1. My Tax code is 1257L, what does that mean?

The numbers in an employee's tax code show how much tax-free income they get in that tax year.

One can replace the letter in the tax code by numbers from 0 to 9 to get the total tax-free amount from the income.

For example,
To Calculate Yearly Taxable Income - an employee with the tax code 1257L can earn £12,570 before being taxed in a year. If they earn £27,000 per year, their taxable income is £14,430

To Calculate monthly taxable income - an employee with the tax code £1257L can earn £1257L/12= £1047.5 before being taxed in a month. If they earn £1,500 a month, their taxable income is £452.5

To Calculate weekly taxable income - an employee with the tax code £1257L can earn £1257L/52= £241.73 before being taxed in a month. If they earn £500 a month, their taxable income is £258.27

Then the Tax is charged as per slab one falls in.

2. How much Income Tax I will pay in each tax year depends on?

The Income Tax you will be going to pay depends on:
* How much of your income is above your Personal Allowance:
For instance - Suppose your Tax code is 1257L, Hence you will be exempt from Tax until £12570 earnings.

* How much of your income falls within each tax band:
As per the earnings you fall in a particular slab and hence be deducted with Tax as per that.
The 2023-24 tax rates are:

Rates for the Rest of the UK (rUK)

-Basic rate 20% on annual earnings above the PAYE threshold and up to £37,700
-Higher rate 40% over £37,701 to £125,140
-Additional rate 45% over £125,140 and above

Rates for Scotland

-Starter Rate 19% on annual earnings above £1 - £2162
-Basic Rate 20% over £2,163 - £13,118

-Intermediate rate 21% over £13,119 to £31,092
-Higher rate 42% over - £31,093 to £125,140
-Top up rate 47% - over £125,140

Rates for Wales

-Basic rate 20% on annual earnings above the PAYE threshold and up to £37,700
-Higher rate 40% over £37,701 to £125,140
-Additional rate 45% over £125,140 and above.

3. What do different letters for tax codes suggest?

The Different Tax codes or letters used in Tax codes are:

- 0T This means your Personal Allowance has been used up or if you've started new employment and haven't given your P45.
- BR Basic Rate is when all your income is taxed at 20%. This is normally used if one has got more than one job.
- D0 Higher Rate is when the income is taxed at 40%. This is normally used if one has got more than one job.
- D1 Additional Rate is when income is taxed at 45%. This is normally used if one has got more than one job.
- L This is a common tax code letter, which entitles the employee at basic tax-free allowance
- K This means one has some income that isn't being taxed another way making it worth more than the tax-free allowance. This can happen if one is paying tax he/she owe from a previous year or getting certain benefits.
- M Marriage Allowance means eligible one will receive a transfer of 10% of his/her partner's Personal Allowance
- N Marriage Allowance means one has transferred of 10% of their partner's Personal Allowance
- NT The employee is not paying any tax on income
- T Other calculations are included in the tax code to work out one's Personal Allowance. This can be because the income is over the amount of basic rate tax
- Y If one was born before 6 April 1938 and is entitled to a bigger tax-free allowance.

4. I believe I have been over deducted with PAYE this month/week, can you please help me out as why my Tax code got changed?

PAYE is an automatic deduction as per the active Tax code of employees, which is sent by HMRC following the earnings details they have with them. Therefore HMRC is the correct authority for such queries.

If one doesn't recognize his/her tax code or know that it has changed, then he/she should

get in touch with HMRC to let them know your code is wrong. One can contact them via phone or through their website's form. Once updated in their record, the same will reflect in Payroll as well. Also, the employee will get a copy of the coding notice issued, so you should be aware of any tax code changes. The employee must ring HM Revenue & Customs if any query about the tax code. Quote the National Insurance number and tax reference number while having a contact. Below is the link for HMRC Tax queries,

https://www.gov.uk/government/organisations/hm-revenue-customs/contact/income-tax-enquiries-for-individuals-pensioners-and-employees

HM Revenue & Customs will not discuss an employee's tax code with an employer.

5. What happens if the Tax Code is revised, will my over deducted Tax be paid back to me?

The Tax is deducted on the basis:
* Cumulative - Tax is deducted on Year to Date (YTD) earnings, hence adjustment in Tax is done as per payroll frequency.
For Example - Total earnings YTD is £20000 and Tax code is revised from 385L (Cum) to 1257L (Cum) then the over deducted tax in the previous Month/week will be adjusted either by refunding or adjusting with low deduction in that month/week.
* Non-Cumulative - Tax deducted non-Week 1/Month 1 (W1/M1) basis, that will be specific to earnings of that period (Month/week). After revising Tax code but Tax basis is still Non-Cum then over-deducted earnings can be claimed by filing a tax return or asking HMRC to change Tax basic to 'Cumulative'.

At the end of the tax year (April 5th) you can check that you have paid the right amount of tax and claim a refund if you think you have paid too much.

6. What is Wood PAYE reference number?

Wood PAYE reference no. is 961/YZ84044.

7. How can I get my NI Category changed to 'C'?

Please check your eligibility for state exemption age at the HMRC website. There you can calculate your age left to reach the state pension age for NI. Visit

https://www.gov.uk/check-state-pension

Also, note once you approach the state pension age our system will notify us accordingly to change the NI category to 'C'.

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