 67% of students in full-time education are in employment for at least one period during the year (1.7million individuals)
- 75% of students who are either in full-time or part-time education are in employment for at least one period during the year (5.5million individuals)

## LFS data: Employment rates<sup>1</sup> of UK<sup>2</sup> 18 - 24 years olds in full time education



<sup>1</sup> Measured as the proportion of those aged 18 - 24 in full time education who are in employment at a given point in the year.

<sup>2</sup> The data has been grossed-up by the assumption that the England population of the UK is 85%

In a study by MORI commissioned for Inland Revenue in 2001, face-to-face interviews were conducted with 2,069 UK full-time HE students. The study revealed that in this sample, 83% of students had worked in the year prior to the interview, with 45% of those having more than one job. This 83% cannot be directly compared to the LFS estimate of 67% as the former considers students in full-time education only.

Analysis of the DIUS (formally the Department for Education and Skills) 2004/05 Student Income and Expenditure Survey (SIES) tells us that approximately 83% of full time students earn less than the personal allowance (£4,745) for 2004/05. Only 9% earn enough to be charged at the 10% rate (between £4,746 and £6,765) with the last 9% earning enough to be charged at the 22% tax rate (more than £6,766). Please note that income on the survey is net pay, i.e. after tax and NICs have been deducted

Provisional estimates, derived from research into administrative burdens in 2005, suggest that around 1.8 million P38(S) forms are completed each year. Students require a new form for each employer, so the number of individual students concerned will be slightly below this figure.

### **The issues being addressed**

Impact on students: Around 56% of full time students are unable to make use of the P38(S) procedure because they work in term-time. This results in potentially 1.4 million students paying tax unnecessarily and having to claim it back.

The form P38(S) process is less than clear for students. Many of them are unaware of its existence. Many of those who are aware misunderstand how the form works and mistakenly believe that students do not have to pay tax.

Internal HMRC analysis of a contact centre telephony sample suggests that only 0.53% of calls received for 2006/07 were classed as 'student' calls. The two most common questions were "Provide information to amend code" and "Am I entitled to a repayment". Anecdotal evidence supplied by representative bodies, such as National Union of Students (NUS), would suggest that this figure might be higher as most students do not know about taxation and whether or not they have been taxed correctly.

Compliance costs: Employers are faced with using a process that does not fit well into the electronic payroll environment used by many of the businesses employing students in large numbers. The form P38(S) process is paper based and manual, which makes it an administrative inconvenience for many employers. As it is not compulsory for employers to operate the form P38(S) procedure some employers refuse to use it.

Repayments: HMRC has to make large numbers of repayments, assuming that the students understand the need for claiming a refund, adding to the administrative costs of government (which are borne by the taxpaying population in general). HMRC data does not differentiate students from any other individual requesting a repayment. Total income tax repayments to individuals, including repayments of tax on savings, were £1.75billion in 2005/06 and £1.9billion in 2006/07 (HMRC National Statistics Table 2.9: Income tax credits and repayments)

### **Options**

There are three possible options to be considered:

*All Students in normal PAYE:* it might be argued that student working patterns have changed so much that they no longer need to be taxed differently. Student taxation would be fully integrated into PAYE to achieve a comfortable fit into the electronic payroll environment with students being indistinguishable from any other employee. Abolition would be inexpensive for employers

but there would be a potential additional cost in terms of administering the tax system due to additional repayment activity for about 11% of full time students who can currently make legitimate use of form P38(S). Students would lose the only measure in the tax system targeted at their specific circumstances.

*Student Tax Code:* student taxation would be fully integrated into PAYE to achieve a comfortable fit into the electronic payroll environment. The code would be front-loaded so that the first income earned in a year up to the Personal Allowance would be tax free. The great majority of working students are unlikely to exhaust their annual allowance during the tax year. As a failsafe the code would be constructed to deduct tax at the appropriate rate once the income reaches a sufficiently high level. The code would be supported by a *student definition* and would require changes to forms P46 & P45. There would be additional costs for employers and for HMRC, and everyone would have to understand how the changes work. Form P38(S) would be abolished.

*Student NT Code:* student taxation would be fully integrated into PAYE to achieve a comfortable fit into the electronic payroll environment. Employers are already familiar with the concepts of a no tax code and the systems changes required are far less extensive than for a *student tax code*. However, changes to forms P46 & P45 would still be required, as would a *student definition*. However, a *student no tax code* would be far less robust than a *student tax code* in terms of the amount of tax deducted should income exceed PA. HMRC would recover any underpayment from the student at a later date. Form P38(S) would be abolished.

### **The ‘Do Nothing’ option**

Usually any set of final options will contain a ‘Do Nothing’ option which acts as a baseline against which other options may be compared. However, during earlier informal consultation with employer and student representatives, it became clear that neither this, together with another suggestion - that the P38(S) be extended across the whole year - would be viable alternatives.

Neither sufficiently addresses the problems that students, employers and HMRC face with the current P38(S) process -

- *Doing Nothing* – provides no benefits to students, employers or HMRC. It means retaining a paper-based, manual system outside the standard PAYE processes and does not address the problems students face in relation to the effects of PAYE on their cashflow, and
- *Extending the P38(S) across the whole year* - although this option removes the term-time working restriction for students, it does not address the concerns that employers and HMRC have around a discretionary paper-based system that sits outside mainstream PAYE.

### **Costs and Benefits**

#### *Policy*

It is not possible at this stage to put a robust value on the costs or savings directly attributable to modernising the PAYE processes for students, due to the limited amount of data available. Instead, this impact assessment attempts to provide a qualitative indication of how costs and benefits stack up for each of the options. These assessments will be refined in the light of responses to the consultation and additional ongoing research work within HMRC.

The summary sheets use three descriptions, defined as follows:

- Nil – no impact is expected.

- Low – some impact is expected but HMRC do not currently believe it to be a significant factor in the choice of option. Typically this might mean the impact would gain or lose a few minutes, would occur in a small proportion of cases, or would only need to be done once.
- Moderate – HMRC believes that there will be a significant cost or benefit. Typically this might mean a cost or saving of more than a few minutes, an event that would affect everyone, or that would occur frequently.

These descriptions are intended to give a qualitative assessment of how the options compare. Once the consultation period is complete, all the options will be further appraised in the light of feedback. Quantitative estimates of costs and benefits will then be provided.

#### Indicative costs and savings

The P38(S) form itself takes an employer around 5-10 minutes to deal with, and they must then retain it for possible audit or inspection (they do not have to send it to HMRC routinely). HMRC estimates around 1.8 million such forms are dealt with each year, and the associated admin burden on employers is just under £5m per year. This burden would be saved under any option abolishing the P38(S) form. The time it takes students to complete the form would also be saved.

We do not currently have any data on the average number of students employed by a business. Hence a cost per business figure is not available. But the time per form is reasonably reliable.

The cost and time associated with submitting claims for repayment are difficult to measure because students are often unfamiliar with the process and may (through no fault of their own) complete the process inefficiently. Having said that, the process does not require completion of a tax return and can be handled through telephone contact with a local tax office, usually with a short letter or repayment form completed by the student. We are asking for views in the consultation as to how much time might be spent, since we do not hold research data for students specifically (their claims being handled in the same way as any other repayment claim).

With options 2 and 3, students would be given a new tax code. The precise process for obtaining and applying such codes would depend on the option chosen and feedback received. In principle, there might be a small cost to the student (possibly showing their employer evidence of student status) and a small cost to the employer (recording that a check has been made). The object of the exercise, though, is to reduce the burden on all concerned. The intention is that for both these options, the process would be easier and quicker than the P38(S).

If the P38(S) is abolished, students would fall under the normal PAYE system (possibly with a special tax code depending on the option chosen). There will be one-off costs associated with making any changes, although these are unlikely to be significant (particularly for firms using electronic systems or off-the-shelf software).

Such businesses will then need to spend time handling normal PAYE processing, including standard tax accounting, issue of P45/P46, etc. Much of this may have been done anyway, but it is possible that some additional time will be incurred, and any extra time will offset the time saved from removing the P38(S). We do not have an estimate of any extra time on a per employee basis, and the impact of the change would depend on the nature of an individual business' systems. The consultation seeks views on the trade-off for businesses between using a P38(S) and using standard PAYE. In practice, the net impact on business may be low. The benefits to the students themselves remain.

Aside from any immediate impacts, HMRC believe that updating the PAYE processes for students has the potential to deliver a better fit with electronic payroll systems which will, in turn deliver benefits across the board. A reduction in the administrative costs of the tax system could result if a change in the process led to a decrease in the number of claims for repayment of tax from students and a decrease in the in-year processing costs of updating and issuing correct codes to students with multiple employments. For the policy to be successful it will need to work well for students so as to avoid creating new enquiries that impart additional administrative costs on employers and/or on HMRC.

### *Implementation*

Implementation costs will centre around changes to forms, set up costs such as guidance to employers and students and IT costs. At present there is insufficient data available to quantify costs/savings, and the consultation will seek to improve the evidence base in this area.

### *Tax revenue effects*

The aim of the reform is to ensure that everyone pays the correct amount of tax and as such, there should not be any significant change to the amount of revenue raised. It is possible that simplifying the rules and improved awareness will increase the number of refunds applied for. Conversely, the rules for determining eligibility (and any associated requirements to prove eligibility) will minimise any risk of inappropriate claims being made. Both these issues, and the cashflow impact of paying tax at different times during the year, will be assessed fully following the consultation period.

### **Business sectors affected**

Changes to the way in which students are taxed will apply to any business employing students and students themselves. Changes will not apply differently to particular types or sizes of business.

Specific Impact tests (for Equality and Human Rights issues, and for the effect on Small Firms) will be conducted during or after the consultation period. Views expressed during the consultation will be taken into account in these. In particular, HMRC will continue to assess the impact of the various options on the students themselves, to ensure any reform is fair to all, regardless of the individual nature and frequency of their employment.

## Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

**Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.**

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes/No	Yes/No
Small Firms Impact Test	Yes/No	Yes/No
Legal Aid	Yes/No	Yes/No
Sustainable Development	Yes/No	Yes/No
Carbon Assessment	Yes/No	Yes/No
Other Environment	Yes/No	Yes/No
Health Impact Assessment	Yes/No	Yes/No
Race Equality	Yes/No	Yes/No
Disability Equality	Yes/No	Yes/No
Gender Equality	Yes/No	Yes/No
Human Rights	Yes/No	Yes/No
Rural Proofing	Yes/No	Yes/No

