

Checking Your Tax Code

A guide for employees

What if you were being underpaid or overpaid without even knowing it? Well this is exactly what happens if you are on the wrong tax code. And while being overpaid because of an incorrect tax code may not sound too bad, the tax man will always catch up with you and you could end up paying off your debt for the next year!

The solution? Check your tax code. It takes five minutes and will ensure that you are getting every penny that you deserve on pay day.

What is a tax code and what does it do?

Ever seen a string of four or five numbers and letters on your payslip? Something like 987L or 1150L? Well this is your tax code. And it's pretty important, as it tells your employer how to apply tax to your earnings.

Everyone has an annual tax-free allowance (the amount you can earn each year that will not be taxed) and for most people in 2017-2018 this is £11,500. Everything you earn above this is taxed. However there are lots of factors that affect how much tax you should pay. The person who calculates your pay each month needs to know how much you get tax-free, and at what rate they should tax the rest of what you earn. So they use your tax code.

1150L

The number in your tax code tells your employer how much you should be paid tax-free.

Take the number in your tax code and multiply it by 10. This is your tax free allowance. i.e. 1150 in your tax code becomes £11,500.

The letter in your tax code gives your employer more detail about how to tax what you earn over this amount.

Different letters have different meanings, see the next page for an overview of the common letters in tax codes and what they mean for your pay.

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Some common tax codes

1150L This is the general tax code for 2017-2018. It shows that you should be taxed at normal rates (the “L” part) and that your tax-free annual allowance is £11,500 (the “1150” bit).

Your tax code will be 1150L if you were born after 5th April 1948, paid the correct amount of tax last year, this is your main source of income, and you don’t receive any work benefits such as a car or health insurance.

1150L W1 / 1150L M1 These are usually assigned to you when you have changed jobs and not supplied your employer with your P45. It shows that you are awaiting confirmation of the correct tax code from HMRC.

0T This tax code indicates that you have used up all your tax-free allowance for the year. You do not receive any tax-free allowance and will be taxed on all your earnings at the prevailing rate of tax. It is also sometimes used as an emergency tax code when you change employer.

What if the number in your tax code is not 1150?

The number in your tax code refers to the amount you can earn before tax starts being deducted. For the financial year 2017-2018 this allowance is £11,500, which is represented by “1150” on your tax code. Your tax-free allowance can be increased or decreased depending on many outside factors. These are just a few of the most common reasons.

Number is LESS than 1150

Your personal allowance has been decreased, so you get less than £11,500 tax-free. This may be because;

- You receive additional employment benefits, such as a company car, workplace parking, private healthcare, that are taxable benefits.
- You have additional income that hasn’t been taxed yet (e.g. rental income for a previous year)
- You need to pay tax on State benefits (including the State Pension)
- You underpaid in previous years that you are now paying back through your wages
- Or it is a tax code for a 2nd (or 3rd, etc) job

Number is GREATER than 1150

Your personal allowance has been increased, and you can earn more than £11,500 without being taxed. This may be because;

- You joined your employer’s pension plan and make regular pension contributions from your salary
- You buy, repair or replace small tools you need to do your job, e.g. scissors or a drill
- You clean, repair or replace specialist clothing, e.g. a uniform or safety boots
- You use your own vehicle for business
- You buy fuel when you use a company car
- You have to work at home on a regular basis, so you can claim some of the bills

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What if you have different letters in your tax code?

There are other letters that are used in tax codes to denote different ways in which tax is applied to your earnings. These include the following:

- M** You've received a transfer of 10% of your partner's Personal Allowance under the Marriage Allowance
- N** You've transferred 10% of your Personal Allowance to your partner under the Marriage Allowance
- S** Your income or pension is taxed using the rates in Scotland
- T** Your tax code includes other calculations to work out your Personal Allowance, for example it's been reduced because your estimated annual income is more than £100,000
- BR** All your income from this job or pension is taxed at the basic rate (usually used if you've got more than one job or pension)
- D0** All your income from this job or pension is taxed at the higher rate (usually used if you've got more than one job or pension)
- D1** All your income from this job or pension is taxed at the additional rate (usually used if you've got more than one job or pension)
- NT** You're not paying any tax on this income
- K** You have income that isn't being taxed another way and it's worth more than your tax-free allowance. For most people, this happens when you're paying tax you owe from a previous year through your wages or pension OR getting benefits you need to pay tax on - these can be state benefits or company benefits.

Think you are on the wrong tax code?

Your employer doesn't know any of the detail of why you have been given a certain tax code. Only HMRC know this. So unfortunately your employer won't be able to help you very much with this one. If you think you are on the wrong tax code you need to get in touch with HMRC. [You can fill out an online form, call or write.](#)

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