

Payslip FAQs

What is a Tax Code?

A tax code is needed for each worker so that the employer knows how much tax to deduct from their wages. The tax code will be allocated according to rules set by the Inland Revenue in each tax year (starting on April 6th each year). The tax deducted from you is then paid on to the Inland Revenue.

How do you know which Tax Code to use for me?

When you start working for an employer they need some information from you in order to know what tax code to use for you. This must be in the form of either:

Form P45

If you have left another job in the UK or been claiming benefits, you ought to bring in parts 2 and 3 of a P45 issued either by your last employer or the Job Centre. The P45 has information to tell your employer which tax code to apply. You should safely file part 1A for your records.

Form P46

Don't worry if you don't have a P45. Instead, you must complete a P46, which your new employer should give you, this will tell him which tax code to use for you.

Form P38(S) - If you are in full time education

Instead of a P46, if you are a student in the UK working during your vacation periods only, you should complete a Student Declaration called a P38(S). Your employer can give you this form if it applies to you. Once completed, return it to your employer and this will tell him which tax code to use for you.

Why do I have to pay tax?

Every worker is required by law to pay tax to the Government if his or her earnings go above a certain level. The level or threshold for tax varies for each person according to his or her tax code. As a guide, the standard tax code for 2008/09 is 543L and this allows a person to earn £5435.00 per year (£453.00 per month/£104.00 per week) before tax is due. Any earnings above your tax threshold will be taxed at the current rate set by the Government.

What is a National Insurance Number?

A National Insurance Number is very important. Only one number is allocated to each person and they keep that same number all their life. It is unique, and ensures the Inland Revenue correctly records NI contributions or credits to the correct person's NI account. These contributions and credits are vital when claiming benefit, whether it is for a short while, like Incapacity Benefit or long term, such as a Retirement Pension. It is the account number allocated to use in all dealings with the Inland Revenue and the Department for Work and Pensions.

I don't have a National Insurance Number, what do I do?

If you have never had one, you must make an appointment to visit your local Department of Work and Pensions (DWP) for an interview. See more details at: www.dwp.gov.uk.

Why do I have to pay National Insurance?

Every worker is required by law to pay NI to the Government if his or her earnings go above a certain level. For tax year 2008-09 the standard level or threshold is £5435.00 per year (£453.00 per month/£104.00 per week) before NI is due. Any earnings above this threshold will have NI deducted from them at the current rate set by the Government.

What is Statutory Sick Pay (SSP)?

SSP is a benefit that is payable to certain qualifying employees when they are off work due to sickness. There are very specific rules relating to SSP and who qualifies for it. If SSP is due, it is paid as a daily rate fixed by the Government each year. For 2008/09 the daily rate for 5 day a week workers is £15.08.

What is Statutory Maternity Pay (SMP)?

SMP is a benefit that is payable to certain qualifying employees when they are off work due to having a baby. There are very specific rules relating to SMP and who qualifies for it, please see the Department for Work and Pension website: www.dwp.gov.uk for more details.