

# Pay As You Earn

## (PAYE)

This factsheet is designed to give a brief overview of the Pay As You Earn (PAYE) regulations and the tax thresholds, as applicable.

PAYE is specifically paid on salary on a per pay run basis as opposed to income tax which is payable on an all income basis when completing your self assessment each year. This factsheet will concentrate on the tax due on salaries under PAYE.

The tax year runs from 6th April to 5th April each year and it is on this basis that PAYE is calculated.

The yearly thresholds (2012/13) are as follows:

£0 - £ 34,370	20%	This is the basic rate tax band
£34,371 - £150,000	40%	This is the high rate tax band
£150,001 +	50%	This is the additional rate tax band

This is based on a standard tax code of 810L (personal allowance of £8,105) which every taxpayer gets as a right being deducted from the salary before the above thresholds are applied and as such taxed at 0%. If your tax code differs from 810L then a different amount of salary will be taxed at a rate of 0%.

### To illustrate this with an example:

Mr Bloggs received an annual salary of £50,000 and is on a 810L tax code, he will pay tax as follows:

First £8,105	@ 0% = £ 0
From £8,106 - £42,475	@ 20% = £6874
From £42,476 - £50,000	@ 40% = £3,010
<b>Total</b>	<b>= £9,884</b>

Other examples based on 810L are as follows:

Salary	20% Band	40% Band	Total
£10,000	£379.00	NIL	£379.00
£20,000	£2,379.00	NIL	£2,379.00
£50,000	£6,874.00	£3,010.00	£9,884.00
£75,000	£6,874.00	£13,010.00	£19,884.00

### Income Over £100,000?

If your total income exceeds £100,000 your personal allowance will be reduced by £1 for every £2 worth of income in excess of £100,000 until it reaches zero when your total income is £116,210.

#### For example:

If your total income is £110,000 your personal allowance would be reduced down by £5,000 to 310L calculated as:

$$\begin{aligned} \text{£110,000} - \text{£100,000} &= \text{£10,000} / 2 = \text{£5,000} \\ \text{£8,105} - \text{£5,000} &= \text{£3,105} = 310L \text{ tax code.} \end{aligned}$$

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