

A GUIDE TO TAX



This guide has been prepared to answer some common questions that education staff ask about tax. This is not a comprehensive guide to tax. ATL cannot give financial advice so this guide is restricted to factual information only. If you need more information, or if your situation is more complicated, contact HM Revenue and Customs, your local tax office or a financial advisor.

1 General questions

Am I paying more income tax than I should be?

The salaries of education staff are normally taxed under the Pay As You Earn (PAYE) scheme, through which your employer deducts tax from your salary in line with a code from HM Revenue and Customs.

To check that you are paying the right tax you need to establish the correct code and check the deductions on your pay slip. For more information contact HM Revenue and Customs.

What happens if I have two or more jobs?

Every individual who is resident in the UK is entitled to a personal allowance. This is the amount you can earn before you start to pay tax. If you have two or more employments, you will have separate tax codes for each.

Normally, personal allowances will be set against your main employment. However, the important thing is to check that your personal allowances have been set against your combined income.

What records should I keep?

Your employer should give you a P60 shortly after the end of the tax year, which will include information about your total gross income for the year and your net income after tax. You should keep P60s carefully. We also recommend that you retain and file your pay slips.

2 Subscriptions

Can I claim tax relief on my ATL subscriptions?

You can claim tax relief on 9/10 of your ATL subscription. To claim, contact your tax office (see your pay slip for details) and ask for form P358, or alternatively write to your tax office saying: "I hereby

claim my subscriptions to the Association of Teachers and Lecturers under ICTA 1988 (S) (201) (1) (b). Please amend my tax code accordingly."

You need to list each year and each subscription amount that you are claiming for. You should also include the following information:

- your name and address
- your national insurance number, tax district and your employer's tax reference (which is on your pay slip)
- your ATL membership number.

In either case, you must provide evidence of your subscription history. This is available from ATL's membership department by writing, with your membership number, to: Membership department, ATL, 7 Northumberland Street, London WC2N 5RD, or by emailing membership@atl.org.uk.

There is a sample letter you can use to write to your tax office - see www.atl.org.uk/about/tax-relief-subscription.asp.

Can I claim tax relief on subscriptions to other professional associations?

You can claim tax relief on the whole of your subscription to a professional body including the General Teaching Council. HM Revenue and Customs publishes a full list of qualifying bodies. Please note that in 2010 the coalition government announced its intention to axe the General Teaching Council for England.

3 Working at home

Can I claim tax relief for equipment kept at home and for other overhead expenses if used for work (eg a computer)?

Only if you are contractually required to work at home (in most cases during the normal school day) and can produce evidence to this effect. The fact that you take work home in the evenings and at weekends will not necessarily mean that you can make a claim.

4 Travelling expenses

Can I claim tax relief on the cost of my normal journey between home and work?

No. Also, if you are able to claim expenses from your employer for travelling to and from work (which is rare) then you will have to pay tax.

Do I incur tax on travel expenses for journeys between split sites?

No, provided they do not exceed the maximum mileage allowances introduced by HM Revenue and Customs.

For 2010-11, the tax-free mileage rates are:

- first 10,000 miles - 40p
- over 10,000 miles - 25p.

Do I need to pay tax on travel expenses for journeys to sporting fixtures or other duties?

The same provisions as for a journey between split sites generally apply.

Do I have to pay tax on the allowance I receive for being re-deployed from one site to another?

Yes. This is taxable whatever your income. Remember, removal and relocation expenses and benefits are exempt from tax (up to a limit of £8,000) if you move house because of your job.

5 Exam marking

Do I pay tax on the fee I receive as an examiner?

Yes. Since April 1988 examining boards must deduct tax at the standard rate from the fee payable to examiners.

However, travelling and subsistence expenses are not subject to deduction of tax, and boards do not have to deduct Class 1 National Insurance contributions.

HM Revenue and Customs may consider claims for reasonable expenses (eg secretarial support or the use of a room at home as an office). However, claims for additional travelling expenses or accountancy fees are usually rejected.

6 Supply staff

As a supply worker, how will I be taxed?

ATL's experience is that, for tax and national insurance, supply staff are treated as employees under the PAYE scheme (eg tax and national insurance will be deducted before you receive your earnings).

7 Paid work outside of school/college

What are the tax arrangements for self-employed work?

If you work for yourself, you are normally treated as self-employed and taxed under 'Schedule D'. This is a more favourable regime than the PAYE scheme, because there is more scope to deduct expenses from income.

If you are in full-time work and pay tax under the PAYE scheme, you need to declare any income from freelance work to HM Revenue and Customs.

All reasonable expenses incurred wholly and exclusively in connection with paid work outside the school/college (eg writing books/articles) can be deducted from the total income taxed under Schedule D. Such activities might include private tuition at your own home or at the home of a pupil.

You do not need to register for VAT unless the taxable income of all your self-employed work is more than a set limit, presently £70,000 (2010), in any period of 12 months. For more information about the tax implications of starting your own business, contact HM Revenue and Customs.

8 Pension contributions

Do I get tax relief on my pension contributions?

Since the introduction of pension simplification in April 2006, the position of tax relief for pension contributions has been significantly improved.

There are two key controls, the lifetime allowance and the annual allowance, as laid down by HM Revenue and Customs:

- A single lifetime allowance (LTA) is the allowance against which an individual's pension savings will be tested when they take their benefits (or at age 75 if the benefits are not in payment at that age). This was £1.5 million from 6 April 2006, rising to £1.8 million for tax years 2010-11 to 2015-16, and will be reviewed thereafter. A lifetime allowance charge of 25 per cent will be made on pension funds in excess of the LTA where the excess is taken as a pension. The LTA charge will be 55 per cent where the excess is taken as a lump sum.

- An annual allowance (AA) on the amount of pension saving in a tax year. This was £215,000 from 6 April 2006, rising to £255,000 for tax years 2010-11 to 2015-16, and will be reviewed thereafter. There will be an annual allowance charge of 40 per cent on pension savings in excess of the AA.

Tax relief for individuals of up to 100 per cent of earnings or £3,600 each year will be available. It will be the responsibility of individual members to ensure that they do not exceed these limits.

Annual benefit statements issued by Teachers' Pensions (the main teachers' pension scheme) and the Local Government Pension Scheme will contain information relating to the LTA/AA, which can be used by individuals in discussion with their financial advisors.

Information about the Teachers' Pensions Scheme arrangements for tax simplification can be found at www.teacherspensions.co.uk. General information on tax simplification can be obtained from HM Revenue and Customs.

9 Benefits in kind

My school provides me with living accommodation. Is this taxed?

Yes, unless:

- living in that accommodation is necessary for the performance of your duties, or
- the accommodation is provided for the better performance of your duties and it is customary for your employer to provide such accommodation, or
- the accommodation is provided as security where there is a threat to you as the employee.

If these conditions do not apply, then you will normally pay tax on the gross rating value of the accommodation or the rent paid by your school/college, whichever is the greater. Any rent you pay is normally deducted from the taxable value.

My employer pays some of my bills. Is this benefit taxable?

Employees are normally taxed on expenses connected with living accommodation (where provided). The employee normally pays tax on the benefit of her/his employer's expenditure on:

- heating, lighting or cleaning and/or
- repairs, maintenance or decoration and/or
- provision of furniture or normal domestic equipment.

However, in cases where employees are exempt from tax on the living accommodation, the tax on this further benefit is limited to 10 per cent of the net salary.

My employer pays for my laundry costs. Must I pay tax?

Laundry costs met by the employer are taxable, unless:

- they relate to cleaning protective clothing or uniforms that you must buy and which are necessary for your job, or
- they are incurred during a business trip.

Is my school's fee remission scheme taxable?

Provision of education for an employee's children at the school where s/he works is assessed as a taxable benefit. Under current tax law, however, the value of this benefit is limited to the additional expense incurred by the school in educating the children (eg the cost of teaching materials and food) and should not be based on school fees.

Any fees paid by staff will be deducted from the taxable benefit calculated on this basis. As a rule of thumb, HM Revenue and Customs assesses the marginal cost of educating the children of an employee at 15 per cent of normal fees. Provided the member of staff pays at least 15 per cent, then tax is not normally assessed.

Do I pay tax on school meals?

Meals provided at a subsidised cost or free of charge are assessed as a taxable benefit unless meals are generally provided to all employees.

Do I pay tax on medical insurance?

Costs met by the employer in providing medical insurance are assessable and treated as part of the employee's salary, which is subject to tax. Where there is a group medical insurance scheme, each participating employee is taxed on an appropriate proportion of the premium.

The provision of medical costs and insurance are normally exempt if they arise from a school/college trip outside the UK.

Do I pay tax on loans from my employer?

The notional interest payable on an interest-free or subsidised loan to employees is taxed by reference to an official percentage rate that is announced from time to time, unless:

- the loan qualifies for special tax treatment (contact HM Revenue and Customs)
- the loan totals not more than £5,000.

You may have to pay tax if a loan is written off by your employer either during your employment or after you have left.

10 Salary sacrifice schemes

Salary sacrifice schemes enable employees to take part of their salary as vouchers or as a benefit detailed below. The part of the salary sacrificed is exempt from tax and national insurance contributions.

Employers are under no obligation to offer a salary sacrifice scheme to employees. However, we understand local authorities are currently advised by the local government employers to offer this scheme.

From 1 September 2006, teachers in the maintained sector may only elect to join salary sacrifice schemes for a childcare voucher or other childcare benefit scheme, bicycle scheme or mobile phone scheme. Your employer will have details of the schemes available.

11 Further information

HM Revenue and Customs
Helpline: 0845 900 0444
Website: www.hmrc.gov.uk

TaxAid (for people with low incomes)
Helpline: 0345 120 3779
Website: www.taxaid.org.uk

TaxCentral (online tax guidance service)
Website: www.taxcentral.co.uk

Teachers' Pension Scheme
Website: www.teacherspensions.co.uk



Need advice?

Your first point of contact is the ATL rep in your school/college. Your local ATL branch is also available to help, or you can contact ATL's member advisors on 020 7930 6441, email info@atl.org.uk. Don't forget there's lots more advice on ATL's website at www.atl.org.uk.

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