



NEWS release

Students warned to be wary of tax system and overpaying money

MANY university students are unaware of the way the tax system works and are unknowingly overpaying money to the Government, says a specialist website.

The warning comes as hundreds of thousands of students prepare to spend their first term at university and others go back after the holidays, many of them having worked during that time.

A recent study by NatWest showed that nearly half the student population will be juggling their studies with part-time work in the evenings or weekends when the new academic year starts in a few weeks time and that they will earn a total of £2bn.

Others will work during holidays, particularly around Christmas and new year when extra cash comes in very handy for presents and celebrations, and on placement.

But independent website Student Tax Services (STS) says there are ways in which graduates and undergraduates, unaware of the system involved, can keep more of the hard-earned cash in their pockets rather than hand it over to the Treasury.

It says that even for seasoned taxpayers the system can seem complicated enough, so it can be even more daunting for those newly registered and entering for the first time.

Student Tax Services encourages students to understand the system and to take control so as to prevent overpayments, which can then seem ages to reclaim.

With its expert knowledge, the service has helped students reclaim on average almost £1,000 each.

“The tax system should be easy to navigate, but unfortunately is not,” said Unies Mirza, chartered certified accountant and tax specialist who helped develop the website.

“In our experience tax offices differ greatly in their efficiency and manner in which they deal with student tax matters. In many instances we have spent more time obtaining a tax refund for a student than for a seasoned taxpayer.

“No wonder students are put off the refund process, to the advantage of Her Majesty’s Revenue and Customs.

“Most students get to vote when they start at university and in order to use their vote wisely they need to be fully advised of matters that affect them. I believe that Student Tax Services will help fill some gaps in their education about taxes.”

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In fact, STS alerted students to the Budget proposal by then Chancellor Gordon Brown last year of ending the 10p tax rate for low earners, a move much criticised in recent months, particularly by some Labour MPs. This led current Chancellor Alastair Darling to introduce other measures to try to ease the financial pain.

STS has developed its online service using a team of qualified tax advisers working alongside students to cut through the red tape surrounding tax legislation and provide information in a simple, easy to understand way.

The service has been promoted in universities and student unions. "We know from feedback that students who have used it have been most grateful with the results," said Unies.

The site at www.studenttaxservices.org.uk even uses humorous photographs to make the serious subject seem less severe and more friendly.

It is free to use for full or part-time students and provides the following resources:

- A library which provides information on each area of tax most commonly encountered by students, including a step-by-step guide to when a student starts or leaves a job. The comprehensive subject matters also includes savings, loans, rental income, and capital gains tax, National Insurance and that often ignored subject of pensions.
- Online tax calculator for students to check whether or not they need to claim for overpayment.
- A free help service to answer questions about tax.
- A letter bank containing standard templates that students may need to use when dealing with their local tax office.
- Useful tips about taxes.

For those who need help with seeking a refund, Student Tax Services also offers a service to obtain any cash owed at a nominal rate of £30 plus VAT.

FAQs

There are many student tax misconceptions, some of which are answered here.

- **Q) As a student, am I exempt from tax?**
A) Students pay tax like everyone else, but because of the nature in which you work you often end up paying too much tax, which is where STS can help.
- **Q) I am on a work placement and will return back to full time study afterwards. Am I entitled to any tax breaks or additional benefits?**
A) During your work placement you will be taxed as normal as any other taxpayer. You are not entitled to any special benefits or tax treatment for being a student. However, you may overpay tax if your job either started or ended part way through a tax year.
- **Q) I have more than one job. I do not pay any tax on my first job and I do on my second job. Why is this?**
A) You are entitled to your tax free allowances which probably cover your earnings. Often you will find your first employer will apply your allowance against your earnings. When you join your second employer, they will not know how much of your allowance will be available to use against your second batch of earnings and hence apply basic rate of tax
- **Q) I am a full-time student working over the summer only. Is there any way to avoid National Insurance payments?**
A) Unfortunately there is no way to avoid National Insurance, but please bear in mind that you only pay National Insurance once you exceed the lower limits either on a monthly basis or weekly basis , depending on how you are paid.
- **Q) I have just started a Diploma at University. It is a self funded course and during my two year course I will continue to work full time (term time only) in my present job. Am I entitled to any tax relief on the cost of the course?**
A) The rules for getting tax relief on the cost of your course whilst employed are very rigid and you must prove the expense is wholly, exclusively and necessarily incurred to carry out your permanent duties. If you are already working then this may be difficult to prove!