HM Revenue & Customs

Collection of Student Loans for Self Assessment customers

This factsheet gives information on the collection of Student Loans for Self Assessment customers.

What are Student Loans

Student Loans are part of the Government's financial support package for students in higher education in the UK. There are different types of finance available but this factsheet only covers a type of Student Loan known as an Income Contingent Repayment (ICR) Student Loan.

Since April 2000, HM Revenue & Customs (HMRC) has been responsible for collecting repayments of ICR Student Loans where the borrower is within the UK tax system and is no longer in higher education. Workers from overseas who have studied in their own country are not part of this scheme. (The Student Loans Company (SLC) is solely and directly responsible for collecting the loans of borrowers outside the UK tax system.)

The Student Loans Company (SLC)

The SLC is responsible for paying out the loans and keeping details of the borrowers' accounts, including:

- adding interest
- sending yearly statements
- answering all loan finance and administration questions

The SLC repayment website has more detailed information about all of these subjects including a statement illustration. Go to **www.studentloanrepayment.co.uk**

How the loan repayments are collected

Repayments are only collected from the April after you finish or leave your higher education course. But this only happens when your income exceeds a certain level or threshold.

This is what makes these loans Income Contingent Repayment (ICR) Student Loans. The SLC will tell both you and HMRC when you are due to start and stop repaying a Student Loan.

The income threshold

From 6 April 2014 the annual threshold will rise from £16,365 to £16,910. If you earn less than this you won't have to make any repayments. If you are an employee, the threshold is divided into £1,409 per month, or £325 per week.

Student Loan repayments are then collected at a rate of 9% on any employment income over these limits. The earnings figure used by employers to calculate Student Loan deductions is the same as is used to calculate employers secondary Class 1 National Insurance contributions.

How do I work out my Student Loan repayments under Self Assessment

You start by including all of the relevant income included in your annual return. This will include all self-employed profits, any employment income and any unearned income providing the unearned income is more than £2,000.

If the sum of all your relevant income exceeds the annual threshold (£16,910), Student Loan repayments of 9% will be deducted on anything over the threshold and will be included in your Self Assessment tax bill.

If you are an Self Assessment customer but not an employee

If you are not an employee but you do fill in an annual tax return you will be asked to confirm your Student Loan status. Student Loan repayments are then worked out as described above along with any tax and National Insurance Contributions.

Help and guidance

Help and guidance is available from the following sources.

The internet

Go to **www.hmrc.gov.uk/students/tma-repaying-student-loans.shtml**

Student Loans Company website

For borrower enquiries about:

- the administration of a loan
- loan terms
- interest
- statements

go to **www.studentloanrepayment.co.uk**

By phone

Student Loans Company (SLC)

If you have questions about your Student Loan account phone the SLC on **0845 0738 891**.

HMRC

If you have questions about your tax return you should phone your HMRC office. The office contact details depend on an individual's circumstances. You can find all of our helplines and opening hours online. Go to **www.hmrc.gov.uk/contactus**

Student Loan factsheets and Employer Helpbooks

- 'CSLQG Student Loans – a quick guide', go to **www.hmrc.gov.uk/employers/collection-sl.pdf**
- 'CSL2 The Collection of Student Loans', go to **www.hmrc.gov.uk/leaflets/csl2.pdf**
- Employer Helpbook 'E17 An employer's guide to the collection of Student Loans', go to **www.hmrc.gov.uk/helpsheets/e17.pdf**

Please turn over

Self Assessment Student Loan repayments are due to be paid by 31 January following the year of assessment. This means that they will be included in your 31 January balancing payment each year. They are not included in the Self Assessment payment-on-account figures calculated during the year.

If you are a Self Assessment customer with Pay As You Earn (PAYE) income
If you are an employee and you also fill in an annual tax return, you will, as confirming your Student Loan status, have to enter the amounts of any Student Loan deductions already made by your employer or employers. This means you will get the full credit for any amounts already deducted from your earnings. Additionally in 2013 and 2014 HMRC and the Student Loans Company (SLC) have been running a pilot. It is designed along with existing measures outlined below to help Self Assessment borrowers who are nearing the end of their loan.

Pilot
The Self Assessment tax return asks a Self Assessement Student Loan borrower to confirm if they are in the process of repaying an Income Contingent Repayment (ICR) Student Loan. Where a borrower has paid Student Loan deductions by virtue of PAYE employment the Self Assessment return also asks the borrower to enter these amounts on the return.

From April 2013 a third box will now appear. This box is designed along with other existing measures to help borrowers avoid over-repaying their Student Loan as the loan nears its conclusion. The inclusion of this box is initially being run as a pilot, to determine how effective it is in achieving this aim.

The new question is: If you think your loan may be fully repaid within the next 2 years, put 'X' in the box.

Putting an 'X' in this box allows a verification process to take place between HMRC and the SLC. After checking, there will be 1 of 3 outcomes:

- if the figures suggest that the Student Loan amount calculated by the Self Assessment tax return will **exceed** the borrower's outstanding balance we will amend the Self Assessment calculation. A revised HMRC statement of account is sent showing the corrected amount of Student Loan payable
- if the figures suggest that the Student Loan amount calculated will not exceed the borrower's loan balance but the loan is nearing conclusion the Student Loan Self Assessment calculation will not be revised
- if the figures suggest that the Student Loan amount calculated will not exceed the borrower's loan balance, and additionally the loan is not expected to be fully repaid within the next 2 years the student loan Self Assessment calculation will not be revised and the Student Loan Self Assessment calculation will stand

If in addition to completing this box a borrower has also applied for an informal standover (deferring payment of some or all of the calculated student loan Self Assessment amount) and, the sum stood-over amount is subsequently found to be due, it will be released for payment. If this happens interest will be due and payable from the original due date. If the payment remains unpaid penalties may also be charged.

Additional notes

1. The inclusion of this additional Self Assessment tax return box is a pilot exercise, the purpose of which is to reduce incidences of over-repayment of a student loan as it nears conclusion.
2. The box will only be included in the 'SA100 Tax Return'. Borrowers receiving an 'SA200 Short Tax Return' who wish to use this procedure will have to contact HMRC and request an 'SA100 Tax Return'.
3. Customers who do check this box are strongly encouraged to file their Self Assessment tax return as early as possible to allow sufficient time for the verification process to take place. Where returns are submitted after 1 November it may not be possible to guarantee an outcome before the 31 January due and payable date.

Your rights and obligations

'Your charter' explains what you can expect from us and what we expect from you. For more information go to **www.gov.uk/hmrc/your-charter**

Forms and guidance in Braille, large print and audio

We have a range of services for disabled people including guidance in Braille, audio and large print. Most of our forms are also available in large print. Please contact us on any of our phone helplines if you need these services.

4. Ticking the box does not defer payment of any Self Assessment student loan amount, nor does it stop the charging of interest and/or late payment penalties.

Your Self Assessment Student Loan calculation

Your Self Assessment Student Loan calculation will always be based on all relevant income in a tax return. And whilst the calculation will give credit for any and all reported deductions made by an employer, you may still be asked to pay an additional Student Loan amount when you come to pay your annual balancing payment under Self Assessment.

Why you might need to pay more in this way

Additional liability under Self Assessment can arise for the following reasons:

- you have more than 1 employment (at the same time) in a year - this can affect your calculation because the annual threshold figure (or part of it) is automatically applied by each and every employer when making Student Loan deductions
- your employer was unable to take all of your relevant earnings into account, this is because an employer can only deduct Student Loan deductions from the figure they calculate from the earnings they pay to you - your employer is unaware of any other relevant income or earnings you may have
- you have other income, for example, self-employed profits or unearned income over £2,000

Credit for Pay As You Earn (PAYE) employer deductions will always be given to you in the Self Assessment calculation of amounts due, providing you enter them when you fill in your annual tax return.

The importance of keeping payslips and forms P60

You should always keep **all** of your payslips from all employments during the year. This is especially important if you have had more than 1 employer in the year. An employer will only give you a P60 if you are working for them on 5 April each year and it will only show the Student Loan deductions from that employment.

How unearned income affects your Self Assessment calculation of Student Loan repayments

Unearned income is only taken into account in your Self Assessment Student Loan repayments if your total unearned income is over £2,000. If this is the case, the total amount (including the initial £2,000) is included in the calculation.

If your unearned income is not over £2,000 it is disregarded.

How does the Student Loans Company (SLC) get to know about my Self Assessment Student Loan repayments

After we receive a correct and complete tax return, your final Self Assessment balancing payment is calculated for payment on or before 31 January each year. We then pass details of the Student Loan amounts to the SLC who credit the amount to your Student Loan account.

Voluntary payments

You can, if you choose, make voluntary payments direct to the SLC at any time. As a result, voluntary payments will shorten the overall length of your loan and reduce the interest charged. However, there are some things a voluntary payment **will not do**. A voluntary payment will not reduce the amount of any Student Loan repayments that are based on the calculation made by your employer, or those calculated through the Self Assessment process described above.

You cannot choose to make voluntary payments instead of, or in place of, the repayment methods described above. Voluntary payments will always be in addition to any amounts that HMRC collect.

Please turn over

Managing the Student Loan account and adding interest

The SLC is responsible for maintaining all aspects of your Student Loan account, including the calculation and addition of interest. Whilst HMRC only send details of your repayments at the end of each tax year, the SLC apply the repayment amounts deducted by your employer in equal instalments over the whole year and calculate interest accordingly. Self Assessment repayments are treated as paid on 31 January. For more information about interest calculations contact the SLC. You can find their phone number on page 1 of this factsheet.

Overpayments

There are situations which can unavoidably result in an overpayment of your Student Loan.

If you are a Self Assessment borrower and you are in the final year of repaying your Student Loan, the Self Assessment calculation at 31 January could well be greater than your overall balance. If this happens the SLC will tell us and the excess will be credited to your SA statement so that you only pay what you need to clear your account. The SLC will continue to do this even if you are not part of the pilot scheme outlined above.

If you are an employee who receives a large one-off salary or bonus payment, it will be subject to the 9% Student Loan deduction and it could in some cases clear an entire Student Loan debt. If this happens, any amount overpaid will be repaid to you.

Check your SLC statement to help minimise the chances of overpaying

There are things that you can do to help to minimise the overpayment of your Student Loan. This is particularly important as you near the end of your loan. Your annual SLC statement will help you monitor the level of deductions being made and you should be able to anticipate when your loan is likely to be paid off.

What to do if you think the amount of your Self Assessment Student Loan repayment is too much

The amount of Student Loan repayment included in your end-of-year balancing payment cannot be reduced. But, if you think that the amount is too much you can contact us by letter and ask for a specified amount to be suspended from collection and informally stood-over pending confirmation of the amount required by the SLC. However, if any of that amount is subsequently found to be payable it will attract interest and possibly a surcharge. In such situations the interest will be backdated to 31 January when the original payment was first due.

What help does the SLC offer

In the last 23 months of repayment, if you repay through PAYE or a combination of PAYE and Self Assessment you can ask to go on to a Direct Debit repayment arrangement. This means that you won't over-repay your Student Loan. In anticipation of this the SLC aims to contact suitable borrowers to offer and arrange this option. Even if you are not included in the pilot outlined above the SLC will continue to offer this option to suitable borrowers.

If you enter into this type of arrangement, we will tell your employer to stop making deductions from your pay.

If you would like to know more about this option or have any other questions about repaying your loan, you should contact the SLC. You can also find more information online. Go to **www.studentloanrepayment.co.uk**

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal. HMRC Digital Service
April 2014 © Crown copyright 2014