

## Understanding Tax Codes

Tax codes are a complex and detailed area to discuss, but are really employment when you're starting a job, or are having a change in your regular pay. Don't worry: this activity does not involve complicated calculations or requires detailed exercises.

The attached handout is for the client to fill in themselves as you discuss tax codes with them.

### Answers

**1. What does a tax code look like?**

A tax code is usually made up of several numbers and a letter, for example: 117L or K497.

**2. Where is it found?**

It is always on your payslip, P45 and P60.

**3. What does it mean?**

A tax code tells your employer how much of your earnings can be taxed, and how much tax you pay on it. It is used to calculate the amount of income you can earn without paying any tax at all

**4. If you've lost your P45, what code do you use?**

You'll have to use an emergency code till you get the right one.

**5. If you're on an emergency tax code, what does this mean?**

You're likely to be over-taxed till this rectified

**6. If you're starting your first job, what tax code do you use?**

You need your tax code: if you do not have this, your employer will ask you fill in a P46.

**7. What if you pay too much tax?**

You will get a refund as a tax credit.

**8. What if you don't pay enough tax?**

Your tax code can be amended to collect the underpaid tax in the current tax year or, if not, in a later tax year.

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### What do you know about Tax Codes?

1. What does a tax code look like?
2. Where is it found?
3. What does it mean?
4. If you've lost your P45, what code do you use?
5. If you're on an emergency tax code, what does this mean?
6. If you're starting your first job, what tax code do you use?
7. What if you pay too much tax?
8. What if you don't pay enough tax?