

Received a PAYE tax calculation (P800)?



Low Incomes
Tax Reform
Group
A voice for the unrepresented

Employees and pensioners have tax taken off them throughout the year via Pay As You Earn (PAYE). In most cases, this means you pay the correct tax by the end of the year; but not always. If you have not, HMRC will send you a tax calculation (a 'P800'). Here we look at what you should do if you get a P800 for a tax year.

First thing's first!

Let us have a quick look at how PAYE works

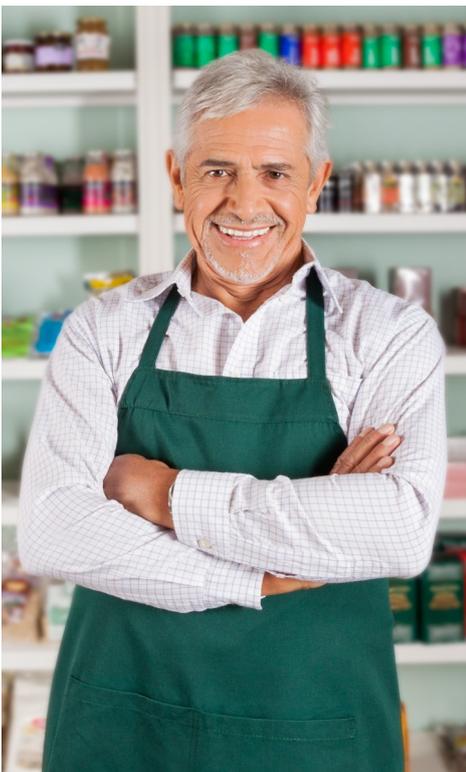
Nearly everybody is entitled to earn a tax free amount each year. This is called the 'personal allowance'. In 2018/19, this is £11,850 (in 2017/18, it was £11,500). Under PAYE this £11,850 amount is given to you in chunks to set against your income. So, if you are paid monthly, you would be given £988 of tax free pay each pay day (£11,850 divided by 12), if you are paid weekly, £228 (£11,850 divided by 52) and so on.

Essentially PAYE spreads your tax bill over the tax year, rather than you having to pay it in one lump sum.

HMRC use a tax code to tell your employer or pension provider what tax-free allowances you are entitled to so that they can calculate tax at the appropriate rate on the balance. The standard tax code in 2018/19 is 1185L (essentially £11,850 with the last 0 dropped off and a letter added). In 2017/18, it was 1150L. If you live in Scotland and are a Scottish taxpayer, the standard tax code in 2018/19 is S1185L.

Where HMRC need to collect a little extra tax from you for whatever reason, they essentially reduce the amount of tax free pay that you are allowed – meaning that your employer calculates tax on slightly more money. The opposite happens where HMRC need to collect a little less tax from you. In such cases, you will see a non-standard tax code, for example 1202L or 1084L.

You can find out more about the PAYE system, including some examples of non-standard tax codes and how they are made up on our website: www.litrg.org.uk/tax-guides/employed/how-do-i-check-my-coding-notice



The annual reconciliation

PAYE usually works best when a person has a single, stable job (or pension) that lasts a complete tax year. In any other situation, you could end up paying too much or too little tax by the end of the year.

After the end of the tax year, HMRC automatically put together all the pay and tax data they have received from your employer or pension provider to check whether you have paid the right amount of tax.

The computer-generated P800 form is the result of this annual reconciliation.

Please note that the P800 exercise is not meant to apply to anyone who submits a self-assessment tax return – these people reconcile their positions through completing the tax return.

It also applies to tax only and not National Insurance contributions (NIC), as NIC is calculated each pay day and not recalculated at the end of the year.

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When will I get my P800?

P800s are sent out after the tax year ends on 5 April. You will normally get yours by the end of:

- September if you are due a refund
- October if you need to pay more tax

If you do not get a P800, this means that according to HMRC's records, your taxes are balanced and no further action is needed. If you do not agree with this, for example because you had some employment expenses that you are due tax relief on (see later), then you will need to contact HMRC.

If you think you are due a refund and want to try and prompt HMRC to reconcile your case earlier, you can complete the online form on **GOV.UK**: www.gov.uk/claim-tax-refund/too-much-tax-taken-from-your-pay

You can also use this form to trigger a repayment of less than £10 (HMRC's computer will not automatically issue it).

Why would I not have paid the right amount of tax?

In many cases, too much or too little tax is paid simply because of the way the PAYE system works and no-one is 'at fault' (see later for information about P800s caused by 'errors').

Tax refunds most commonly arise from the following circumstances:

- If you work less than the complete tax year
- If you have been working on a casual basis
- If you are a student, working in the holidays

This is because in any of these circumstances you will probably only have received part of your tax-free personal allowance under PAYE when actually, you are entitled to a full year's amount.

Similarly, you may have not paid enough tax where:

- You had untaxed income that was not taken into account in your tax code

E.g. a taxable social security benefit, such as jobseekers allowance or state pension, which although taxable do not have PAYE operated on them.

- You received more allowances than you were due – for example if you received a week 53 payment. (If you are paid weekly or every 4 weeks, the way dates fall mean that sometimes you will end up receiving one more payment than usual towards the end of the tax year – these extra payments are known as 'week 53 payments'.)

On these 'week 53' type occasions HMRC allow employers to give you an extra proportion of personal allowance so that your take home pay is not adversely affected. This means that over the tax year, you will have received more than the personal allowance for the year.

- You had work benefits that were not taken into account in your tax code

As well as being taxed on your cash pay, you're also taxed on some benefits your employer provides, such as a company car or medical insurance, although the value of these may not have been subject to PAYE at source.

Even where the cause of a tax demand or tax refund seems straightforward, you should always check the P800 calculation carefully. Sometimes HMRC get their numbers wrong.

For more information on how to check your P800 please read our detailed guidance: www.litrg.org.uk/tax-guides/employed/what-if-i-do-not-pay-enough-tax

You should also think about any expenses relief or other allowances due to you (see later) as HMRC may not have taken these into account in the P800.



What should I do if I agree with the P800?

If HMRC think you have overpaid tax, then they will issue you a refund. For the 2018/19 P800 run, you may be given the option to go into your Personal Tax Account and submit your bank details to get your refund. Otherwise this will be by cheque to your home address, however this could take longer (as much as 45 days).

To find out more about Personal Tax Accounts see **GOV.UK:** www.gov.uk/personal-tax-account

If HMRC think you have not paid enough tax, you might have options as to how you pay it back – for example, spreading it over a period of more than one year. Importantly, make contact with HMRC to discuss your options. Do not ignore it.

For more on this, please read our detailed guidance: www.litrg.org.uk/tax-guides/employed/what-if-i-do-not-pay-enough-tax#toc-what-do-i-do-if-i-owe-some-tax-

What if I think there has been an error?

Sometimes the cause of a P800 tax demand (or less commonly, tax refund) is down to an error, for example, your employer did not operate PAYE properly. Let us look at an example:

Jasper started a new job in 2017/18 – a second job. He completed a starter checklist telling his new employer that this was a second job meaning that his new employer should have operated a tax code BR (meaning a flat rate 20% deduction) against his wages. However they did not do this, they just put Jasper on a standard 1185L code. This means that Jasper was given the benefit of his personal allowance twice in 2018/19 and did not pay enough tax.

In such a case, you may not have to pay the bill. If you think this might apply to you, read our full guide on employer or pension payer error: www.litrg.org.uk/tax-guides/employed/what-if-i-do-not-pay-enough-tax#ex

Sometimes the error will be because HMRC failed to make timely use of information about you, which they had in their possession (for example they failed to change a tax code after you phoned them to tell them about a change in your circumstances). However for HMRC to write off any tax that you owe them under this rule, usually the tax needs to be outstanding for at least one year and also, you must show that you reasonably have believed that your tax affairs were in order.

To find out more about this rule, read our full guide on Extra-statutory Concession A19: www.litrg.org.uk/tax-guides/employed/what-if-i-do-not-pay-enough-tax#toc-what-do-i-do-if-i-owe-some-tax-

Am I due relief for any expenses or other allowances?

HMRC might not know about employment expenses you are entitled to claim tax relief on, meaning they may not have been taken into consideration in the P800 or you may not have received a P800 at all.

Some common expense claims are for work tools, protective clothing and using your own car for business travel. You can find out more about employment expenses on our website:

www.litrg.org.uk/tax-guides/employed/employment-benefits-and-expenses/what-if-i-incur-expenses-relation-my-job

(If you had employment expenses during 2018/19, it might be worth checking whether you are due anything back for earlier years – you can go back four years!)

You might also be entitled to more allowances than HMRC have factored in to your situation, for example the marriage allowance or blind persons allowance. For further information, please read our detailed guidance: www.litrg.org.uk/tax-guides/employed/what-if-i-do-not-pay-enough-tax

How can I contact HMRC about my P800?

You may need to contact HMRC if, for example:

- You did not receive a P800 but think you should have
- You think your P800 calculation is wrong – you must let HMRC know if you think they have repaid you too much
- You need to claim extra tax reliefs for allowances (you may also need to complete a form)
- You need to ask for a full explanation if you do not understand the calculation.

You can telephone HMRC's Income Tax Helpline **0300 200 3300** (Textphone 0300 200 3319). It is open from 8am to 8pm Monday to Friday, from 8am to 4pm, Saturday, and 9am to 5pm, Sunday.

When telephoning, have the P800 calculation to hand, as HMRC might ask you to confirm your National Insurance number and answer some other questions before discussing it with you.

It is not always easy to get through to HMRC. So you may find our hints and tips on contacting HMRC useful: <https://www.litrg.org.uk/getting-help#telephone>. In it we also provide you with information on other contact options, for example, if English is not your first language or you have difficulty using the telephone for another reason.

Remember: HMRC do not currently send notification of tax rebates by email.



You can report suspicious emails to them here: www.gov.uk/report-suspicious-emails-websites-phishing



This factsheet was written by the Low Incomes Tax Reform Group. Everything we do is aimed at improving the tax experience of low income workers. LITRG do not offer an advice service, but our website is full of general helpful tax information, including more on PAYE for employees and pensioners: www.litrg.org.uk