

Tax – Your first job

I am sure many of you have had jobs during your university career and understand that you have to pay tax. But do you understand the details?

When you start your first job, your employer is responsible for deducting tax (and National Insurance) from your salary before you receive it, this is called Pay As You Earn (PAYE). You will receive paperwork relating to PAYE from HM Revenue & Customs (HMRC) and from your employer.

Each time you get paid, you will receive a payslip from your employer. This is a receipt for the tax you have paid, and will show details like:

- Your earnings before tax (your gross pay)
- Income tax and National Insurance contributions (NICS) that have been deducted from your pay
- Your earnings after tax (your net pay)

If when you start your job you don't have a P45, your employer will give you a P46, you will need to fill this in and sign it. You will then be allocated with a tax code (this may be an emergency code) by your employer who will also work out the amount of tax you have to pay.

HMRC will then process the P46 and if necessary revise your tax code. If they find you have paid too much tax your employer will make the necessary repayment. If this is worked out after the tax year has ended, HMRC will make the repayment. If you haven't paid enough tax your code can be amended to collect what you owe.

Tax codes are made up of a letter and some numbers, e.g. 176L or M437. If your tax code is a number followed by a letter:

- You can multiply your tax code by 10, to work out the total amount of income you can earn in a year before paying tax.
- The letter shows how the number should be adjusted following any allowance changes made by the Chancellor.

Your **P45** is a record of your pay and tax deductions, you will get this from your employer when you stop working for them, so may not have one if you are starting your first job.

A **P46** is given to you when you start your first job and you don't have a P45, to enable your employer/HMRC to issue your tax code.

A **P60** is an annual summary of all of your payslips, you get this from your employer at the end of every tax year.

You should ensure that you keep records and paperwork for at least 22 months from the end of the tax year they relate to, so that if required you can: Complete a tax return; reclaim overpaid tax; or apply for benefits and tax credits. The tax year runs from 6th April to the following 5th April.

Got all that!

Information from www.direct.gov.uk