



Collection of Student loans

An employer's guide to the collection of Student Loans

Use from 6 April 2008

Employer Helpbook
E17(2008)

Help and further guidance

Help and further guidance about tax and National Insurance contributions (NICs) is available from the following sources.

The Internet

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

Your Employer CD-ROM

Your Employer CD-ROM has most of the forms and guidance you will need to run your payroll throughout the year.

The CD-ROM has:

- a P11 calculator that will work out and record your employees' tax, NICs and Student Loan deductions every pay day with a linked P32 record of deductions 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.
- a P45 checker that tells you what gross pay and tax to date figures to enter on the P11 for a new employee.

There is also:

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

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(2008) *Employer Further Guide to PAYE and NICs*
- CWG5(2008) *Class 1A NICs on benefits in kind*
- 480(2008) *Expenses and Benefits - A tax guide*
- 490(2008) *Employee travel - A tax and NICs guide for employers.*

You can view, download and print the full range of Helpbooks, booklets and other forms and guidance from our website at www.hmrc.gov.uk/employers or your Employer CD-ROM.

Or you can order copies from the Employer Orderline:

- from our website at www.hmrc.gov.uk/employers/emp-form.htm
- by phone **08457 646 646**
- by fax **08702 406 406**

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.

Yr Iaith Gymraeg

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

By phone - Employer Helplines

(We may record calls for quality and training purposes.)

New employers and employers with less than 3 years payroll experience **New Employer Helpline**
0845 60 70 143
Monday to Friday 08:00 - 20:00
Saturday and Sunday 08:00 - 17:00

Employers with more than 3 years payroll experience **Employer Helpline**
08457 143 143
Monday to Friday 08:00 - 20:00
Saturday and Sunday 08:00 - 17:00

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.)

A list of Helplines and opening hours is available

- on our website at www.hmrc.gov.uk/contactus/helplines.htm
- on your CD-ROM, and
- in your Employer Bulletin.

Your HM Revenue & Customs office

Your own HM Revenue & Customs office can also help you. All our office contact details are on our website at www.hmrc.gov.uk/local/employers/index.htm

Please tell us your employer reference which is on correspondence from your HM Revenue & Customs office.

In Person

We can offer you education and support on all aspects of your payroll explaining

- what you need to do
- the deadlines you need to meet
- the forms you need to fill in
- the records you need to keep.

We also have a range of workshops which are free of charge on many payroll topics.

You can get further information about the workshops from our website at www.hmrc.gov.uk/bst, or you can call the

- New Employer Helpline on **0845 60 70 143**
- Employer Helpline on **08457 143 143**

Online Services

For information about our online services

- go to www.hmrc.gov.uk/online/index.htm

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

- E mail helpdesk@ir-efile.gov.uk
- telephone **0845 60 55 999**

open 7 days a week 08:00 - 20:00.

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.

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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.

HM Revenue & Customs is responsible for collecting repayments of 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.

In most cases you collect Student Loan repayments by making deductions from the borrower's pay using the calculator on the CD-ROM or the SL3, *Student Loan Deduction Tables*.

Your responsibilities

You are responsible for:

- making deductions of Student Loan repayments from your employee's earnings
- keeping records of the deductions made (column 1j of form P11)
- paying the deductions over to HM Revenue & Customs
- providing HM Revenue & Customs 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 **0870 240 6298**.

When to start making Student Loan deductions

You should only start making Student Loan deductions when:


- you receive a form SL1, *Start Notice*
- a new employee gives you a form P45 with a 'Y' in the 'Continue Student Loan deductions' 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.

Form SL1 *Start Notice* received

Form SL1 will be sent to you when a successful match is achieved between the Student Loans Company record of borrowers and HM Revenue & Customs computer records.

The SL1 identifies the employee concerned and instructs you to start making deductions, using the calculator on the Employer CD-ROM or the SL3, *Student Loan Deduction Tables*.

You must start making deductions from the first available pay day after the Student Loan deduction start date shown on the 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.



Student Loan - Start Notice

Issued by

Employer reference

Date

Phone number

Fax number

Notice to employer to start Student Loan deductions

Student Loan deductions must start from the first pay day on or after the 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

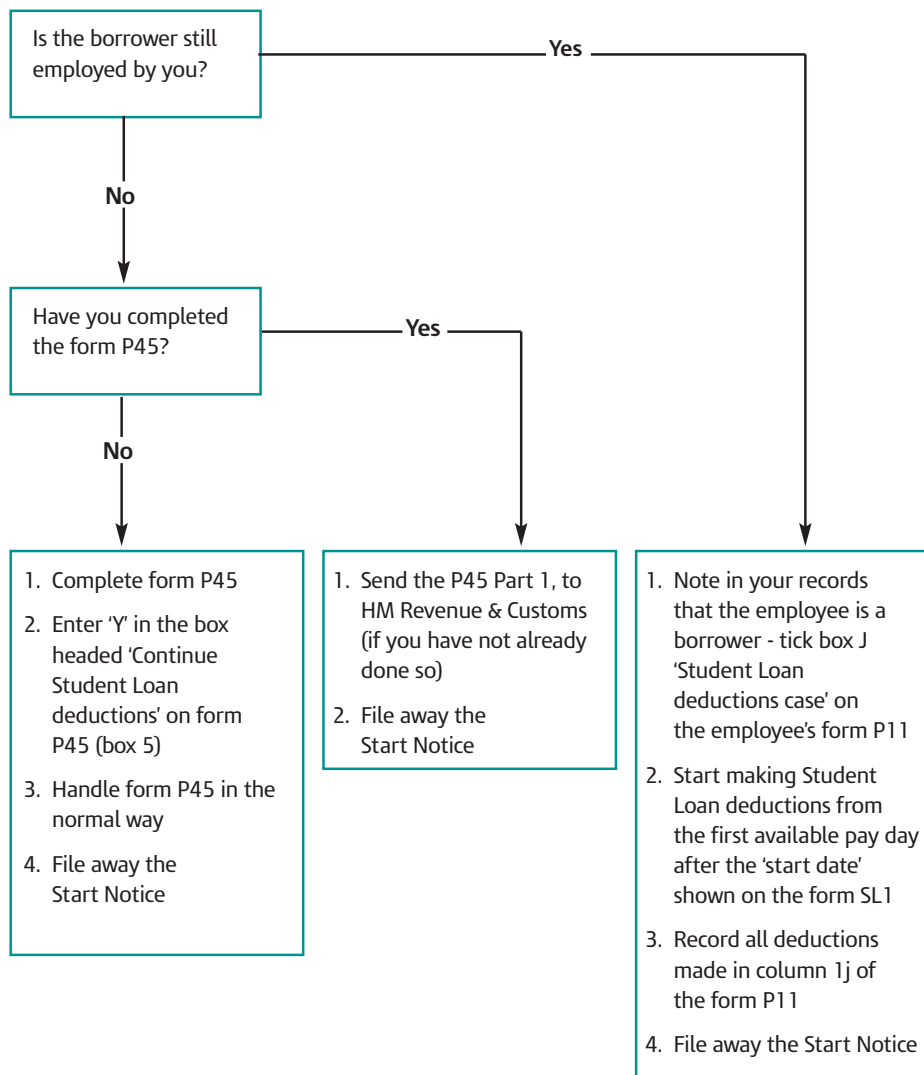
National Insurance number

Works/Payroll number, Branch etc

Start date

SL1HMRC 02/07

The following chart will help you decide what to do with the SL1.



Points to Note

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

- that you have never employed, contact your HM Revenue & Customs 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 Start Notice
- who claims never to have had a Student Loan, you should start making deductions, in accordance with the SL1 and continue doing so unless advised otherwise. You should file away your Start Notice
- for whom you are already making deductions because the employee has ticked box D on form P46 you should file away the Start Notice.

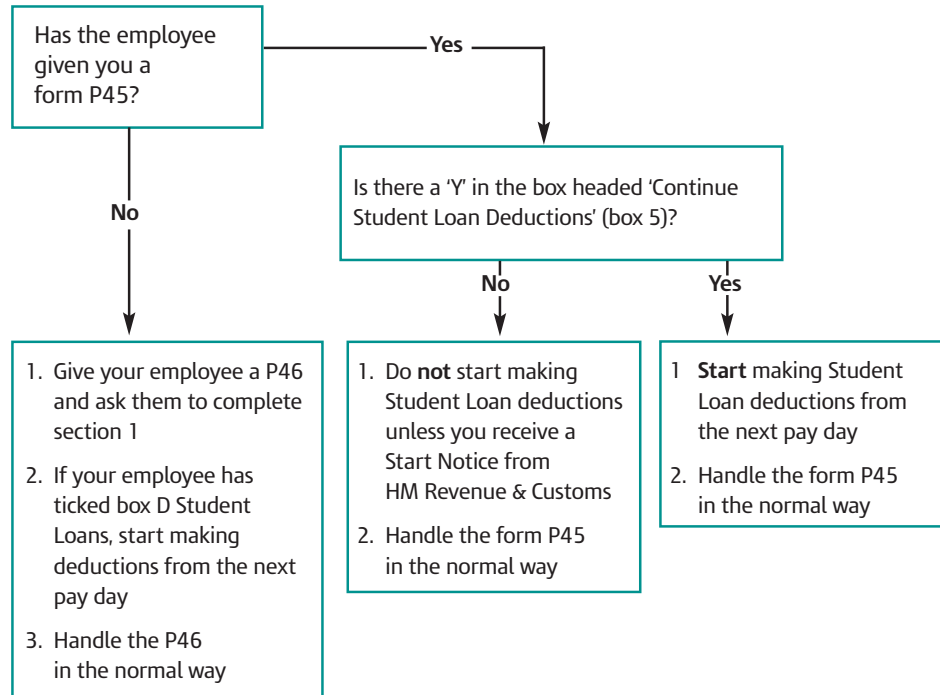
Form P45 received from a new employee

Where a new employee gives you a form P45 and there is a 'Y' in the 'Continue Student Loan Deductions' box (box 5) this means that a 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 calculator on the CD-ROM or the SL *Student Loan Deduction Tables*.

If you receive the form P45 some time after an employee has started to work for you, or if there is a gap since the last employment, you should start making deductions from the next payment and not make any deductions in arrears.

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



Making deductions

There is an Annual Threshold, currently £15,000, below which Student Loan repayments are not 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.

You can use the calculator on the CD-ROM or the SL3, *Student Loan Deduction Tables* to work out the deduction if your employee is paid

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

For earnings outside the above limits see 'Earnings exceed highest amount' on page 6

For other pay periods see 'Pay periods other than weekly or monthly' on page 6.

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 calculator on the CD-ROM or the SL3 tables to calculate the deduction.

If using the SL3 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 1j of the form P11.

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 a Notice to Start Student Loan Deductions form SL1, or for new employees who have given you a form P45 with an entry in box 5 'Continue Student Loan Deductions'.
- If your employee doesn't give you a form P45 they should complete a form P46. If they have ticked the Student Loan 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's 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 call the Employer's Helpline on **0845 7 143 143** 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 need to use the calculator on the CD-ROM or calculate the deduction yourself rather than using the tables.

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 deduction working sheet form P11 in column 1j 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

Pay period is a multiple of a week or month

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 deduction working sheet, form P11, in column 1j 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 deduction working sheet, form P11, in column 1j 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 | $\frac{25 \times £15,000}{365} = £1,027.39$ (result Step 2) |
| Earnings in pay period | £1,100.00 |
| Minus pay period threshold | <u>£1,027.39</u> |
| | £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) |

Paying Student Loan deductions over to HM Revenue & Customs

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

Although you keep separate details of Student Loan deductions, the amount is included with tax when making payment.

Details are in Part 4 of Helpbook, E13, *Day-to-day payroll*, included in the CD-ROM and on HM Revenue & Customs website at www.hmrc.gov.uk/employers

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 HM Revenue & Customs.
2. In exceptional circumstances, you may be asked by HM Revenue & Customs 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.



HM Revenue & Customs

Student Loan - Stop Notice

Issued by

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

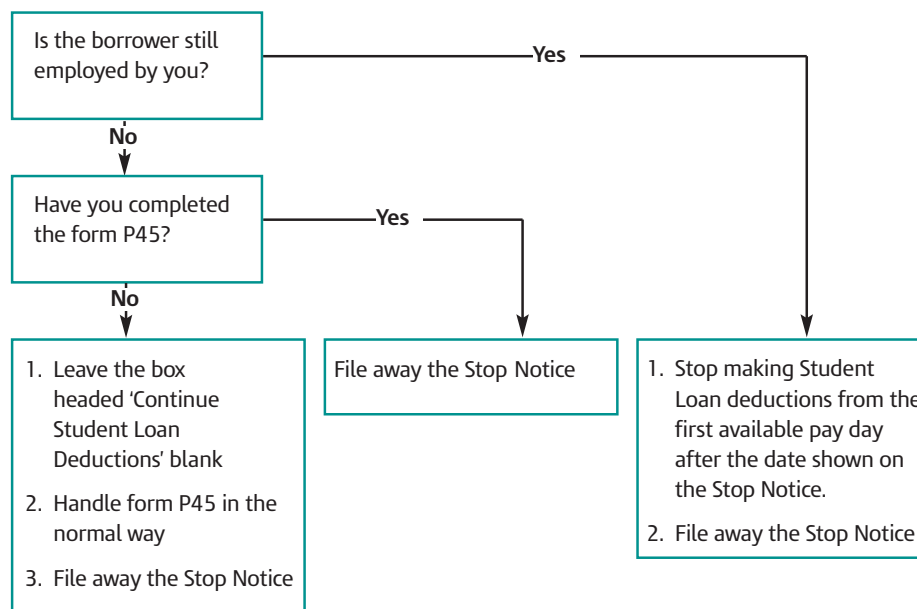
Works/Payroll number, Branch etc

Student Loan deduction stop date

SL2

HMRC 04/08

The following chart will help you decide what to do with the form SL2

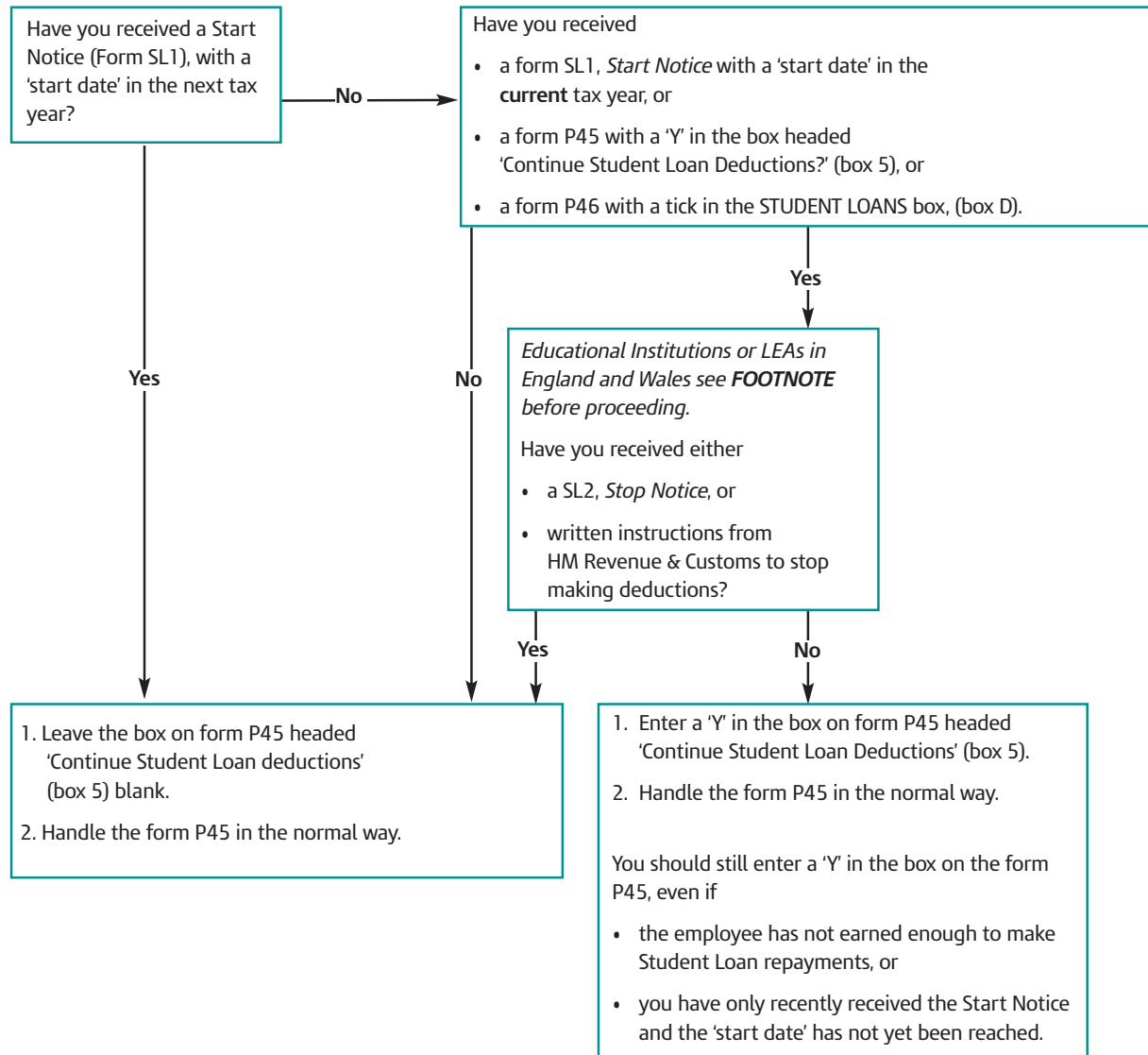


You cannot stop making deductions because your employee asks you to. If your employee thinks that you should not be making deductions they should contact the Student Loans Company. Do not contact the Student Loans Company on behalf of your employee, as they will not give information to a third party.

Where you receive a form SL2, for someone that you have never employed you should contact your HM Revenue & Customs 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 Stop Notice.

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 'Continue Student Loan Deductions' box (box 5).



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 HM Revenue & Customs.

Record keeping and End of 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 and SL2, for a period of at least 3 years after the end of the tax year to which they relate.

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 1j on all the forms P11 and enter this new total in Box 11 (whole pounds only).

Special cases

Court orders - 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 (This does not apply in Scotland - see page 11)

Priority Order - percentage based

Some priority orders - Council Tax or Community Charge AEOs, 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 Orders - 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 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 | Box 1 <input type="text"/> |
| 2. Normal Student Loan deductions (from the CD-ROM calculator or Student Loan Deduction Tables) | Box 2 <input type="text"/> |
| | |
| 3. Attachable Earnings for priority AEO/DEO | Box 3 <input type="text"/> |
| 4. Amount of priority AEO/DEO to be deducted | Box 4 <input type="text"/> |
| 5. Net attachable earnings after AEO/DEO (Box 3 minus Box 4) | Box 5 <input type="text"/> |
| 6. Level of protected earnings (from most recent AEO/DEO) | Box 6 <input type="text"/> |
| 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 | Box 7 <input type="text"/> |
| 8. Amount of Student Loan deductions to be made. This is the lower of | Box 8 <input type="text"/> |
| <ul style="list-style-type: none"> • Box 2 - 'Normal' Student Loan deductions, or • Box 7 - 'Maximum' Student Loan deductions <p>In either case, the amount to be deducted should be a figure that has been rounded down to the nearest pound.</p> | |

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 Student Loan Deduction Tables (Box 2).

Example

Monthly salary £2,000
Protected earnings level £850
Amount of priority order to be deducted £563

| | | |
|---|-------|------------------------------|
| 1. Earnings for Student Loan purposes | Box 1 | £2,000 |
| 2. Normal Student Loan deductions per CD-ROM calculator or Tables | Box 2 | £ 67 |
| | | |
| 3. Attachable Earnings for priority AEO/DEO | Box 3 | £1,466 (net after PAYE/NICs) |
| 4. Amount of priority AEO/DEO to be deducted | Box 4 | £ 563 |
| 5. Net Attachable Earnings after AEO/DEO (Box 3 minus Box 4) | Box 5 | £ 903 |
| 6. Level of protected earnings (from most recent AEO/DEO) | Box 6 | £ 850 |
| 7. Net Attachable earnings minus level of protected earnings (Box 5 minus Box 6) rounded down to nearest pound. Maximum amount available for Student Loan deductions | Box 7 | £ 53 |
| 8. Amount of Student Loan deductions to be made This is the lower of | Box 8 | £ 53 |
| <ul style="list-style-type: none"> • Box 2 - 'Normal' Student Loan deductions, or • Box 7 - 'Maximum' Student Loan deductions | | |

Non-priority orders

Student Loan deductions should be deducted before non-priority Court Orders.

You should use the CD-ROM calculator or the 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 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.

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 (below which Student Loan repayments are not 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.

If you have already made a payment using the shorter earnings period in the first of the new longer periods, the payment you have 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.

| | |
|--------|---|
| 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 £2000 are £67. However, £38 has already been deducted, so the amount now due to be deducted is £29 (£67 - £38). |

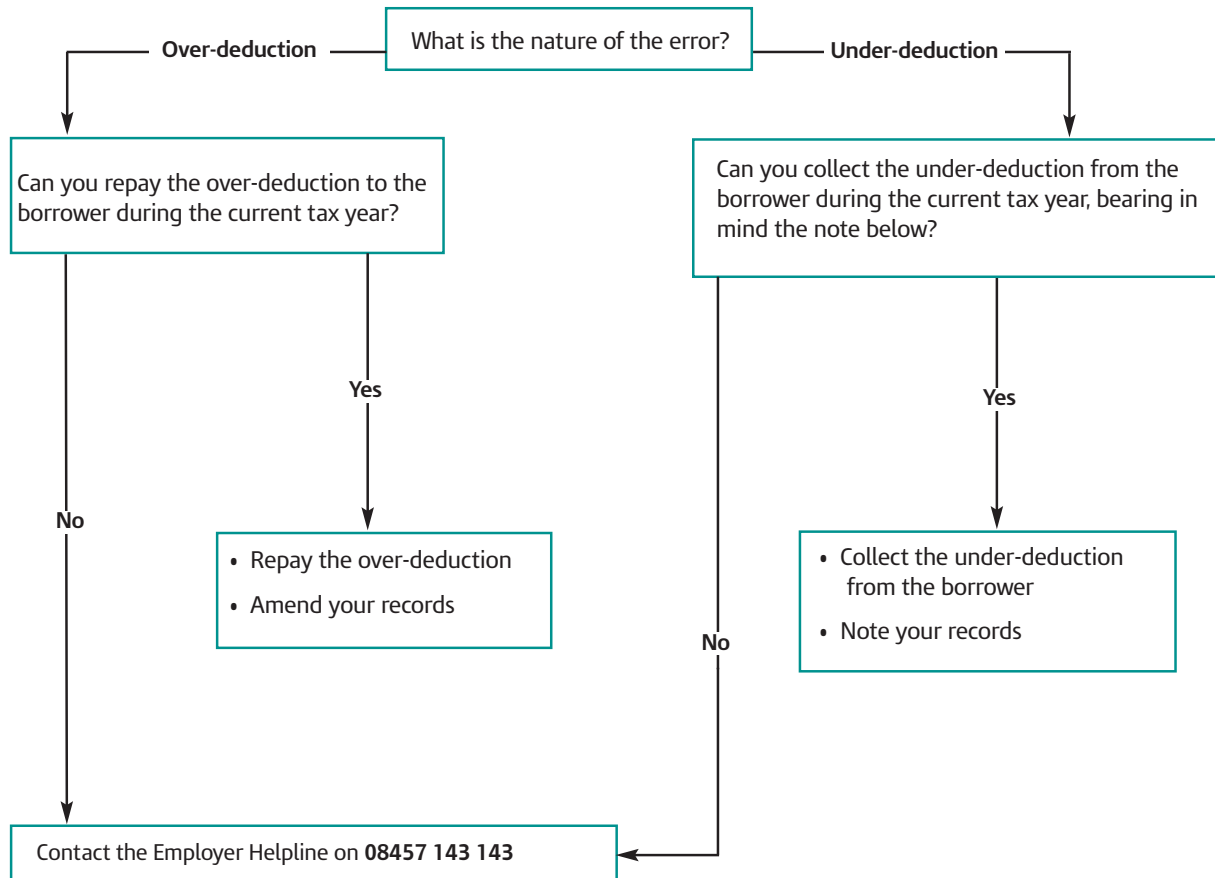
You will find more information on what to do if the interval between the payment of an employee's earnings changes in Chapter 1 of the Employer Helpbook CWG2 - *Employer Further Guide to PAYE and NICs*.

You can view, download or print the Helpbook from the Internet, your Employer CD-ROM or you can get 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

Chart 1. 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.

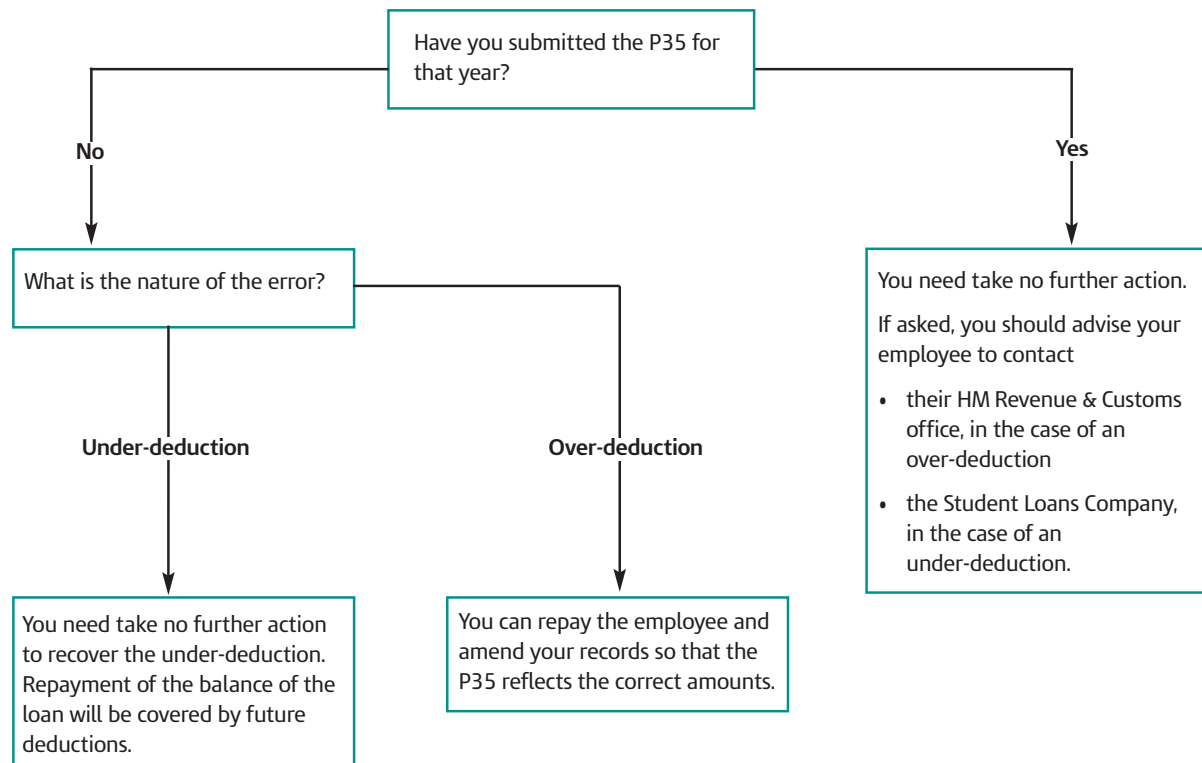
Example

| | |
|-------------------------------------|------|
| 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 2. Error made in a previous tax year



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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