



HM Revenue  
& Customs

# Collection of Student Loans for SA Customers

A quick guide

## What are Student Loans?

Student Loans are part of the Government's financial support for students.

Since April 2000, HM Revenue & Customs (HMRC) has been responsible for collecting repayments of all income contingent loans advanced since August 1998 as long as the borrower is within the UK tax system.

The Student Loans Company (SLC) is responsible for paying out the loans; keeping details of the borrowers' accounts; adding interest; sending a statement each year and answering questions from borrowers.

## How are Student Loan repayments collected?

Loans are collected:

- from the April after you finish or leave your higher education course; but only
- if your income exceeds a certain level (threshold).

The SLC will tell HMRC when you are due to start and stop repaying a Student Loan. Loans repaid in this way are known as Income Contingent Repayment (ICR) Student Loans.

## The Income Threshold

Since 6 April 2005 there has been an annual threshold of £15,000 below which Student Loan repayments are not due. If you are employed, it is divided into amounts of £1,250 per month or £288 per week. Student Loan repayments are then collected at a rate of 9% on any employment income that exceeds the threshold.

## What do I need to know if I am a Self Assessment (SA) customer?

The same Income Tax rules and obligations that apply to SA customers also apply to SA Student Loan borrowers and if you carelessly or deliberately submit an incorrect return you may have to pay interest, a surcharge and penalties.

## How does SA calculate my Student Loan repayments?

All of your relevant income should be shown in your annual Tax Return. This will include all self-employed

profits; any employment income and any unearned income. If your relevant income exceeds the annual threshold, repayments will be due on 9% of the excess and will be included in your SA tax bill. It is important that you always complete a full SA Tax Return and not the short version. If you find you have the wrong return please phone **0845 9000 444**.

*I am an SA customer but not an employee*

If you are **not** an employee and you complete an annual Tax Return you will be asked to confirm information about your Student Loan status. Your Student Loan repayments are then calculated as described above along with any tax and National Insurance. Student Loan liabilities under SA are due to be paid by 31 January following the year of assessment. They do not feature in the SA payment-on-account process.

*I am an SA customer with PAYE income*

If you **are** an employee and you also complete an annual Tax Return you will, **in addition** to confirming information about your Student Loan status, have to enter the amount of any Student Loan deductions already made by your employer. Doing this means you will get full credit for any amounts deducted by your employer. However you may still be asked to pay additional Student Loan repayments on other income when you come to pay your annual balancing payment under SA.

*Why might I need to pay more in this way?*

Additional liability under SA can arise if:

- you have more than one employment because the annual threshold will have been applied by each employer when making Student Loan deductions
- all of your relevant earnings were not taken into account by an employer
- you have other income: such as self-employed profits and or unearned income in excess of £2,000.

Credit for PAYE deductions will always be given providing you enter those sums when you complete your annual Tax Return.

## How unearned income affects you in SA

Unearned income is only taken into account in calculating your SA Student Loan repayments if your total unearned income exceeds £2,000.

If your unearned income does not exceed £2,000 it is disregarded. But if it exceeds £2,000 the total amount (including the first £2,000) is included in the Student Loan calculation.

## How does the Student Loans Company know about my SA Student Loan repayments?

After we receive a correct and complete Tax Return, your final SA balancing payment is calculated for payment on or before 31 January each year. The Student Loan amounts are then passed to the SLC who will then credit the amount to your Student Loan account.

## Voluntary payments

If you wish, you can make voluntary payments direct to the SLC. Payments of this nature will shorten the overall length of your loan and as a result reduce the amount of interest charged. However, there are some things a voluntary payment **will not do**. A voluntary payment does not affect the amount of any Student Loan repayments based on your income and deducted:

- by your employer; or
- those calculated through the SA process described above.

You cannot choose to make voluntary payments instead of, or in place of, the above repayment methods. Voluntary payments **will always** be in addition to any sums collected by HMRC.

## Terms and conditions and interest

The SLC is responsible for maintaining all aspects of your loan account and this includes the calculation and addition of interest. Whilst details of your repayments are only sent to the SLC after 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. SA repayments are treated as paid on

31 January. You can get more information about interest calculations direct from the SLC on the number shown at the end of this leaflet.

## Overpayments

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

Examples include:

- **If you are an SA borrower** who is in the final year of repaying your Student Loan, the SA repayment calculation at 31 January may be greater than your outstanding balance. If this happens the SLC will notify HMRC and the excess will be credited to your SA statement so that you pay only what you need to clear your account.
- **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 clear your entire Student Loan debt. If this happens, any sums overpaid will be repaid.

## How to apply for an informal stand over

The amount of Student Loan repayment included in your end-of-year balancing payment cannot be reduced. But if at the time of payment you consider the amount is excessive you can apply in writing to HMRC for a specified amount to be informally stood over. However if that sum is subsequently determined to be payable it will attract interest and possibly a surcharge. The interest will be backdated to 31 January when the payment first became due.

## Is there any way I can minimise the chances of overpaying my Student Loan debt?

By taking an active role you can help to minimise overpaying your Student Loan. This is particularly important as you near the end of your loan. Your annual SLC statements will help you gauge and monitor the level of deductions being made and you should be able to anticipate when your loan is due to be paid off. If you would like further information on this or other aspects of your loan, you should contact the SLC.

## Further information

### *By phone*

For enquiries about your loan call The Student Loans Company on **0870 240 6298**

For enquiries about your Tax Return call your HM Revenue & Customs office. The office contact details depend on individual circumstances and the number to call can be found on our website at

**<http://www.hmrc.gov.uk/contactus/by-phone.htm>**

### *The Internet*

Go to our website at

**<http://www.hmrc.gov.uk/students/tma-repaying-student-loans.shtml>**

### *Complaints*

HM Revenue & Customs (HMRC) aim to give you the best possible service at all times. If you want further information go to

**<http://www.hmrc.gov.uk/factsheets/complaints-factsheet.pdf>** where you can view our Complaints factsheet.

### *Customers with particular needs*

We offer a range of facilities for customers with particular needs, including:

- wheelchair access to nearly all HMRC Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
  - RNID Typetalk
  - Induction loops

We can also arrange additional support, such as:

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- services of an interpreter
- sign language interpretation.

This leaflet reflects the position at the time of writing and is for guidance only.