



Which Tax Code to Use? Tax Year 2020/21

Introduction

This is a guidance for employers on which tax code needs to be used for new starters in the 2020/21 tax year where:

- An employee starts with a P45 that can be used and
- An employee starts without a P45 that can be used or does not give a P45 at all

HMRC uses the terminology “in date” to refer to a P45 that has a leave date in the current tax year or the tax year before (i.e. for 2020/21 this means the two tax years 2020/21 and 2019/20). If the P45 has a leaving date that’s before the 6th of April 2019 it cannot be used it is called an “old” P45.

As always with an “in date” P45, the employer has a responsibility to check the pay and tax details before they are entered into the payroll system.

In addition to the below, there is also a “work out your employee’s tax code” [tool](https://www.gov.uk/work-out-your-employees-tax-code) on gov.uk.

“In date” P45

(Meaning a P45 from the tax years 2020/21 or 2019/20):

Date of Leaving on P45	Employee Start Date	Tax Code on P45	RTI Starter Declaration	Tax Code to Use
6 th April 2020 to 5 th April 2021	On or after 6 th April 2020	Codes <u>other than</u> BR, OT, D0 or D1 (including any prefixed S or C)	B	Use the code from the P45, including any S or C country tax regime indicator
6 th April 2019 to 5 th April 2020	6 th April to 24 th May 2020	Codes <u>other than</u> BR, OT, D0 or D1 (including any prefixed S or C)	B	Use the code from the P45, including any S or C country tax regime indicator. <ul style="list-style-type: none"> There are no suffix increases in 2020/21 to apply Use the code on a cumulative basis not week 1 or month 1
6 th April 2019 to 5 th April 2020	On & after 25 th May 2020	Codes <u>other than</u> BR, OT, D0 or D1 (including any prefixed S or C)	B	Use emergency code 1250L on a non-cumulative (week 1 / month 1) basis
Any other “in date” P45	On or after 6 th April 2020	Codes BR, OT, D0 or D1 (including any prefixed S or C)	C	Use the P45 tax code including any S or C country tax regime indicator

“Old” P45

This should be used where the new employee gives an “old” P45 or doesn’t give one at all. The starter declaration questions should be used:

- A. This is the first job since 6 April 2020 and they haven’t received taxable Jobseeker’s Allowance, Employment and Support Allowance, Incapacity Benefit, or a State Pension or workplace pension
- B. This is their only job, but since 6 April 2020 they’ve had another job, or have received taxable Jobseeker’s Allowance, Employment and Support Allowance or Incapacity Benefit. They don’t receive a State Pension or workplace pension
- C. The new employee has another job or receives a State or occupational pension

Date of Leaving on P45	Employee Start Date	Tax Code on P45	Employee Starter Declaration	RTI Starter Declaration	Tax Code to Use
Pre 2019/20 P45 or no P45	On or after 6 th April 2020	Do not use the tax code on any P45 given in the new employment	A	A	Use emergency tax code 1250L on a cumulative basis
			B	B	Use emergency code 1250L on a non-cumulative (week 1 / month 1) basis
			C	C	BR on a cumulative basis
			None	C	OT on a non-cumulative (week 1 / month 1) basis

Student Loans

The P45 will only indicate if there was a student loan at the last employment. It will not specify if it is a plan 1, plan 2 or a post graduate loan. So the new employer must ask the relevant questions to determine if the new starter has any student loan to be repaid in the payroll. Employers can request this information from the new employee or ask them to complete the relevant sections of HMRC’s [Starter Checklist](#).

Note that only one under graduate loan (plans 1 and 2) can operate at one time but a post graduate loan can be deducted at the same time.