

Payroll Student Loans

Student Loans are deductible once an employee earns £1,261 per month or £288.36 per week (£15,000 p.a.) or more (April 2006). Deductions are paid directly by the employer as part of the monthly PAYE/NI payment. Most good payroll packages will calculate the amount due to be repaid. The calculation is 9% of the difference between gross pay and £1,261.

This applies to all payments for both existing and new borrowers.

Employers should receive either

- SL1 form, detailing deductions amounts and payment dates
- Or a P45 with 'Y' in the Continue Student Loan Deductions box

Most good payroll packages have a student loan deduction section – [Payroll Manager](#) allows the employer or agent to add a start date, deduction amount and end date.

Deductions tables are also available for manual processes and can be found at <http://www.hmrc.gov.uk/taxtables/sl3.pdf> or on the Employers CD for 2006.

Student loan deductions are paid with the PAYE and NIC as part of the yellow payslip booklet payment system.

If an employer is paying quarterly due to total monthly payments being below the £1500 threshold, care must be taken to make sure that any student deductions don't take that over £1500. If this is the case, monthly payments will have to be reinstated.

Employers should only stop payments if they receive an SL2, or if HMRC contact the employer directly, or if the student qualifies for a reduction through taking up a teaching qualification.

More details can be found at

http://www.hmrc.gov.uk/employers/student_loans.htm