



# Temping - Tax Issues and P45/46

## Do you have a P45?

**YES:** Your P45 must be sent to our payroll. If you fail to do this, you may be over taxed.

**NO:** You must complete a form P46 [and sign the declaration where applicable. Write your name, date of birth and, if known, relevant reference number in the 'Employers PAYE reference' box in the bottom half of the form. Send form P46 to our payroll Department. If you fail to do this, you may be taxed incorrectly.

Once received, the information on the P46 will be input by us and the form sent to the Inland Revenue to enable them to calculate the correct tax code and send us a notification of coding (P6).

It can take between 2-10 weeks for the Inland Revenue to notify us and we cannot use a P2 form issued to the temporary worker or a P6 issued by a tax office other than our own.

When we receive the P6 we will amend the tax code. The next time a payment is made, any adjustments will be generated.

## Tax Codes Explained

The numbers in the tax code are used to work out the amount of tax-free earnings you are entitled to in the tax year. For example 503L = allowance of £5,030. The letters show how it should be adjusted following any changes in the Budget.

For example:

BR = Indicates that tax will be deducted at the Basic Rate (22%) with no tax free allowances.

NT = Indicates that no tax is to be deducted (Students).

DO = Liable at higher rate tax (40%).

L = Basic Personal Allowance.

PAYE Thresholds - effective 6 April 2006

The level of earnings at which income tax becomes payable is £97.00 per week

## Tax Basis

**Cumulative** - this is how PAYE is normally calculated. An employee's previous pay and tax figures in that tax year are taken into account to calculate the correct deductions. Any deductions or refunds will automatically be made throughout the year so a tax rebate will not be necessary.



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**Week One Basis** - deductions are calculated as though it is the first week of the tax year, as we do not take into account previous pay or tax details. It is a temporary tax code and is used if we do not receive a P45. This is also known as *emergency tax*, an example being 522L WK1

## Tax Rates

Starting rate: 10% up to £2,230

Basic rate: 22% from £2,231 – £33,370.00

Higher rate: 40% over £33,371.00+

## How is it calculated?

If you earn between **£84.00 and £97.00 per week**, no NI deductions are made but for benefit purposes, you are considered to have made contributions (Lower Earnings Limit). The Earnings Threshold for tax year 2006/2007 is £97.00 per week (the same level as PAYE threshold).

If you earn between **£97.01 and £645.00 per week**, Class 1 contributions are deducted.

The Upper Earnings Limit for tax year 2006/2007 is £645.00 per week. Employee contributions are only deducted at 11% from earnings between £97.00 and £645.00 per week. Any earnings above this are subject to contributions at 1%. Employers' contributions are payable at 12.8% on all earnings above the Earnings Threshold.

## End of Tax Year

Your P60 is the summary of your pay and the tax that's been deducted from it in the tax year. We need to give you a P60 to keep as a record at the end of every tax year (which runs from 6 April to 5 April the next year).

You might need it:

- à to complete a tax return, if this applies to you
- à to claim back any tax you've overpaid
- à to apply for tax credits

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You may also need it as proof of your income if you apply for a loan or a mortgage - so it's important to keep all your P60s safely. If you do lose your P60 you can be issued with a ***Statement of Earnings*** which is as good as a P60 and issued by the employer outlining what you have earned that tax year.

## Further Queries

If you have any further queries please do not hesitate to contact [payroll@candm.co.uk](mailto:payroll@candm.co.uk) and we will do the best to provide the relevant information. This information is supplied as a guide only, and due to the nature of this information, it may change at anytime. Please do not hesitate to contact the Payroll department with any queries you may have or your local Revenue and Customs office.