

ARE YOU PAYING TOO MUCH TAX?



Low Incomes
Tax Reform
Group

A voice for the unrepresented

Take our short quiz to find out and, if so, how to get it back!



1. How much can you earn **tax-free**?
2. How much can you earn before paying **National Insurance Contributions** (NICs)?
3. Are there **special tax rules** for working students?
4. What is a **P45**?
5. What is a **P46**?
6. How do you pay tax if you've got **more than one job**?
7. How do you **claim a refund** if you've paid too much tax?
8. How can you stop the bank deducting **tax on your savings**?



Now check your **answers**...

1. Tax is paid on most income above a certain tax-free amount called a 'personal allowance' which is **£9,440 from 6 April 2013**. Along with tax rates, the personal allowance changes each year.

Students with severe eyesight impairment may be entitled to an additional Blind Person's Allowance.

When you start a job, you are given a Pay As You Earn ('PAYE') Code. Your employer uses it to deduct tax.

Always check your PAYE Code. Find it on your payslip or the letter you should get from HMRC—a 'Coding notice'. Contact HMRC if you don't understand it or think it is wrong.

2. Employees' NICs are paid on earnings above the 'primary threshold' – **£149 a week from 6 April 2013**. They are calculated weekly or monthly, when you are paid. **Students are not exempt** from NICs and you can't claim them back even if your wages fluctuate above and below the threshold.

3. No, from 6 April 2013 **students are taxed like any other employees**. Before that date, if you worked only in the holidays you could sometimes ask your employer not to take tax off your wages but those rules have been scrapped.

4. Your employer gives you a form P45 or 'leaver statement' **when you leave a job**. It shows your PAYE code, your total earnings and how much tax you have paid since the start of the tax year. On starting a new job, give Part 2 of the P45 to your new employer.

5. **When you start a job**, if you haven't got a P45, your employer should ask you to complete a form P46 (or give them equivalent information). This allows HMRC to work out your PAYE code. In the meantime your employer might need to use an 'emergency code'. Contact HMRC if you don't understand your PAYE code or think it might be wrong.

6. If you have more than one job at once, one will be treated as your 'main' job for tax, and your personal allowance will be used against it. You will probably pay basic rate tax (20%) on the others and **you might need to claim a refund later**. NICs are usually calculated separately for each employment, even if overall you earn more than the weekly or monthly threshold.

7. The tax year ends on 5 April. Your employer should give you form P60 by the end of May which will show your total earnings and tax paid. If you think you have paid too much tax, you should **write to HMRC** with details of your income **and ask them if you are due a refund**. If you stop work during the year you may be able to claim sooner, using form P50. To get a tax refund on savings income, ask HMRC for form R40.

8. If you think you won't be due to pay any tax, **ask your bank or building society for form R85 and Helpsheet**.



So how is your tax **knowledge**? Less than 100%?

... visit www.litr.org.uk