

## Emergency Tax Codes

### An overview for employees

#### What is an emergency tax code?

Your tax code is a series of letters and numbers that helps your employer to know how much tax you should be paying. Her Majesty's Revenue and Customs (HMRC, or "the tax man"!) will notify your employer of your tax code when you start a new job and then every new tax year after that.

However, sometimes when you start a new job your employer won't have received your tax code from HMRC yet. In these cases you will be put on an emergency tax code so that your pay and taxes can be calculated.

Some of the reasons for having an emergency tax code include:

- Starting a new job
- Receiving additional income
- Receiving company benefits
- Returning to working for an employer after being self employed

#### Why is this important?

While you are on an emergency tax code there is a chance that you could pay too much or too little tax. Which means you either aren't getting as much pay in a month as you are entitled to, or you are receiving too much pay because you aren't paying enough tax. Which may sound great, until HMRC catch up with you and you get an unexpected letter about paying them the tax you owe.

Your employer doesn't know what your tax code should be. Only HMRC know that. So your employer often can't help you or work out if you are on an emergency tax code or not. HMRC deal with the tax codes for millions of employees, so it is very easy for an incorrect tax code to slip through the net.

**In fact, it is estimated that 1 in 10 UK employees are on the wrong tax code.**

Which is why checking your tax code is so important!

## Emergency Tax Codes... continued

### Which tax codes are emergency tax codes?

If your payslips have any of the following codes, you could be on an emergency tax code:

### **X M1 W1 OT BR**

X, M1 and W1 are often given to people when they start a new job, as an interim measure until HMRC can send your employer the correct tax code. They will often be used in conjunction with other letters and numbers, for example 1150L X or 1150L M1.

You don't need to panic if you see this tax code on your payslip, but just keep an eye on it - and if it stays the same for 3 months or more then you should contact HMRC to get them to look into it.

While **BR** and **OT** can be used as emergency tax codes, they can also be normal tax codes.

**BR** (basic rate) - means you will be taxed at basic rate (20%). When not used as an emergency tax code it is often used for a second income or pension.

**OT** - means you'll be taxed on all of your income, and if you're in a higher earning bracket you'll be taxed at 40%.

**OT** is mostly given to you as your tax code if you've used up all of your personal allowance, or have started a new job and haven't given your employer the right details.

### What if I'm on the wrong tax code?

If you think you are on the wrong tax code you need to get in touch with HMRC. You can fill out an online form, call or write.

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

HMRC will write back to you to confirm your tax code, and will send the correct tax code to your employer if applicable. The tax code will then change on your next payslip.

If you've paid too much tax then it will be refunded automatically by HMRC, either through your pay or by cheque at the end of the tax year. If you've been underpaying tax, HMRC will amend your tax code and collect the underpaid tax. The tax may be collected in this tax year, or HMRC will amend your tax code for the next financial year to reclaim the underpaid tax. In both cases, HMRC will write to you to explain how the tax will be paid / collected.