

Student Loans

HM Revenue and Customs are responsible for collecting repayments of income-contingent student loans in cases where the borrower is within the United Kingdom tax system. In most cases the actual task of making the collections rests with the student's employer.

An employer is responsible for:

- ◆ Making deductions of loan repayments from an employee's earnings as directed by the Revenue and on the basis of deduction tables published by the Revenue.
- ◆ Keeping records of the deductions made
- ◆ Paying the deductions to the Revenue with usual PAYE and NIC payments
- ◆ Providing the Revenue with details of the amounts of student loan deducted.
- ◆ Providing the student with details of the amounts of student loan repayments deducted.
- ◆ Identifying, on a P45 form, when the employee leaves the employment, that the employee is liable to make student loan repayments.

The payroll provides a system to comply with the responsibilities of the employer.

HM Revenue and Customs publish a document "**IR59, Collection of Student Loans, A guide for Employers**", which provides detailed information on the scheme.

Setting up for a Student Loan

You will know that you have to initiate a student loan if one of two things happens

1. You receive a start notice SL1 from the Revenue or
2. A new employee has a P45 form and there is a "Y" in the 'Continue student Loans deduction' box.

You only stop deducting if you receive a stop notice SL2 from the Inland Revenue. or exceptionally a date from the Revenue as an emergency request either by writing or by phone, then confirmed in writing.

Student loans are entered in the Payroll/Tax details for an employee, accessed via the **Payroll** menu.

PAYROLL → SET EMPLOYEE → SET relevant employee → PAYROLL → PAYROLL/TAX DETAILS

- ◆ Activate a student loan by checking the **Student Loan Case** box.
- ◆ Enter the **start date** notified on form SL1 from the Revenue, or the date of the next

Employee Payroll Detail - Student, Neil	
Payroll Status	Active <input type="button" value="↩"/> <input type="button" value="⋮"/>
Holiday Advance periods	None <input type="button" value="⋮"/>
Payroll Reference	S002 <input type="button" value="⋮"/>
Pay Interval	Regular Monthly <input type="button" value="↩"/> <input type="button" value="⋮"/>
Payment Method	Cheque <input type="button" value="↩"/> <input type="button" value="⋮"/>
Tax Code	471L <input type="button" value="↩"/> <input type="button" value="⋮"/>
NI Number	RR9999YY <input type="button" value="↩"/> <input type="button" value="⋮"/>
NI Category	A - Not contracted-out standard rate <input type="button" value="↩"/> <input type="button" value="⋮"/>
PAYE Week1/Month1 Basis	<input type="checkbox"/> <input type="button" value="⋮"/>
Employer NIC Expense Acct.	Use Business Default... <input type="button" value="⋮"/>
Student Loan Case	<input checked="" type="checkbox"/> <input type="button" value="⋮"/>
Student Loan Start Date	30/06/2004 <input type="button" value="⏮"/> <input type="button" value="⏪"/> <input type="button" value="⏩"/> <input type="button" value="⏭"/>
Student Loan End Date	<input type="text"/> <input type="button" value="⏮"/> <input type="button" value="⏪"/> <input type="button" value="⏩"/> <input type="button" value="⏭"/>
<input type="button" value="Submit"/> <input type="button" value="Cancel"/>	

relevant pay day if you have received a P45 from a new employee and there is a “Y” in the “Continue Student Loans Deduction?” box.

- ◆ Enter the **stop date** notified on form SL2 from the Revenue, or exceptionally a date from the Revenue as an emergency request either by writing or by phone, then confirmed in writing.

Calculation of the amount of the deduction

The system maintains the student loan deduction tables and therefore automatically deducts and records the correct amount, from the next payroll run after the start date.

For example the P11 working deductions sheet shows deductions made.

Deductions Working Sheet (P11)																			
Year to 5th April 2005																			
IR Office Name		Surname		Student		Current		Prior 1		Prior 2		Prior 3		Prior 4					
Employers PAYE Reference		Forename(s)		Neil		Tax Code 471L													
Date of Starting 01/05/2004		NI Number RR9999YY		Date of Birth 16/07/1980		WK/Mth Number													
Date of Leaving		Date of Birth		Works/Payroll No. S002		Start Date		Tax Credits Daily Rate		End Date									
Student Loans Deduction Case Yes																			
Key: * = Holiday Advance Pay # = Week 1/Month 1																			
Week/ Month Number	Earnings at the LEL (where earnings are equal to or exceed the LEL)	Earnings above the LEL, up to and including the ET	Earnings above the ET, up to and including the UEL	employee's and employer's contributions - mark minus amounts 'R'	Employee's contributions due on all earnings above the ET	Statutory Sick Pay (SSP) paid to employee in the week or month included in column 2	Statutory Maternity Pay (SMP) paid to employee in the week or month included in column 2	Statutory Paternity Pay (SPP) paid to employee in the week or month included in column 2	Statutory Adoption Pay (SAP) paid to employee in the week or month included in column 2	Student Loan Deductions (whole pounds only)									
3	343	52.00	1,563.33	372.08	171.97	0.00	0.00	0.00	0.00	101									
5	685	106.00	1,167.33	277.83	128.41	0.00	0.00	0.00	0.00	26									
	1,028	158.00	2,730.66	649.91	300.38	0.00	0.00	0.00	0.00	127									
NI Category A	1,028	158.00	2,730.66	649.91	300.38	SCON 122334													
Week/ Month Number	Pay in the week or month including statutory payments (SSP SMP/SPP/SAP)	Total pay to date	Total 'free pay' to date as shown by Tables A	Total 'additional pay' to date as shown by Tables A	Total taxable pay to date: column 3 minus column 4a or column 3 plus column 4b	Total tax due to date as shown by Tables SR + B to D	Tax due at end of current period Mark refunds 'R'	Regulatory limit: 50% of column 2 entry	Tax deducted or refunded in the week or month Mark refunds 'R'	Tax not deducted owing to the Regulatory limit	Tax Credits								
3	1,840.83	5,174.16	1,179.75	0.00	3,994.41	818.08	0.00	0.00	298.37	0.00	0.00								
5	1,664.58	6,838.74	1,966.25	0.00	4,872.49	970.83	0.00	0.00	152.75	0.00	0.00								
		3,333.33	<----- In Previous Employments ----->		519.71														
		3,505.41	<----- This Employment ----->		451.12														
		6,838.74	<----- Total for Year ----->		970.83						0.00								

Where relevant all reports show the deduction and if the employee leaves the P45 is correctly annotated.