

Collection of Student Loans

An employer's guide to the collection of Student Loans

Use from 6 April 2014

Help and guidance

You can get help and guidance from the following sources.

The internet

For help with your payroll, go to www.hmrc.gov.uk/payerti/index.htm

For wider interactive business help, go to www.gov.uk/starting-up-a-business

Webinars are a new way of learning about your payroll. Our presentations cover a wide range of topics. For more information, go to www.hmrc.gov.uk/webinars

Any page printed from the online version of this helpbook is uncontrolled and may not be the latest version. We recommend that you always check you are referring to the latest online version.

Online services

For information and help using our Online Services, go to www.hmrc.gov.uk/online

For more help, contact the Online Services Helpdesk by:

- phone on 0300 200 3600, or
- textphone on 0300 200 3603.

Basic PAYE Tools

The Basic PAYE Tools is software that you download onto your computer. It will help you run your payroll throughout the year. It is designed for employers who have nine or fewer employees, and you can use it to calculate payroll deductions and then report payroll information online in real time.

Basic PAYE Tools will:

- record your employees' details
- work out and record your employees' pay, tax, NICs and any Student Loan deductions every payday
- enable you to claim your NICs Employment Allowance (up to £2,000 per year off your secondary Class 1 NICs liability)
- generate the payroll data that you need to send to HMRC in real time, including starter and leaver information
- produce an Employer Payment Record that works out how much you need to pay HMRC
- contain calculators to help you to work out statutory payments such as Statutory Sick Pay and Statutory Maternity Pay.

You can find more information about the Basic PAYE Tools at www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

Employer helplines

- Employer for less than 3 years, phone 0300 200 3211.
- Employer for 3 years or more, phone 0300 200 3200.
- If you have a hearing or speech impairment and use a textphone, phone 0300 200 3212.

Please tell us your employer PAYE and Accounts Office references when you contact us. You will find them on correspondence from HMRC.

Employer helpbooks and forms

Helpbooks and forms are available to download.

Go to www.hmrc.gov.uk/payerti/forms-updates/forms-publications.htm

Yr Iaith Gymraeg

I lawrlwytho ffurflenni a llyfrynnau cymorth Cymraeg, ewch i www.hmrc.gov.uk/cymraeg/ffurflenniathafenni_defnyddiol.htm#2 a dilyn y cysylltiad i Becyn y Cyflogwr. Os, yn eithriadol, nad oes gennych gysylltiad i'r rhyngwyd, cysylltwch â'r Ganolfan Gyswllt Cymraeg ar 0300 200 1900.

Forms and guidance in Braille, large print and audio

For details of employer forms and guidance in Braille, large print or audio, phone the Employer Orderline on 0300 123 1074 and ask to speak to the Customer Service Team.

Education services from the Digital Delivery Team

Find out more about our webinar programme at www.hmrc.gov.uk/webinars and why not take a look at our Youtube channel? You can view our video clips or listen to a recorded version of our webinars.

Go to www.youtube.com/hmrcgovuk

Employer Bulletin online

Employer Bulletins contain information and news for employers.

We publish these several times a year. Go to

www.hmrc.gov.uk/payerti/forms-updates/employer-bulletin/index.htm

Employer email alerts

We strongly recommend that you register to receive employer emails to prompt and direct you to:

- each new edition or news about the Basic PAYE Tools
- the Employer Bulletin
- important new information.

To register, go to

www.hmrc.gov.uk/payerti/forms-updates/forms-publications/register.htm

HM Revenue & Customs (HMRC)

If you have a query about your PAYE scheme:

- phone the Employer Helpline on 0300 200 3200, or
- write to:

HM Revenue & Customs
National Insurance Contributions & Employer Office
BP4009
Chillingham House
Benton Park View
NEWCASTLE
NE98 1ZZ

Please tell us your employer PAYE and Accounts Office references when you contact us. You will find them on correspondence from HMRC.

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/government/publications/your-charter

Real Time Information (RTI)

The following guidance applies to all employers. For guidance on reporting in real time go to www.hmrc.gov.uk/payerti/index.htm

Collection of Student Loans

This helpbook gives general information about the collection of Student Loans and explains your responsibilities as an employer in making deductions and sending those deductions to HM Revenue & Customs (HMRC).

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What are Student Loans?

Student Loans (SLs) 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.

HMRC is responsible for collecting repayments of Income Contingent Student Loans in cases where the borrower is within the UK tax system and is no longer in higher education.

The Student Loans Company (SLC) provide more than one type of loan finance, however HMRC only collects loans advanced under the Income Contingent Repayment (ICR) scheme. For PAYE purposes, an ICR loan is based on an individual's earnings not the amount borrowed.

The SLC administers ICR loans.

If you use commercial payroll software it will usually calculate any SL deductions automatically along with PAYE and National Insurance contributions (NICs). Simply follow the software instructions.

If you use HMRC's Basic PAYE Tools to calculate payroll deductions and submit payroll data in real time, indicate that Student Loan deductions apply for the employee and the software will calculate the correct amount each payday.

To find information about the Basic PAYE Tools go to www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

If you need to do a manual calculation you can use the SL3 *Student Loan Deduction Tables*.

In addition to the guidance given in this helpbook, more information is available, go to:

- www.hmrc.gov.uk/payerti/payroll/pay-and-deductions/student-loan.htm
- www.hmrc.gov.uk/employers/collection-sl.pdf
- www.hmrc.gov.uk/leaflets/csl2.pdf

Your responsibilities

You are responsible for:

- making deductions of SL repayments from your employee's earnings
- keeping records of the deductions made
- paying the deductions over to HMRC
- providing HMRC with details of the deductions in real time
- giving your employee details of the deductions on their wage/payslip and P60 certificate
- identifying on form P45, when the employee leaves your employment, that they are liable to make SL repayments
- identifying employees who are liable to make SL repayments.

You are **not** responsible for handling queries about the employee's loan. You should advise the borrower to refer any queries directly to the SLC on 0845 073 8891.

Penalties

Penalties may be charged:

- for the late payment of SL repayments deducted if you fail to pay those amounts on time
- if an incorrect return is made to HMRC.

When to start making Student Loan deductions

You should only start making SL deductions when:

- you receive a form SL1 *Start Notice*. Most Start Notices will look like the illustration below but they can be sent electronically if you have registered to receive notices this way, or sometimes they may be issued as a letter
- a new employee gives you a form P45 with a 'Y' in the 'Student Loan deductions to continue' box (box 5)
- a new employee tells you that they are repaying a Student Loan.

This information may be obtained using the starter information.


For more information go to www.hmrc.gov.uk/payerti/payroll/pay-and-deductions/student-loan.htm

Form SL1 *Start Notice* received

Form SL1 *Start Notice* will be sent to you when a successful match is achieved between the SLC record of borrowers and HMRC computer records.

The SL1 *Start Notice* identifies the employee and tells you to start making deductions using your commercial payroll software, the HMRC Basic PAYE Tools or the SL3 *Student Loan Deduction Tables*.

You must start making deductions from the first available payday after the SL deduction start date shown on the SL1 *Start Notice*. Do not make deductions before the start date. By 'first available payday' we mean the first payday on which it is practical to apply that notice.

**HM Revenue
& Customs**

Student Loan - Start Notice

Issued by

Employer Reference

Date

Phone

Fax

Notice to employer to start Student Loan deductions

Deductions must start from the first available payday after the Student Loan deduction 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.

Payroll software, some of which is free, will calculate Student Loan deductions, for more information, go to www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

If you have 9 or fewer employees you can use HMRC's Basic PAYE Tools which is available to download from www.hmrc.gov.uk/payerti/payroll/bpt/payee-tools.htm For employers in the *exempt* category and where a manual calculation is necessary the SL3 *Student Loan Deduction Tables* will help you work out how much to deduct.

You can find more guidance in the Employer Helpbook E17 *Collection of Student Loans*.

To get a copy of the E17 or SL3 go to www.hmrc.gov.uk/payerti/forms-updates/forms-publications.htm

A limited stock of these paper products is available from the Employer Orderline on **0300 123 1074** for the small number of employers who are exempt from filing online or are unable to use the internet.

Employee's name

National Insurance number

Works/Payroll number, Branch etc

Student Loan deduction start date

SL1

Page 1

Please turn over
HMRC 11/13

What to do with the SL1 *Start Notice*

1 Is the borrower still employed by you?

If no, go to question 2.

If yes:

- Note in your records that the employee is a borrower – but see the additional notes below.
- Start making SL deductions from the first available payday after the 'start date' shown on form SL1 *Start Notice*.
- Record all deductions made following the notes below.
- File away the *Start Notice*.

2 Have you submitted leaver information to HMRC in real time?

If no:

- Make employee a leaver.
- Submit leaver details to HMRC in real time.
- Issue P45 to employee.
- File away SL1 *Start Notice*.

If yes:

- Give employee Parts 1A, 2 and 3 of the P45
- File away the SL1 *Start Notice*. Complete the remaining parts of the P45.
- At box 5 enter 'Y' if SL deductions are due to be made.
- Handle the form P45 in the normal way but remember not to complete Part 1.
- File away the SL1 *Start Notice*.

Recording SL deductions

- If you are using a **manual record** make an entry where headed Student Loan deduction. You can use commercial payroll software or the SL3 *Student Loan Deduction Tables*, to work out the amount of SL deduction.
- If you use HMRC's Basic PAYE Tools to calculate payroll deductions, indicate that Student Loan deductions apply for the employee and the software will calculate the correct amount each payday.

Points to note

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

- that you have never employed, phone the Employer Helpline and give them details of the person concerned. HMRC will investigate what has happened and contact you again if necessary. You should file away the SL1 *Start Notice*
- who claims never to have had an SL, you should start making deductions, in line with the SL1 *Start Notice* and continue doing so unless HMRC tells you otherwise. You should file away your SL1 *Start Notice*
- for whom you are already making deductions, you should file away the SL1 *Start Notice*.

Received form P45 or starter information (including expat) completed by new employee

Where a new employee gives you a form P45 and there is a 'Y' in box 5 'Student Loan deductions to continue' this means that form SL1 *Start Notice* has been issued to a previous employer and deductions should continue.

You should begin making deductions as soon as possible using commercial payroll software, the Basic PAYE Tools or the SL3 *Student Loan Deduction Tables*.

If you receive the form P45 some time after an employee has started to work for you, and there is a gap since their last employment or the employee did not indicate in their starter information, or tell you that they were repaying an SL, you should start making deductions from the next payday. Do not make any deductions in arrears.

Where a new employee without a P45 completes a:

- starter declaration, or an
- expat starter checklist – only to be used where employees have been seconded to work in the UK whilst remaining employed by an overseas employer (more information is given in the CWG2(2014) *Employer Further Guide to PAYE and NICs*

which indicates Student Loan deductions apply, you should start making these deductions from the next payday.

Student Loan deductions - employee working abroad

If you continue to pay an employee while they work abroad, and you:

- continue to pay the employee from the UK, and
- are operating as though the employee was in the UK, and
- are required to deduct Class 1 NICs for an employee who works or is seconded abroad

then you should continue to make SL deductions until you receive a Stop Notice (SL2).

For more information about working abroad, go to www.hmrc.gov.uk/employers/faq-sl-abroad.htm

What to do if an employee tells you that they are repaying their Student Loan in error

If an employee tells you that they are repaying a Student Loan in error (including because they have a mortgage style loan advanced before 1 September 1998), check whether you have received either:

- an SL1 *Start Notice* from HMRC, or
- form P45 Part 3 from their previous employer with a 'Y' in box 5.

If you have received either of these forms continue making deductions as normal (your employee should contact the SLC if they still feel that deductions are not due).

If you haven't received either of these forms continue making deductions for the time being and phone the HMRC Employer Helpline on 0300 200 3200 who will tell you what further action to take.

If it is confirmed that SL deductions are not necessary, HMRC will write to you authorising you to stop making deductions and will ask you to refund any deductions made from your employee.

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

When to make Student Loan deductions for a new employee

1 Has the employee given you a form P45?

If yes, go to question 2.

If no:

- When you are recording information from your new employee ask them if they are repaying a Student Loan. Obtain the starter information from your employee (see note below).
- If your employee indicates that Student Loan deductions apply, start making deductions from the next payday.

2. Is there a 'Y' in the box headed 'Student Loan deductions to continue' (box 5)?

If yes:

- **Start** making SL deductions from the next payday.
- Handle the P45 in the normal way.

If no:

- Do **not** start making SL deductions unless you receive form SL1 *Start Notice* from HMRC.
- Handle the form P45 in the normal way.

Note: You may use the starter declaration to obtain and record this information. You must keep a record of the starter declaration. HMRC has a starter checklist you can use.

How to make Student Loan deductions

There is an annual threshold, currently £16,910, above which SL repayments become due. Employers making SL deductions apply a proportion of the threshold appropriate to the pay period in calculating the amount of SL repayment to deduct.

Annual threshold	£16,910	
Monthly threshold	£1,409	(£16,910 ÷ 12)
Weekly threshold	£325	(£16,910 ÷ 52)

The rate of deduction when calculating the amount of SL deduction is 9%. Deductions are made on a non-cumulative basis.

If you use commercial payroll software

Commercial payroll software will usually calculate any SL deductions automatically – along with PAYE and NICs deductions. Simply follow the payroll software instructions.

If you use the Basic PAYE Tools

If you use HMRC's Basic PAYE Tools to calculate payroll deductions and submit payroll data in real time, indicate that Student Loan deductions apply for the employee and the software will calculate the correct amount each payday.

For pay periods other than weekly or monthly, see page 12.

If you complete paper payroll records

If you complete paper payroll records then record the deduction as shown in the example below.

If your employee's pay is:

- weekly – between £325 and £1,191
- monthly – between £1,409 and £5,164

you can also use the SL3 *Student Loan Deduction Tables* to work out the deduction. However, this method is more time-consuming and more prone to error than using the HMRC Basic PAYE Tools or Payroll Software.

You can't use the SL3 *Student Loan Deduction Tables* to work out the deduction if your employee's pay is outside the above limits. Instead you should follow the instructions on page 12 'Earnings exceed highest amount'.

Example

Step 1

Work out the employee's earnings for SL deduction purposes (identical to the earnings as calculated for employers secondary Class 1 NICs).

Step 2

If not using payroll software use the SL3 *Student Loan Deduction Tables* to calculate the deduction.

If using the SL3 *Student Loan Deduction Tables*:

- decide which table to use – weekly or monthly
- look up the amount of earnings in the week or month to find the corresponding SL deduction. (Where the exact figure is not shown, look for the nearest figure below and use the amount of SL deduction shown for that range of earnings.) See example on page 11.

Step 3

Record the amount of SL deduction on your payroll records.

For pay periods other than weekly or monthly, see page 12.

Example

Earnings in week £400

Look at the weekly table in the SL3 *Student Loan Deduction Tables* - earnings fall in range of £392 - £402 corresponding deduction is £6.

When to use these tables

These tables should only be used if you have to manually calculate Student Loan deductions and you cannot or do not use:

- Commercial payroll software, or
- HMRCs Basic PAYE tools.

To find out more about payroll software, go to

www.hmrc.gov.uk/payerti/getting-started/payroll-system.htm

If you are doing a manual calculation you should use these tables for existing employees for whom you have received a form SL1 *Student Loan start notice* and for new employees who have:

- told you that they are repaying an Income Contingent student loan
- given you a form P45 with an entry in box 5 'Student Loan deductions to continue'
- completed a starter declaration and ticked the student loan box.

Before you can use these tables, you must work out the correct figure of employee earnings on which Student Loan deductions are due. The figure to use is the same gross pay amount that you would use to calculate your employer's secondary Class 1 National Insurance contributions (NICs).

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 pages 2 to 4.
- 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 5 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 phone the Employer Helpline on **0300 200 3200** for advice.

Weekly table

Earnings in week £	Student Loan deduction £	Earnings in week £	Student Loan deduction £	Earnings in week £	Student Loan deduction £
1 - 336	0	626 - 636	27	915 - 925	53
337 - 347	1	637 - 647	28	926 - 936	54
348 - 358	2	648 - 658	29	937 - 947	55
359 - 369	3	659 - 669	30	948 - 958	56
370 - 380	4	670 - 680	31	959 - 969	57
381 - 391	5	681 - 691	32	970 - 980	58
392 - 402	6	692 - 702	33	981 - 991	59
403 - 414	7	703 - 714	34	992 - 1002	60
415 - 425	8	715 - 725	35	1003 - 1014	61
426 - 436	9	726 - 736	36	1015 - 1025	62
437 - 447	10	737 - 747	37	1026 - 1036	63
448 - 458	11	748 - 758	38	1037 - 1047	64
459 - 469	12	759 - 769	39	1048 - 1058	65
470 - 480	13	770 - 780	40	1059 - 1069	66
481 - 491	14	781 - 791	41	1070 - 1080	67
492 - 502	15	792 - 802	42	1081 - 1091	68
503 - 514	16	803 - 814	43	1092 - 1102	69
515 - 525	17	815 - 825	44	1103 - 1114	70
526 - 536	18	826 - 836	45	1115 - 1125	71
537 - 547	19	837 - 847	46	1126 - 1136	72
548 - 558	20	848 - 858	47	1137 - 1147	73
559 - 569	21	859 - 869	48	1148 - 1158	74
570 - 580	22	870 - 880	49	1159 - 1169	75
581 - 591	23	881 - 891	50	1170 - 1180	76
592 - 602	24	892 - 902	51	1181 - 1191	77
603 - 614	25	903 - 914	52		
615 - 625	26				

Earnings exceed highest amount

Where earnings exceed £1,191 per week or £5,164 per month you will not be able to use the SL3 *Student Loan Deduction Tables* to calculate the SL deductions. You will need to calculate the deductions yourself.

SL deductions are calculated as follows.

Step 1

Deduct the pay period threshold from the total earnings in the week or month, that is:

- £325 for weekly paid employees
- £1,409 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 SL deduction on the employee's payroll record at the appropriate week or month.

Example - weekly paid

Earnings in week	£1,200
Minus pay period threshold	£325
	£875 (result Step 1)
Multiply £875 x 9% (0.09) =	£78.75 (result Step 2)
Round result of Step 2 to nearest £ below	
SL deduction =	£78 (result Step 3)

Pay periods other than weekly or monthly

Use the table below to find out if you are able to use the Basic PAYE Tools or the Tables to calculate the SL deductions but please note that the Basic PAYE Tools is designed for employers with 9 or fewer employees.

Pay period is a multiple of a week or month

Pay periods	Basic PAYE Tools	SL3 <i>Student Loan Deduction Tables</i>
Weekly	Yes	Yes
2-weekly	Yes	No
4-weekly	Yes	No
Monthly	Yes	Yes
Other frequencies	Check with your payroll provider (see page 13)	No (see pages 13 and 14)

If you are unable to use either the Basic PAYE Tools or the Tables to calculate the SL deductions please follow Step 1 to Step 4 below.

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 SL deduction due for the average weekly or monthly amount.

Step 3

Multiply the amount of SL deduction by the number of weeks or months in the pay period.

Step 4

Record the multiplied amount on the employee's payroll record, at the appropriate week or month.

Example

Pay period 3 weeks, earnings £1,200

Average weekly earnings $£1,200 \div 3 = £400$ (result Step 1)

Using SLD Tables - SLD is £6 weekly (result Step 2)

Multiply by weeks in pay period $£6 \times 3 = £18$

SL deduction = £18 (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 £16,910 (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 SL deduction on the employee's payroll record.

Example

Earnings £1,500 for a pay period of 25 days

Number of days in pay period is 25 (result Step 1)

Calculate pay period threshold $25 \times \frac{£16,910}{365} = £1,158.21$ (result Step 2)

Earnings in pay period £1,500

Minus pay period threshold $\frac{£1,158.21}{£341.79}$ (result Step 3)

Multiply $£341.79 \times 9\% (0.09) = £30.76$ (result Step 4)

Round result of Step 4 to nearest £ below

SL deduction = £30 (result Step 5)

You can also use these steps to arrive at a deduction where you change the pay interval from any number of weeks to another interval, for example 4-weekly to monthly. In these circumstances if your last pay period overlaps with your new pay period, you would aggregate the pay for both periods and then:

- follow Steps 1 to 4 and work out the overall SL deduction using the daily threshold figure
- give credit for any SL deduction already made (from the last pay period before the change of pay interval)
- make a deduction for the balance by following Steps 5 and 6.

Another example around a change of pay interval is also given on page 21.

Paying Student Loan deductions over to HMRC

You should pay over the amount of SL deductions together with PAYE tax and NICs deducted during the same period.

Although you keep separate details of SL deductions, the amount is included with PAYE tax and NICs when making payment. You may have to pay penalties if you do not pay the amounts due on time and in full.

For more information go to www.hmrc.gov.uk/payinghmrc/pay.html


When to stop making Student Loan deductions

There are only three circumstances when you should stop making SL deductions.

- 1 You receive a form SL2 *Stop Notice* from HMRC.
- 2 In exceptional circumstances, HMRC may ask you to stop making deductions more quickly. If this is the case we will tell you either in writing or by phone, then confirm in writing.
- 3 If you are an Educational Institution or Local Education Authority (LEA) in England and Wales, the teacher may give you a letter from the SLC 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 payday after the SL deduction stop date shown on the notice. By 'first available payday' we mean the first payday on which it is practical to apply that notice.

	Student Loan - Start Notice
Issued by	
Employer Reference	
Date	
Phone	
Fax	
Notice to employer to stop Student Loan deductions	
Deductions must stop on the first available payday after the Student Loan deduction stop date shown below.	
You can find more guidance in the Employer Helpbook E17 <i>Collection of Student Loans</i> . To get a copy go to www.hmrc.gov.uk/payert/forms-updates/forms-publications.htm	
A limited stock of paper products is available from the Employer Orderline on 0300 123 1074 for the small number of employers who are exempt from filing online or are unable to use the internet.	
Employee's name	
National Insurance number	
Works/Payroll number, Branch etc	
Student Loan deduction stop date	
SL2	HMRC 11/13

What to do with the SL2 *Stop Notice*

1 Is the borrower still employed by you?

If no, go to question 2.

If yes:

- 1 Stop making SL deductions from the first available payday after the date shown on form SL2 *Stop Notice*.
- 2 If you use Basic PAYE Tools for this employee edit the employee details in the Employer Database by removing the Student Loan borrower indicator.
- 3 File away the SL2 *Start Notice*.

2. Have you submitted leaver details to HMRC?

If no:

- 1 Leave the box headed 'Enter 'Y' if Student Loan deduction is to be made' blank.
- 2 Submit leaver information in real time and provide employee with P45 Parts 1A, 2 and 3.
- 3 File away the SL2 *Stop Notice*.

If yes

File away the SL2 *Start Notice*.

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 SLC. Do not contact the SLC on behalf of your employee, as they will not give information to a third party.

Where you receive form SL2 *Stop Notice* for someone that you have never employed you should contact the Employer Helpline and give them details of the person concerned. HMRC will investigate what has happened and contact you again if necessary. You should file away the SL2 *Stop Notice*.

What to do when an employee leaves

When an employee leaves, you will issue a P45 Parts 1A, 2 and 3 to the employee and submit leaver information to HMRC in real time, taking care to consider the completion of box 5 if SL deductions are due to be made.

1 Have you received a form SL1 *Start Notice* with a 'start date' in the next tax year?

If no, go to question 2.

If yes,

- If you are completing a form P45, leave the box on form P45 headed 'Enter 'Y' if Student Loan deduction is due to be made' (box 5) blank.
- Handle the form P45 in the way described above.
- Send leaver information to HMRC in real time and give the employee form P45 Parts 1A, 2 and 3.

2. Have you received:

- a form SL1 *Start Notice* with a 'start date' in the **current** tax year, or
- a form P45 with a 'Y' in the box headed 'Student Loan deductions to continue' (box 5), or
- starter information indicating that Student Loan deductions apply?

Educational Institutions or LEAs in England and Wales see the note below before proceeding.

If yes, have you received either:

- an SL2 *Stop Notice*, or
- written instructions from HMRC to stop making deductions?

If yes:

- If you are completing a form P45 leave the box on the P45 headed 'Enter 'Y' if Student Loan deduction is due to be made' (box 5) blank.
- Send leaver information to HMRC in Real Time and give the employee P45 Parts 1A, 2 and 3.

If no:

If you are completing a form P45 enter a 'Y' at box 5 headed 'Enter 'Y' if Student Loan deduction is to be made'.

If preparing a P45 you should still enter a 'Y' in the box on the form P45, even if the employee has not earned enough to make SL repayments.

Educational Institutions or LEAs in England and Wales. You should follow these procedures even if you are not making SL 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 SLC confirming that deductions should stop. Such a letter is not a written instruction from HMRC.

Record keeping and the end of the year

You should keep records of all wages, and other documents relating to the calculation and deduction of SL repayments, including forms SL1 *Start Notice* and SL2 *Stop Notice*, for a period of at least three years after the end of the tax year to which they relate. For example, records for 2014–15 must be kept until 5 April 2018. Enter the amount of SL deductions in the appropriate box on your employee's form Full Payment Submission (FPS), and P60 (whole pounds only).

At the end of the tax year, submit your final FPS and/or Employer Payment Summary (EPS) for the pay period as normal. You must indicate on your last FPS or EPS for the year that it is your 'Final submission for the tax year' and then answer the end-of-year declarations and questions.

Special cases – court orders and how they affect Student Loan deductions

In the majority of cases SL deductions are deducted at the same time as tax and NICs. There may, however, be a small number of cases where, in addition to SL 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 SL 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 SL deductions breach the protected earnings level stipulated in the court order.

Order of deduction – England, Wales and Northern Ireland

Priority order – percentage based

Some priority orders – Council Tax or Community Charge AEOs (CCAEOs), or Income Support Deduction Notices – are based on percentage deductions.

Do not deduct any SL 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 Magistrates' Courts under The Courts Act 2003 Regulations are also percentage based, they should, nevertheless, be treated as 'Priority order – specific amounts' as in the following paragraph and the SL 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 SL deductions are made.

You should:

- apply the priority orders to the employee's attachable earnings in the normal way
- calculate the SL deduction using commercial payroll software or the *SL3 Student Loan Deduction Tables*.

Specified level of protected earnings

Apply the priority order against the borrower's attachable earnings before SL deductions are made.

The combined deduction of court orders and SL deductions must not reduce the available income below the level of protected earnings.

The Working Sheet below will help you calculate the correct SL deduction when there is a priority order based on specified amounts.

Order of deduction

- | | | |
|--|---|--------------------------------|
| 1 Earnings for SL purposes | 1 | <input type="text" value="£"/> |
| 2 Normal SL deductions (from commercial payroll software or SL3 <i>Student Loan Deduction Tables</i>) | 2 | <input type="text" value="£"/> |
| 3 Attachable earnings for priority AEO/DEO | 3 | <input type="text" value="£"/> |
| 4 Amount of priority AEO/DEO to be deducted | 4 | <input type="text" value="£"/> |
| 5 Net attachable earnings after AEO/DEO (box 3 <i>minus</i> box 4) | 5 | <input type="text" value="£"/> |
| 6 Level of protected earnings (from most recent AEO/DEO) | 6 | <input type="text" value="£"/> |
| 7 Net attachable earnings <i>minus</i> level of protected earnings (box 5 <i>minus</i> 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 SL purposes in this pay period | 7 | <input type="text" value="£"/> |
| 8 Amount of SL deductions to be made.
This is the lower of: <ul style="list-style-type: none"> • box 2 - 'Normal' SL deductions, or • box 7 - 'Maximum' SL deductions. | 8 | <input type="text" value="£"/> |

In either case, the amount to be deducted should be a figure that has been rounded down to the nearest pound.

Do not carry forward any balance of deductions not made because the 'maximum' deductions (box 7) is less than the 'normal' amount of SL deductions as calculated at box 2 above.

Example

Monthly salary £2,050

Protected earnings level £850

Amount of priority order to be deducted £563

- | | | |
|--|---|-------------------------------------|
| 1 Earnings for SL purposes | 1 | <input type="text" value="£2,050"/> |
| 2 Normal SL deductions (from commercial payroll software, or SL3 <i>Student Loan Deduction Tables</i>) | 2 | <input type="text" value="£57"/> |
| 3 Attachable earnings for priority AEO/DEO | 3 | <input type="text" value="£1,466"/> |
| | | net after PAYE/NICs |
| 4 Amount of priority AEO/DEO to be deducted | 4 | <input type="text" value="£563"/> |
| 5 Net attachable earnings after AEO/DEO (box 3 <i>minus</i> box 4) | 5 | <input type="text" value="£903"/> |
| 6 Level of protected earnings (from most recent AEO/DEO) | 6 | <input type="text" value="£850"/> |
| 7 Net attachable earnings <i>minus</i> level of protected earnings (box 5 <i>minus</i> 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 SL purposes in this pay period | 7 | <input type="text" value="£53"/> |
| 8 Amount of SL deductions to be made.
This is the lower of: <ul style="list-style-type: none"> • box 2 - 'Normal' SL deductions, or • box 7 - 'Maximum' SL deductions | 8 | <input type="text" value="£53"/> |

Non-priority orders

SL deductions should be deducted before non-priority court orders.

You should use:

- commercial payroll software, or
- the HMRC Basic PAYE tools, or
- the SL3 *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 SL 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 SL 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 court order then no SL deduction should be made.

Scottish Debt Arrangement Scheme (DAS)

Income contingent SLs will not be included in the debts coming within the DAS. Therefore, the collection of SL deductions should continue unaffected by any instructions received by an employer to make deductions under the DAS.

Special cases – other

Payments made after an employee dies

Do not make any SL 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 an employee leaves

If you make a payment to a borrower who is no longer your employee, you should calculate the SL deductions on the same amount, and for the same earnings period as for employers secondary Class 1 NICs.

Employee with more than one job

For SL 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 SLs.

Where the annual threshold (above which SL repayments become due) is to increase for the next year, 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 SL deduction from the first payment after the change based on the new earnings period. (This may mean you include details of pay and SL deductions already included in the last pay period before the change.)

If you have included a payment already made in the first of the new longer periods, the payment already made, and the SL deduction worked out on it, should be taken into account when working out the SL 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. In the example below, the £2,000 payment in week 4 is made up of the two £500 payments made in weeks 1 and 2 plus £1,000 for weeks 3 and 4.

Week 1 SL deductions on pay of £500 are £16 (weekly pay)

Week 2 SL deductions on pay of £500 are £16 (weekly pay)

Week 3 The employee is now monthly paid and receives no pay in this week

Week 4 SL deductions on pay of £2,000 are £57. However, £32 has already been deducted, so the amount now due to be deducted is £25 (£57 minus £32).

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(2014) *Employer Further Guide to PAYE and NICs*.

The guidance given for NICs purposes also applies to SL deductions, though no Upper Earnings Limit applies to SLs.

Error made in deducting Student Loan repayments – what to do

Error made in the current tax year

1 What is the nature of the error?

- Over-deduction, go to question 2
- Under-deduction go to question 3.

2 Can you repay the over-deduction to the borrower during the current tax year?

If yes:

- Repay the over-deduction.
- Amend your Year-To-Date payroll records.

If no, phone the Employer Helpline on 0300 200 3200.

3 Can you collect the under-deduction from the borrower during the current tax year, bearing in mind the note below?

If yes:

- Collect the under-deduction from the borrower.
- Correct Year-To-Date payroll records to reflect what was actually deducted.

If no, phone the Employer Helpline on 0300 200 3200.

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.

Error made in a previous tax year

1 Have you submitted your final Full Payment Submission for that year?

If no go to question 2.

If yes, you need take no further action.

If asked, you should tell your employee to contact:

- their HMRC office in the case of an over-deduction
- the SLC, in the case of an under-deduction.

2 What is the nature of the error?

Over-deduction

You can repay the employee and amend your records so that the final Full Payment Submission reflects the correct amounts.

Under-deduction

You need take no further action to recover the under-deduction. Repayment of the balance of the loan will be covered by future deductions.

These notes are for guidance only and reflect the position at the time of writing. They do not affect the right of appeal. For subsequent amendments to these notes go to hmrc.gov.uk

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