

Which Tax Code should I use?

2021/22

This document should be used by employers for new employees in the 2021/22 tax year.

It covers the situations where:

- An employee starts with an 'in date' P45 and
- An employee starts without an 'in date' P45 or does not have a P45 at all

An 'in date' P45 refers to a P45 with a leave date in the current tax year or the tax year immediately preceding it – i.e., from tax years 2021/22 or 2020/21. If the P45 has a leave date before 06 April 2020, it is referred to as an 'old' P45. This gives rise to the following:

In date P45

Date of Leaving on P45	Employee's Start Date	Tax Code on P45	FPS Starter Declaration	Tax Code to Use
06 April 2021 to 05 April 2022	On or after 06 April 2021	Code other than BR, OT, D0 or D1 (including any S or C prefixes)	B	The tax code from the P45, including any S or C regime indicator
06 April 2020 to 05 April 2021	06 April to 24 May 2021	Code other than BR, OT, D0 or D1 (including any S or C prefixes)	B	The tax code from the P45, including any S or C regime indicator and increase suffix codes as follows: <ul style="list-style-type: none"> • L suffix + 7 • M suffix + 8 • N suffix + 6 Do not carry forward week 1 / month 1 indicators
06 April 2020 to 05 April 2021	On or after 25 May 2021	Code other than BR, OT, D0 or D1 (including any S or C prefixes)	B	Emergency tax code 1257L on a week 1 / month 1 basis
Any other 'in date' P45	On or after 06 April 2021	Codes BR, OT, D0 or D1 (including any S or C prefixes)	C	The tax code from the P45 including any S or C regime indicator

Employers must check the P45 pay and tax details are correct before using them in the payroll

Old P45

The following table applies in the circumstance that the employee presents an old P45 or does not produce a P45 at all. These employees must be asked to complete the starter declaration questions:

- A. **Not to be chosen if the individual is in receipt of a State or other pension.** This is the first job since 06 April 2021 and the new employee declares that they have had no other taxable income (including Jobseeker's Allowance, Employment and Support Allowance and Incapacity Benefit)
- B. **Not to be chosen if the individual is in receipt of a State or other pension.** This is now the only job but they do not have a P45. However, they have received some other taxable income from employment and / or income from Jobseeker's Allowance, Employment and Support Allowance and Incapacity Benefit
- C. The new employee has another job or is in receipt of a State or other pension

Date of Leaving on P45	Employee's Start Date	Tax Code on P45	Employee Starter Declaration	FPS Starter Declaration	Tax Code to Use
Pre 2020/21 P45 or no P45	On or after 06 April 2021	Ignore the tax code from the P45	A	A	Emergency tax code 1250L on a cumulative basis
			B	B	Emergency tax code 1250L on a week 1 / month 1 basis
			C	C	BR on a cumulative basis
			None	C	OT on a week 1 / month 1 basis

Student Loans

For new starters, regardless of whether they produce a P45, the employer must ascertain whether they have a Student Loan that needs to be repaid through the payroll. If they have, the employer must ascertain if this is a Plan 1, Plan 2, Plan 4 or a Post-Graduate Loan (PGL). For this reason, all new starters should complete that section of the Starter Checklist and / or use the Checklist for all starters as well as the P45 (or using the wording on an internal bespoke starter form).

Off-Payroll Workers 2020/21 Onwards

For payments made on or after 11 May 2020 to deemed workers falling within the off-payroll rules, there is a requirement that the Off-Payroll Marker is completed and returned via the FPS.

Call us now on +44 (0)20 3008 6358 or email info@i-realise.co.uk to find out more about how our change processes and X|R|M methodology can benefit you.

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