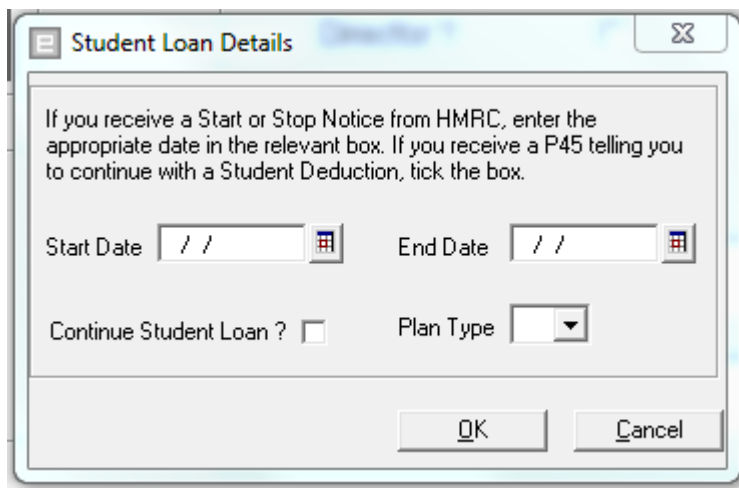


Student Loan

There are two ways in which you can start to deduct a student loan:

If you get a Start (or Stop) notice from HMRC (SL1 or SL2 message), complete the Start Date (or end date) field. The loan will then be deducted automatically during any payroll run between these dates.

If an employee gives you a P45 that tells you that he/she already has a student loan in operation tick 'Continue Student Loan?'



The screenshot shows a dialog box titled "Student Loan Details". It contains the following text: "If you receive a Start or Stop Notice from HMRC, enter the appropriate date in the relevant box. If you receive a P45 telling you to continue with a Student Deduction, tick the box." Below this text are two date input fields: "Start Date" and "End Date", each with a calendar icon. There is also a checkbox labeled "Continue Student Loan ?" and a dropdown menu labeled "Plan Type". At the bottom of the dialog are "OK" and "Cancel" buttons.

Student Loan Plan Type

As of the 2016/17 tax there is now an option of which student loan plan type the employee should be set to. The difference in the plan types is the threshold at which deduction will begin. The threshold for plan type 1 (16/17 tax year) is £17,495. The threshold for plan type 2 (16/17 tax year) is £21,000. **BOTH** plan types calculate deduction at 9% of the NIC liable pay. When you receive the SL1 from HMRC it will specify which plan type to use.

Please Note: There is no provision on the p45 form to indicate which plan type an employee should be on. When you add a new starter to the system, the employee needs to confirm the following;

- Did they live in Scotland or Northern Ireland when they started the course? **OR**
- Did they live in England or Wales and started the course before 1 September 2012?

If so, set them to plan type 1.

- Did they live in England or Wales and started the course on or after 1 September 2012.

If so, set them to plan type 2.

If your employee cannot confirm these details, ask them to contact the Student Loan Company (SLC). If they're still unable to confirm their plan type, start making deductions using plan type 1 until you receive further instructions from HMRC.

Stopping a student loan

When you receive the SL2 message from the HMRC, return to the screen above and enter the "**End Date**" as supplied on the message.

Please note: Student loans will not be deducted if the employee's earnings are below the Student Loan Threshold. For tax year 16/17 this is £17,495.00 (type 1) or £21,000 (type 2). Student loans contributions are then 9% of all Niable pay over this amount. The deducted amount is **always rounded down** to the whole pound value.

Example calculation (Plan type 1):

Employee is paid £1600.00 Niable pay for the month.

Monthly Student Loan Threshold = $17495 \div 12 = £1457.92$

Employee Pay subject to Student Loan = $£1600.00 - £1457.92 = £142.08$

9% of £142.08 = £12.79, rounded down to the whole pound employee contribution is **£12**