

Student loans

From 6 April 2016 a new student loan threshold of £21,000 will be introduced and will be known as a Plan 2 loan. If you have employees repaying under the existing threshold, they will be unaffected by the change and these existing loans will be described as a Plan 1 loan. Current employer guidance around the existing threshold can be found on GOV.UK.

We have been working with software developers so from 6 April 2016 all software recognised by HMRC will calculate student loan deductions based on either a Plan 1 or a Plan 2 threshold.

Key facts

- as now, payroll software will deal with student loan calculations at the same time as it calculates tax and National Insurance Contributions (NICs)
- employers will never be asked to operate more than one plan type at a time
- as now, the main employer notification method will be the SL1 Start notice. Every SL1 issued
- will indicate which plan type should be operated
- when updating employee information onto payroll software, employers will have to input which plan type applies
- as now, employers will collect and record starter information. If the employee is repaying a student loan they will now also need to ask which plan type the employee is repaying under. More information about new employees is also available
- from 6 April 2016 the Starter declaration checklist will prompt employers to ask new employees about their student loan plan type
- form P45 will only indicate whether an employee is already repaying a student loan. It will not indicate a plan type and so employers must ask the new employee for this information. If an employee doesn't know, the employer should adopt a Plan 1 type by default. In any event we will always send an SL1 to confirm
- in some cases a plan type could change in year. The notification method will be a new SL1. When a new SL1 is received showing a different plan type an employer should simply amend their payroll software for the new plan type and deductions will continue uninterrupted. In these circumstances an SL2 Stop notice will not be issued, only a new SL1.