

A STUDENT'S GUIDE TO TAX

Are you overpaying on tax?

The tax you pay is based on your annual income but is collected monthly.

Therefore, especially as a student where your income is more likely to vary each month you can find yourself overpaying tax. Use the **HMRC student tax calculator** to check if you might have overpaid.

www.hmrc.gov.uk/gds/calcs/stc.htm

If you have stopped working part way through the tax year e.g. to return to education, you may be due a refund if you have not yet used all of your personal allowance. Use the **P50** form to notify the HMRC of this. Otherwise, you can reclaim overpaid tax once the tax year has ended and for up to **4 years** after.

Note: National Insurance contributions cannot be reclaimed.

Working abroad

If you normally live and study in the UK but work abroad during the holidays you still need to pay UK tax on anything you earn over your Personal Allowance. Unless you work for a UK employer you do not have to pay National Insurance in the UK, however you might have to pay contributions in the country you're working in.

Leaving the UK for a year/semester abroad does not mean you automatically leave the UK tax system. Whether you are taxed on your earnings abroad depends on whether you are considered a "resident". There is a Statutory Residency Test (SRT) which determines your residency. If you have spent 183 days in the UK in the current tax year you are automatically considered resident in the UK. If you spend fewer than 16 days in the UK in a tax year you are automatically considered non-resident. For all other situations you should refer to guidance from the HMRC on the SRT which can be found online.

You should check if there are any double taxation agreements with the country you are going to. If so this could prevent you paying tax in both countries i.e. double tax on your income.

Students on **placement** in the UK are required to pay Income Tax on income over their Personal Allowance like everyone else.

International/EU students

You are entitled to a personal allowance for a variety of reasons including if you are:

- i) a citizen of an EEA country
- ii) resident in the Isle of Man or Channel Islands
- iii) resident of a country which has a double taxation agreement which allows the UK Personal Allowance

In rare circumstances, depending on which country you are from, there may be a taxation agreement in place which means you don't pay UK tax on your income if you work while you're a student. If your country doesn't have an agreement like this, you have to pay tax the same way as others.

For information specific to your country of origin visit

www.gov.uk/government/collections/tax-treaties

If you have worked during your course and you leave the UK at the end of your course you should notify the HMRC through a **P85** form.

Remember: You can only work in the UK within the terms of your visa.

HMRC Income Tax Helpline 0300 200 3300

HMRC National Insurance Helpline 0300 200 3500

JobCentre Plus (to apply for a NI number) 0345 600 0643

Calls are charged at up to 12p per minute from a landline. Calls from a mobile may cost considerably more

HMRC student tax checker www.hmrc.gov.uk/gds/calcs/stc.htm

HMRC student tax information www.gov.uk/student-jobs-paying-tax

A useful resource from the Low Income Tax Reforms Group www.taxguideforstudents.org.uk

All correspondence forms can be downloaded from

www.gov.uk/government/collections/hmrc-forms

This fact sheet is intended to provide general information only and does not constitute advice. Before taking any action you should get appropriate advice relevant to your particular circumstances from HMRC or a professional advisor. You can contact The SUSU Advice Centre for advice about tax on 023 8059 2085 or advice@susu.org.uk or by visiting the office on Level 3, Building 40, Highfield Campus.

Glossary of terms

HMRC (Her Majesty's Revenue and Customs)	A department of the UK government responsible for the collection of taxes.
Tax year	The tax year runs from 6 April – 5 April.
Income tax	A tax on income earned in each tax year which the government uses to fund services like the police and NHS. The basic rate is 20% of all income earned above your personal allowance.
Personal Allowance	In the tax year 6 April 2015 – 5 April 2016 you can earn up to £10,600 tax-free. This usually increases each year.
Tax free income	Student loans and bursaries are tax-free income and do not count towards your personal allowance. Money from your parents is classed as a gift and is also non-taxable income and does not count towards your personal allowance. It is worth noting that some private scholarships may be taxable, check with the provider to confirm.
PAYE (Pay as you earn)	Tax is collected monthly through your employer via the PAYE system. If you are self-employed it is collected through a self-assessment process, for which you must register with HMRC, within 3 months of becoming self-employed.
National Insurance (NI)	Compulsory payment by employees who earn over £155 per week to qualify for certain benefits including the State Pension. This is deducted straight from your wages. Your employer also pays NI for you. These are both class 1 contributions. You pay different types of NIC if you are self-employed and are responsible for paying this yourself.

National Insurance Number	This number identifies your individual account with HMRC and is required to begin employment. UK residents will normally be assigned one as they turn 16. EU/International students will need to apply for one if they wish to work.
P45	A form given to you by your employer when you stop working for them. It shows how much tax you've paid on your salary so far in the tax year. A replacement cannot be ordered. You will need to give a copy of your P45 to your next employer.
P60	This form shows the tax you've paid on your salary in the tax year. You can get a replacement copy from your employer.
Tax code	Your tax code indicates how much income tax you should pay and will be noted on your payslip, P45 and P60. You may be paying the wrong amount of tax if you have the wrong code. Visit www.gov.uk/tax-codes for more information.
Starter Checklist	If you are starting your first job or have lost your P45 your new employer may require you to fill in this form so they can calculate your correct tax code.
ISA	A savings account in which you are able to save up to £15,240 tax-free. This is different to your personal allowance.
Bank interest	Banks and building societies will automatically deduct tax at the basic 20% rate from any interest you receive (except for in ISA's). If your taxable income for a tax year is less than your personal allowance then you will have overpaid tax due to the bank's automatic deduction. If you're not expecting to earn over your personal allowance this tax year you can complete an R85 form to avoid paying tax on the interest you earn.
Council Tax	Council tax is different from income tax and full-time students are not required to pay it. For more information about council tax please visit www.southampton.ac.uk/studentadmin/student-admin/council-tax-info.page