

Having more than one job



Low Incomes
Tax Reform
Group
A voice for the unrepresented

There are tax, National Insurance and benefit deductions to be aware of when taking on an extra job. In this factsheet we aim to help you understand the impact that having more than one job can have on your finances.

Your tax situation if you have more than one job

If you have more than one job, it is important to make sure you are paying the right amount of tax. Problems can arise because the PAYE (Pay As You Earn) system does not easily cater for multiple jobs.

You only have one tax free personal allowance per tax year and the number of jobs you have does not affect this. In 2018/19, the personal allowance is £11,850. The PAYE system is designed to treat one job as your main employment (against which your personal allowance will be given in full) and the other jobs as secondary (which are taxed at the basic rate of 20%).

This means that you should see a code number of 1185L (reflecting a tax free personal allowance of £11,850 for the tax year 2018/19 with the last digit removed and a letter added) against one job and a BR (basic rate) code against the others.

Example: Agi has two part time jobs. They both pay her £250 a week. Agi's tax free personal allowance (weekly amount of £228) is allocated against her first job through the payroll, 20% tax is deducted on every pound from her second job in accordance with code BR. Her weekly tax deductions in 2018/19 are therefore: Job 1: £4.40 (£250 - £228 = £22 x 20%); Job 2: £50 (£250 x 20%)

<i>Income from first job</i>	<i>£13,000</i>	<i>At the end of the tax year, we can see that Agi has paid more or less the right amount of tax, taking into account that her tax free personal allowance for the year is £11,850.</i>
<i>Income from second job</i>	<i>£13,000</i>	
<i>Total Income</i>	<i>£26,000</i>	<i>The tax collected through the payroll for job 1 is £4.40 x 52 = £228.80</i>
<i>Less personal allowance</i>	<i>(£11,850)</i>	<i>The tax collected through the payroll for job 2 is £50 x 52 = £2,600</i>
<i>Balance subject to 20% tax</i>	<i>£14,150</i>	<i>Total collected = £2,828.80</i>
<i>Tax due</i>	<i>£2,830</i>	



Why might I pay too little tax when I have more than one job?

Because most people pay tax at 20% (you would have to have total income of over £46,350 in 2018/19 to pay tax at any more than 20%; unless you live in Scotland where the income tax rates and bands are different to the rest of the UK – see our website for more details), the system outlined above helps ensure that you will not underpay tax.

But this system sometimes falls down. For example, if HMRC are not aware that you have multiple employments, then you may be given the tax free personal allowance more than once. You will then not have paid enough tax. To prevent this happening you should make sure HMRC know you have more than one job by always giving your new employer HMRC's starter checklist (you will not be able to give them a P45 when taking on an extra job). Even when you have told HMRC about your circumstances, you should ensure you check your PAYE coding notices carefully.

You can find information about completing a starter checklist, including an annotated example on our website: <https://www.litrg.org.uk/useful-links/useful-tools/forms/pay-you-earn-payee-form-%E2%80%93-starter-checklist>

Getting a tax refund

The way the PAYE system works if you have more than one job means that you might overpay tax if the earnings from your main job actually add up to less than the personal allowance. In this situation you will have paid tax at 20% on too much of your other income.

If this happens to you, you will probably have to wait until the end of the tax year and ask HMRC for a refund, or wait for HMRC to carry out their tax year-end reconciliation process – in which case you should be sent a P800 tax calculation and a repayment in July/August after the end of the tax year.

You can find out more about HMRC's P800 process in our factsheet: <https://www.litrg.org.uk/sites/default/files/POA%20factsheet%202018-19.pdf>



What if I earn less than the personal allowance across all my jobs?

Under the system outlined above, you could end up paying too much tax if the income from all your jobs adds up to less than your personal allowance.

Example: Josh has two jobs. He earns £100 per week in his main job and £90 per week in his second job. The tax code used for his first job is 1185L – giving him £228 per week tax free pay (1/52 of £11,850). This means he is paying no tax on his first job. The standard tax code for his second job is BR – taxing all his earnings at 20% (£18) and giving him no tax free pay on that job. Under this system, Josh is missing out on £128 of tax-free pay each week (£228 due, less the £100 used by the main job) and is essentially paying £18 too much tax each week.

In this situation you can ask HMRC to divide your personal allowance between two jobs. Only do this if your income from each job is predictable and stable. You also need to review the position regularly to ensure that the split continues to be appropriate.

You can find HMRC's contact details here: <https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees>

If HMRC cannot do this, or your income will exceed your personal allowance, at least make sure that your personal allowance is set against the source of income that will pay most in the tax year. That will minimise the tax you pay as you go along.

How will National Insurance work if I have multiple jobs?

As well as tax, you might have to pay some National Insurance contributions (NIC) on income from another job. However National Insurance operates in a different way from income tax. With tax there is a single tax free amount available per person per tax year. For National Insurance there is a new limit for each job so long as it is with a different employer. The limit is £162 per week (2018/19).

Example: Sandra has two jobs with different employers. In her main job she earns £175 per week. In her second job she earns £55 per week. In the first job she will pay £1.56 per week in National Insurance – 12% on £175 minus £162. In the second job she will pay no National Insurance as her earnings in that job are less than £162 in the week. The fact she is working two jobs is not taken into consideration for NIC like it is for tax. Her NIC liabilities for her two jobs are calculated totally independently from each other and are not compared to an overall annual amount, like for tax.

If you earn above the Lower Earnings Limit in any one job (£116 per week for 2018/19), and below the NIC threshold of £162 per week, you are credited with NIC, even though you do not have to actually pay NIC. These credits count towards your contributions record (for state pension, and other contributions based benefits).

If you do not earn at least the Lower Earnings Limit in any one job (£116 in 2018/19), you will not get any NIC credits. If this is the case and you do not get credits for any other reason (e.g. because you are claiming child benefit) you may want to consider making Class 3 voluntary NIC payments to help protect your contributions record.

You can find out more about NIC credits and making voluntary contributions on our website: <https://www.litrg.org.uk/tax-guides/tax-basics/what-national-insurance>



Tax credits

Taking another job may help you qualify for Working Tax Credit as by adding the hours together from all your jobs you might meet the hours requirement for your age and circumstances (this will be either 16, 24 or 30 hours depending on your situation). If the extra job means you work at least 30 hours a week, you may get an extra amount added to your tax credit award.

However, if you already qualify for Working Tax Credit, then increasing the number of hours you work (and income) may mean a reduction to your tax credit award overall because the extra income you receive from working more hours may affect the amount of tax credits you can get. If your household income is £6,420 or below, you will get the maximum amount for each Working Tax Credit element you qualify for. Anything you earn above that will reduce the amount you can get by 41p for every £1 (but to help keep the system simple, you are allowed to earn up to £2,500 extra before your credits are reduced in the current tax year).

You can find more about tax credits on our website: <https://www.litrg.org.uk/tax-guides/tax-credits-and-benefits/tax-credits>

Universal Credit

Depending where you live, you may only be allowed to claim Universal Credit rather than tax credits (you can check this using our postcode tool: <https://universalcreditinfo.net/>). Unlike Working Tax Credit, for Universal Credit, you do not need to work a minimum number of hours to qualify but there may be a minimum amount that you are expected to earn. This will be agreed between you and your work coach, as part of your Claimant Commitment.

How much Universal Credit you actually get in an assessment period will be based on the total amount of earnings you receive in that assessment period. The Department for Work and Pensions (DWP) (who administer Universal Credit) will normally get information about your earnings across all your jobs from your employers through HMRC's Real Time Information (RTI) system. After you reach the appropriate work allowance (this is how much money you can earn without it affecting your Universal Credit payment), for every £1 you earn over your allowance, 63p will be taken away from your total Universal Credit award.

You can find out more about Universal Credit on our website RevenueBenefits: <https://revenuebenefits.org.uk/universal-credit/>

To work out how much Universal Credit you might get in various scenarios, we suggest you seek a benefits review from Citizens Advice or use one of benefits calculators referred to on GOV.UK (<https://www.gov.uk/benefits-calculators>). This would be sensible in any case, as your increased hours (and income levels) may have other consequences that you should be aware of, e.g. it may affect any other means-tested benefits you claim.

Auto enrolment – workplace pensions

Employers must automatically enrol all staff who, amongst other things, are aged from 22 to state pension age and earn over £10,000 a year (£833 a month, £192 a week). If you have more than one job then each of your employers will have to check whether you are eligible for that employment separately. This may mean that no employer needs to enrol you in a workplace pension scheme, although overall you may earn more than £10,000 per year.

On the other hand, you may be eligible in one but not the other, or both. If you are eligible in both, then you should be automatically enrolled in both workplace pension schemes (although you can decide to opt out). The contribution amounts involved are likely to be smaller than if you earned all your income from one job, because the first £6,032 of earnings in each employment are not included in the calculations.

Please note that you may be able to opt in to a workplace pension even if you are not auto-enrolled.

Further information can be found on our website: <https://www.litrg.org.uk/tax-guides/employed/pensions-and-employees/what-automatic-enrolment-employees>

Student loan repayments

From 6 April 2018 the income threshold for starting to make Plan 1 repayments is £18,330 a year (£1527.50 a month or £352.50 a week). The threshold for a Plan 2 loan is £25,000 a year (£2,083.33 a month or £480.77 per week). Once your income goes above the threshold, your employer will deduct 9% of your income that is above the threshold and pay it to HMRC.

Each separate employer you have will give you a full repayment threshold. If, however, you have to complete a tax return for whatever reason, e.g. because you are self-employed, HMRC will calculate the loan repayments you owe for the whole year, taking account all of your earned income and charging 9% on all income above the threshold. If you receive unearned income (such as rent or interest from savings) over £2,000 a tax year then all of this unearned income will be used when calculating loan repayments at 9% whether or not your earned income is above the Plan 1 or Plan 2 repayment threshold. HMRC will take account of the deductions already made by your employers during the year, but it is likely there will be more to pay.

Example: Tanve has a Plan 1 loan and earns £10,000 in one job and a further £9,000 in a second job. As neither amount is over the £18,330 threshold, neither employer will collect student loan repayments. However, if HMRC send Tanve a self-assessment form, they would expect her to make a repayment based on: £10,000 + £9,000 = £19,000 - £18,330 (the Plan 1 repayment threshold) = £670. She would pay 9% of £670 = £60.30 for that tax year.

If you do not need to complete a tax return, you will not have to make further repayments beyond those already taken by your employers.

Statutory sick pay (SSP)/statutory maternity pay (SMP)

If you have more than one job, you may qualify for SSP and SMP in all of them provided you earn above the Lower Earnings Limit (LEL) for National Insurance contributions in each job and meet the other conditions.

You can find out more about SSP and SMP on GOV.UK: <https://www.gov.uk/browse/working/time-off>



Other considerations if you have multiple jobs

- **Is another job going to cause problems with your employer?** You should make sure that your contracts do not prevent you taking on more work – it could be seen as a conflict of interest, for example. Even if there is nothing in your contracts, it is generally good practice to be open with your employers about having more than one job.
- **Understand your employment rights, for example that you get at least the National Minimum Wage or National Living Wage for each job.** You and your employer can agree to any terms you want, but you cannot agree to any terms that give you less than the rights you have under law.
- **Working hours.** By law, most workers cannot be compelled to work more than an average of 48 hours per week. If you are over 18, you can opt out of this, and may need to do so if you want to take on a more than one job.

You can find more information about all of these things on GOV.UK: <https://www.gov.uk/browse/working>

What if I have another job but it is from self-employment?

If you have another job but it is on a self-employed basis then you will need to tell HMRC about this by a certain deadline (the 5th October following the end of the tax year in which you started to work for yourself) and complete an annual self-assessment tax return.

You can find out more about self-employment on our website: <https://www.litrg.org.uk/tax-guides/self-employment>

This factsheet is intended to provide general information only and does not constitute advice. Before taking any action, you should get appropriate immigration, benefit or tax advice, which is based on your particular circumstances, from a professional adviser. We have done our best to ensure that the information in this factsheet is up to date as of April 2018. You can read our full disclaimer on our website: <https://www.litrg.org.uk/legal>.