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# Understanding your tax bill and potential opportunities to lower it



**WEALTH at work**

part of the Wealth at Work group

# About us

WEALTH at work is a leading financial wellbeing, retirement and workplace savings specialist.

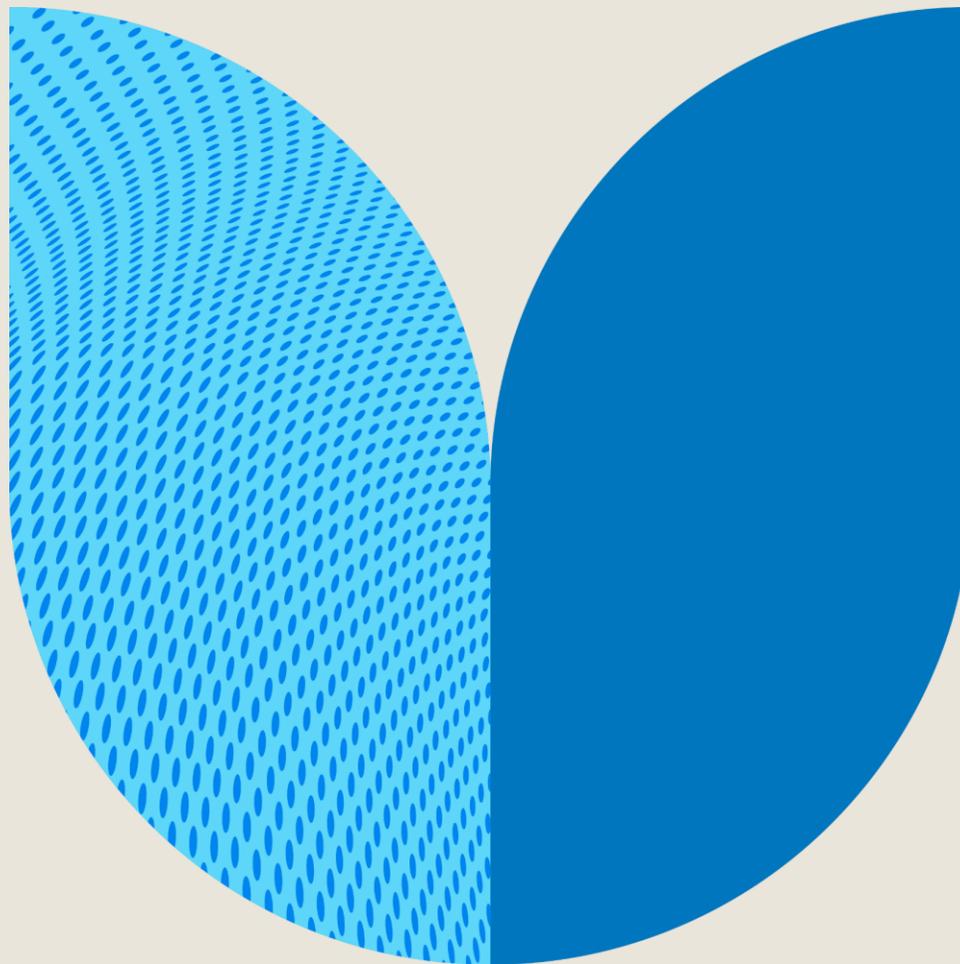
Established in 2005, we work with hundreds of organisations across both the private and public sector.

Our financial education services are delivered on a bespoke basis.

# Agenda

- Tax on your income
- Tax codes
- Tax issues affecting high earners
- Managing your tax position
- Making use of tax allowances
- Next steps

# Tax on your income



# Rates of income tax

**Personal Allowance**  
on the first  
£12,570\*



>£12,570\*

**Basic Rate Tax**  
on the next  
£37,700



>£50,270

**Higher Rate Tax**  
on the next  
£74,870



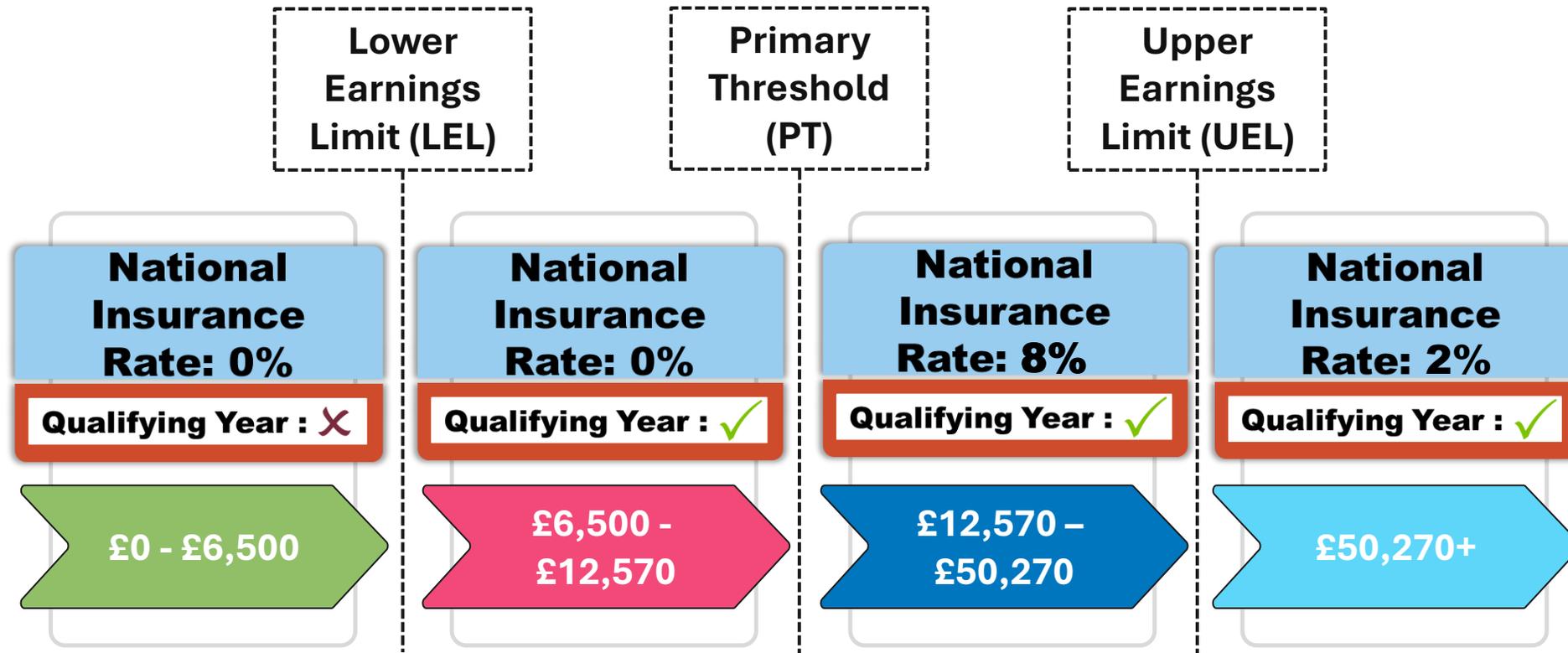
>£125,140

**Additional Rate Tax**  
on earnings above  
£125,140



\*The Personal Allowance reduces by £1 for every £2 of income above £100,000.

# National Insurance



# Salary inflation

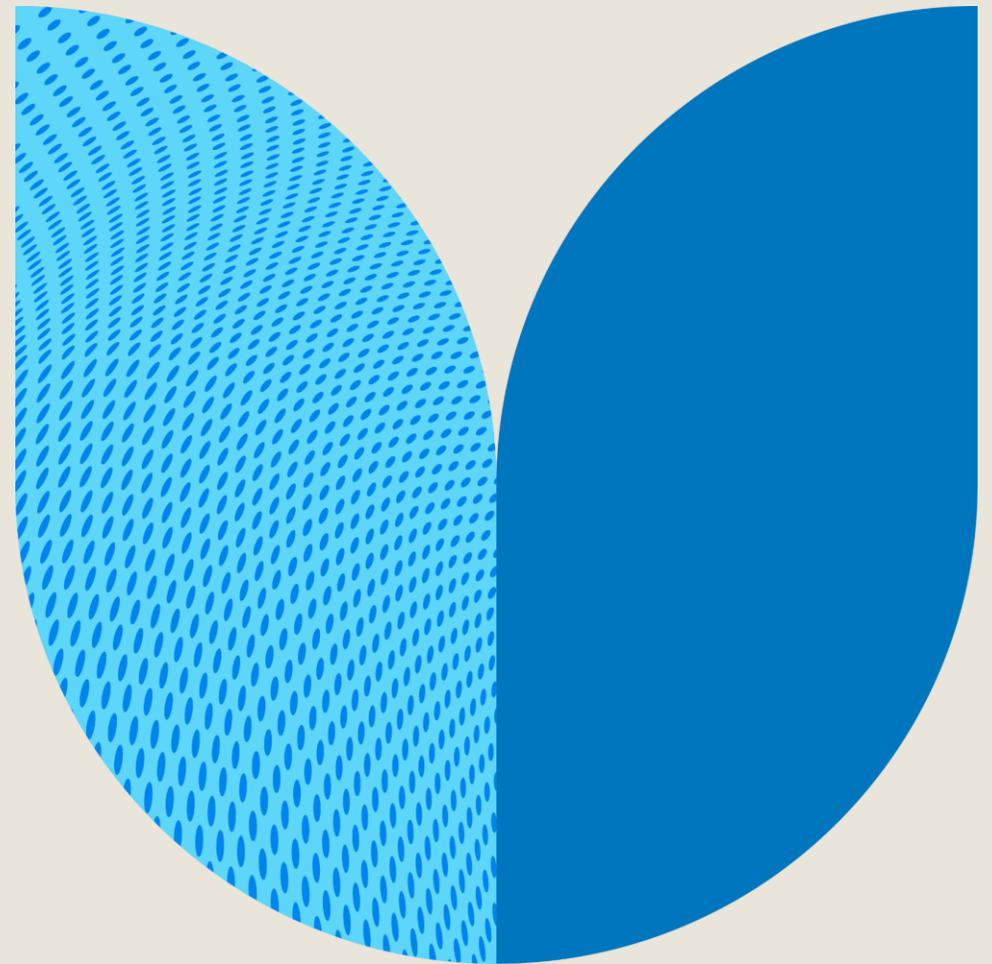
The personal allowance and higher rate tax bands are frozen until April 2028.

Example: a £50,000pa salary increasing by 4% each year



The frozen tax bands are likely to increase your tax costs, and may mean you pay tax at a higher rate

# Tax codes

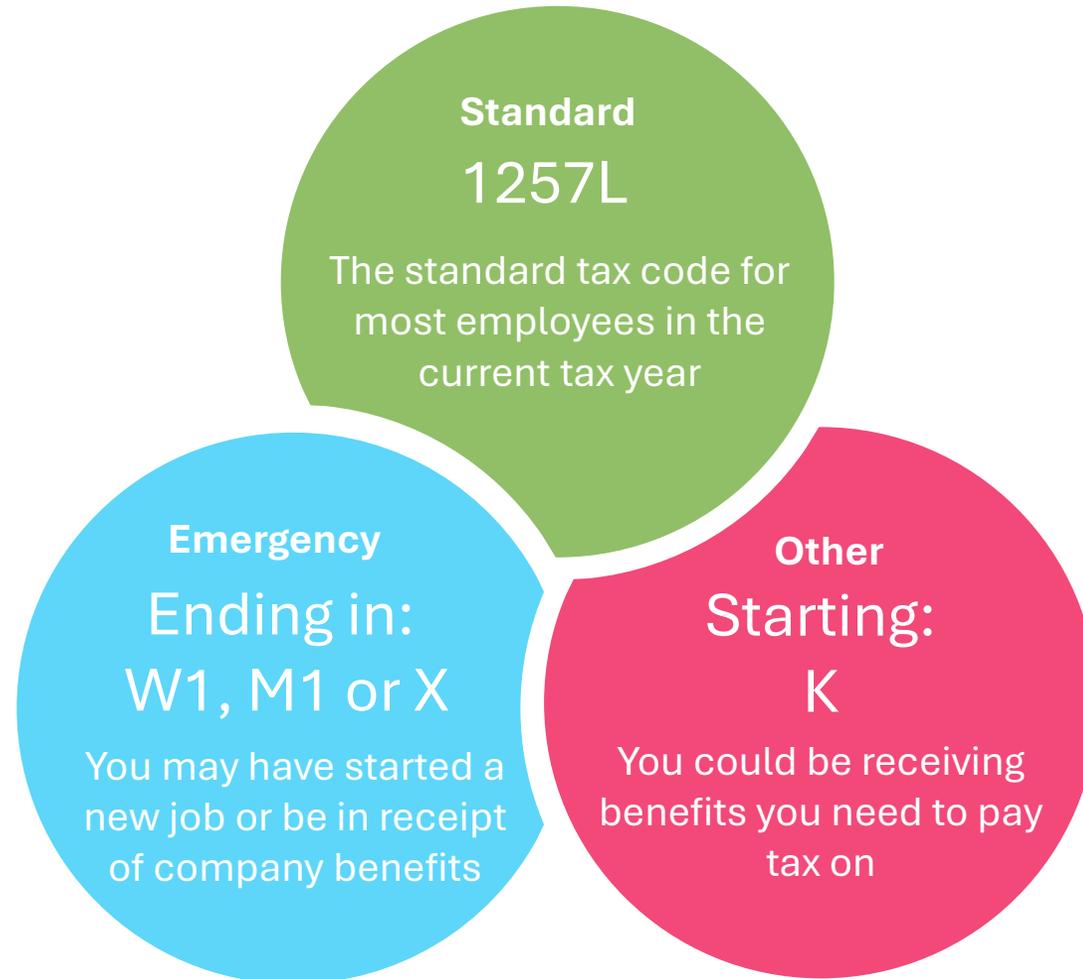


# Tax codes

<b>PAYE Coding Notice</b>	
Tax code for the year 2025-26	
<hr/>	
Personal Allowance	£12,570
<b>Tax Code</b>	<b>1257L</b>

- A tax code is used to determine your Personal Allowance
- It is used by employers to calculate how much tax to deduct from your pay
- The standard tax code for 2025/26 tax year is 1257L
- In most cases, the Personal Allowance can be calculated from your tax code by multiplying the digits by 10
- Those with a 'K' code will not be able to calculate their tax code using this method

# Common tax codes



# How to fix an error

If you believe your tax code is incorrect you should contact HMRC.

 HMRC: Income tax: general enquiries



Webchat

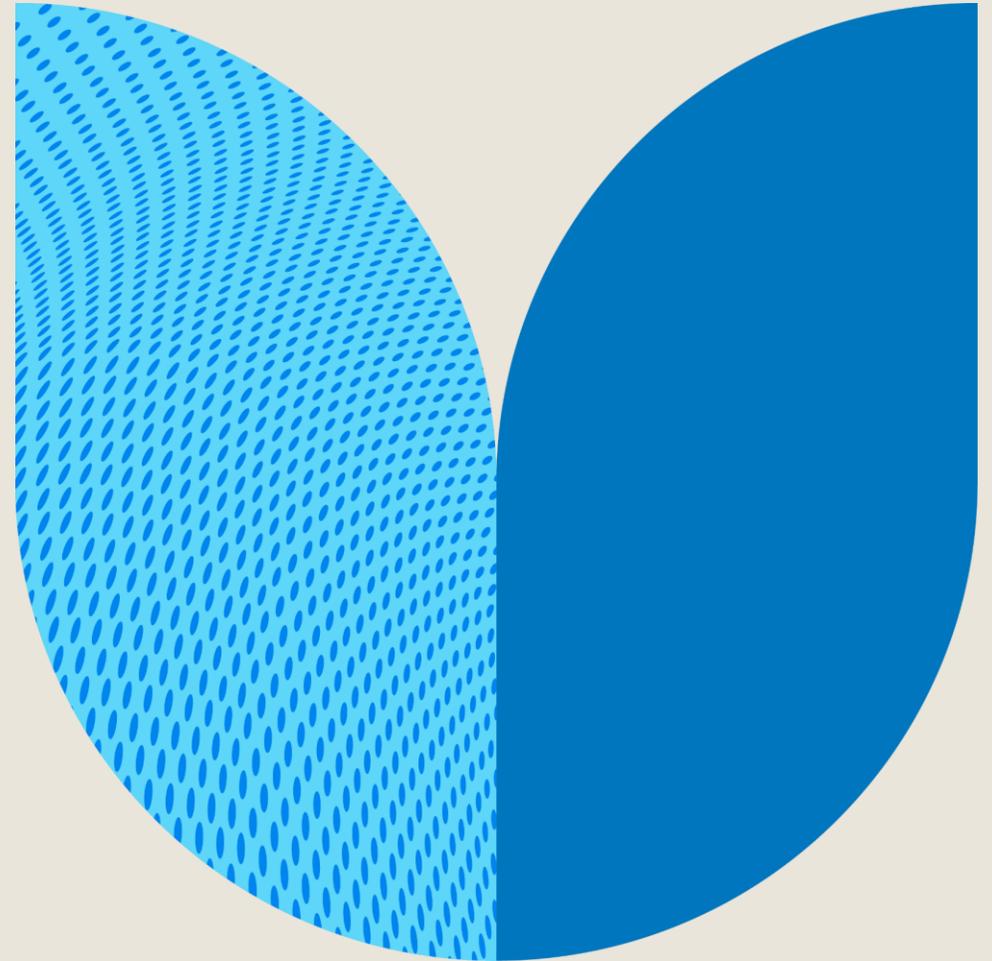


@HMRCcustomers (general enquiries only)



0300 200 3300

# Tax issues affecting higher earners



# Issues affecting higher earners

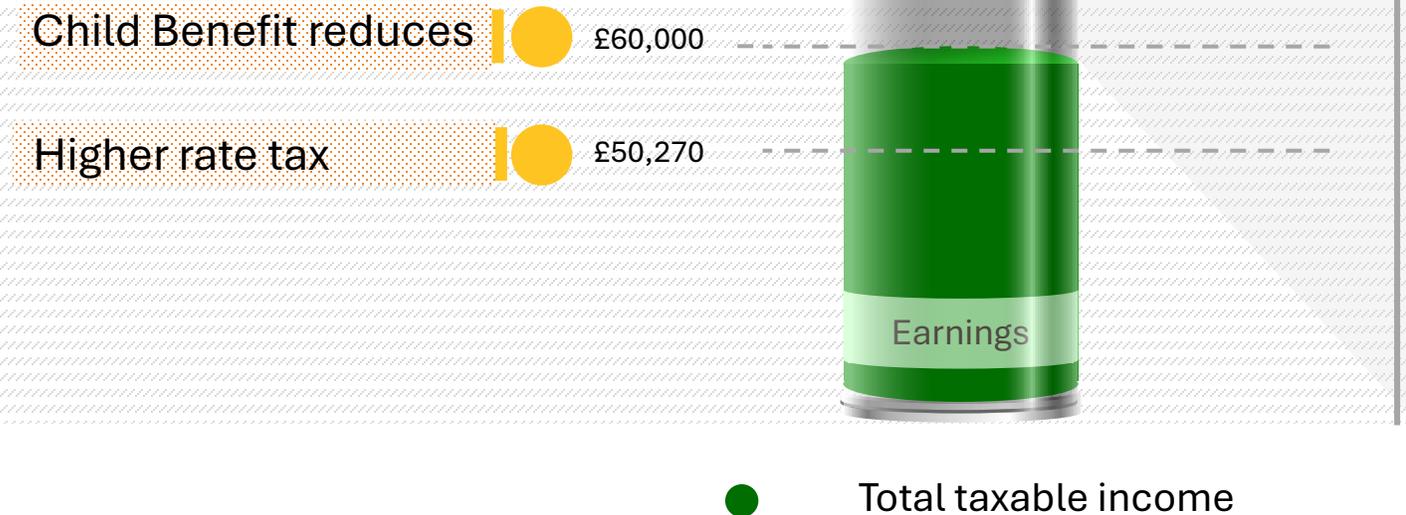


● Total taxable income

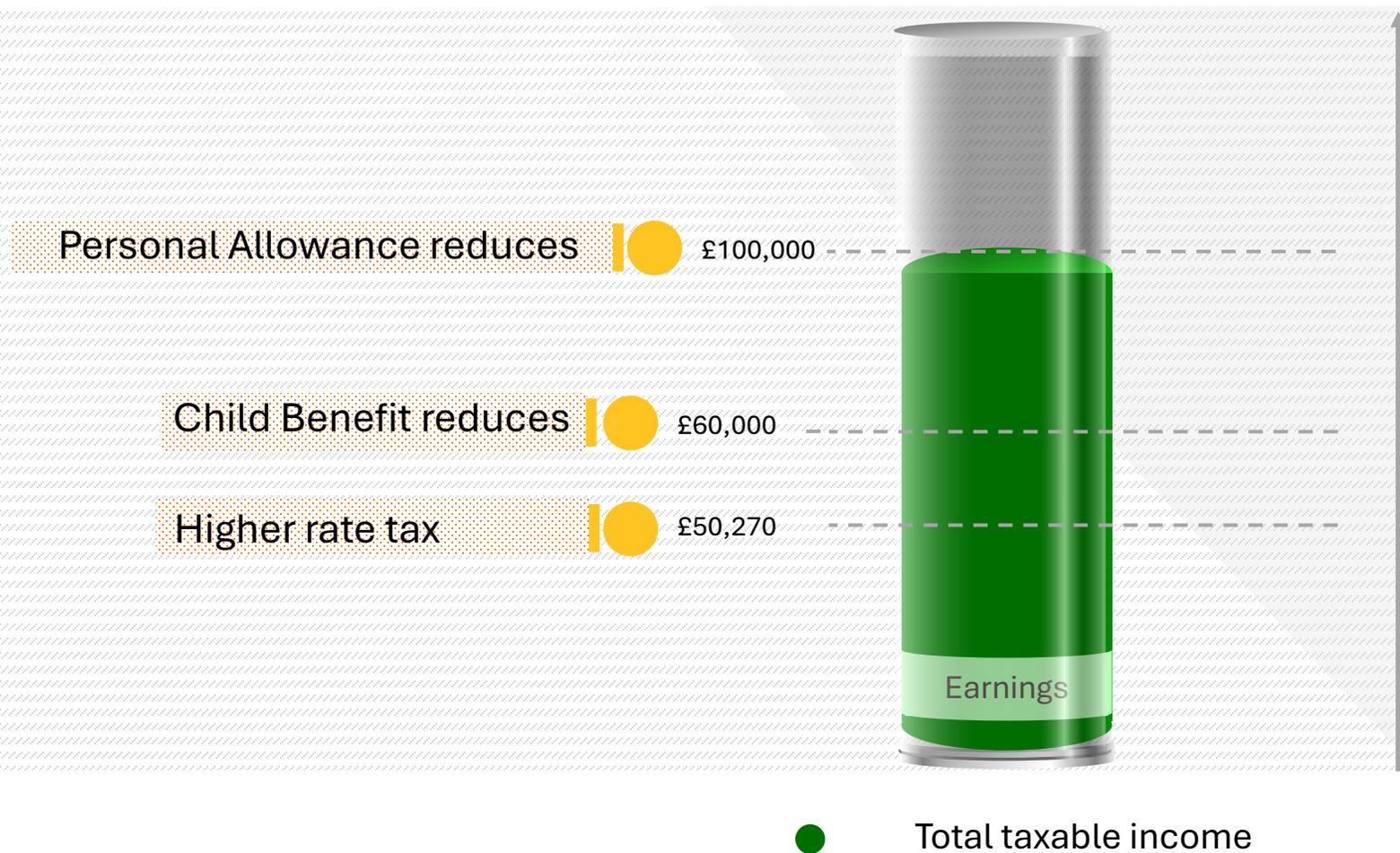
# Issues affecting higher earners



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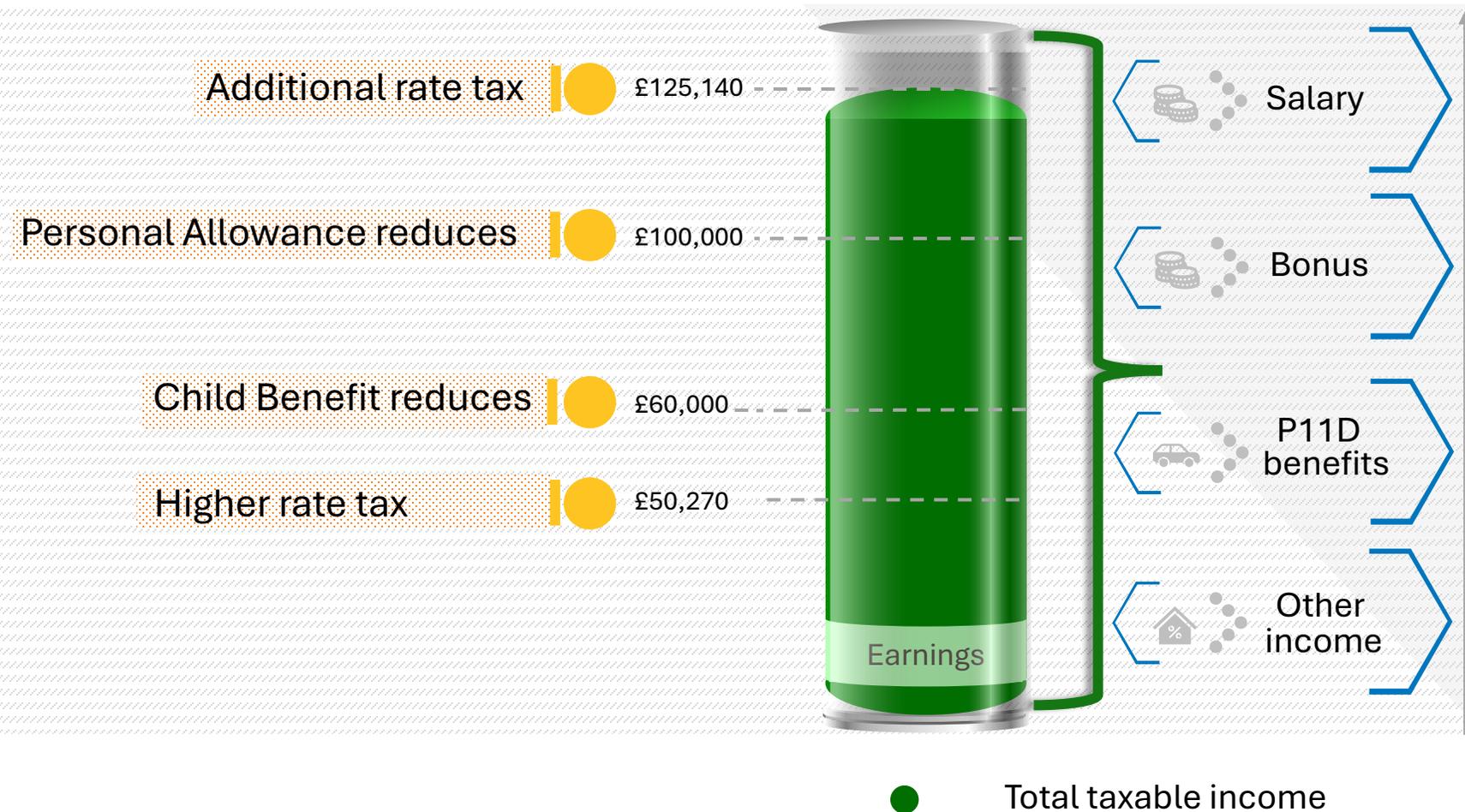
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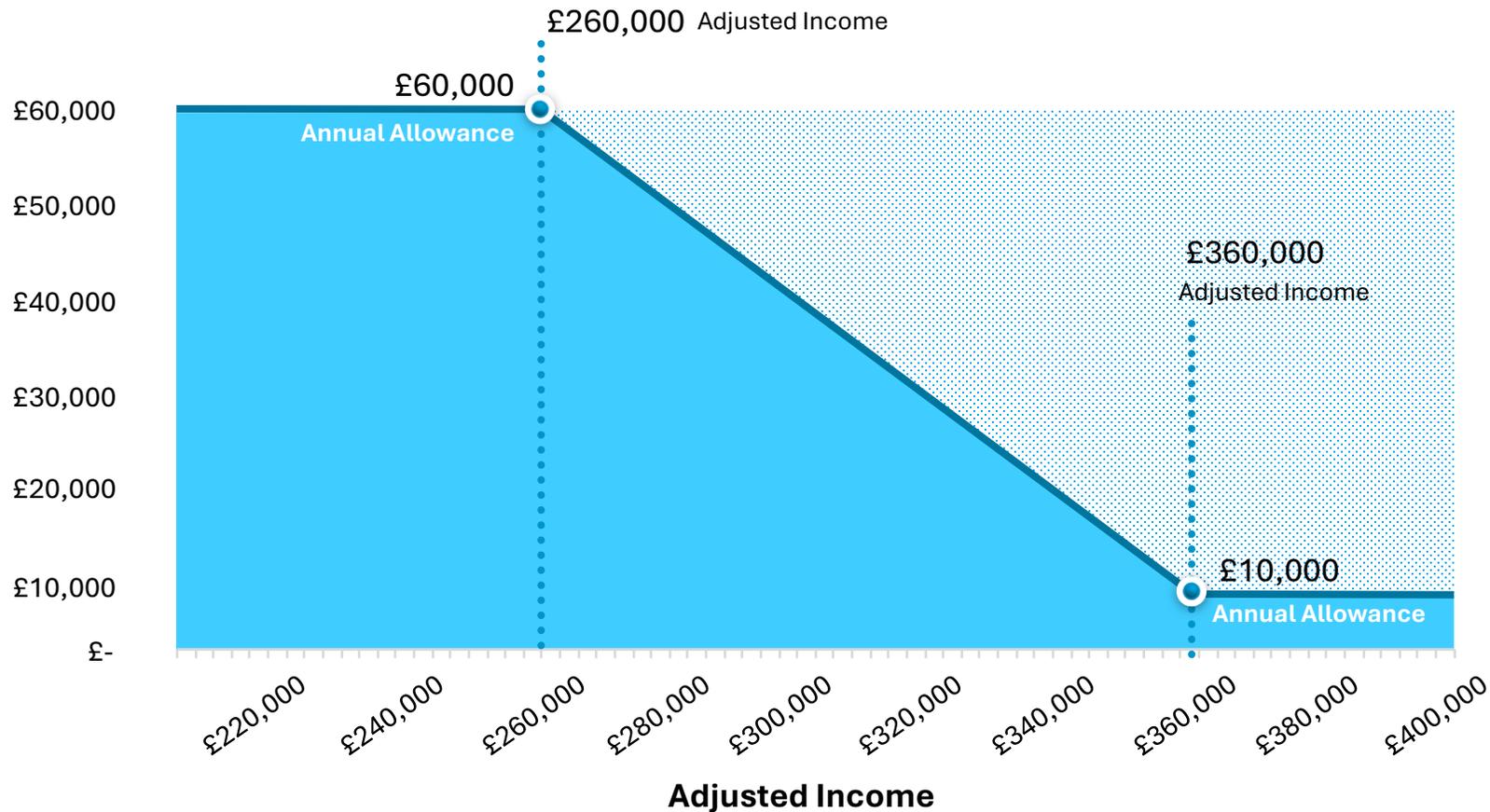


# Issues affecting higher earners

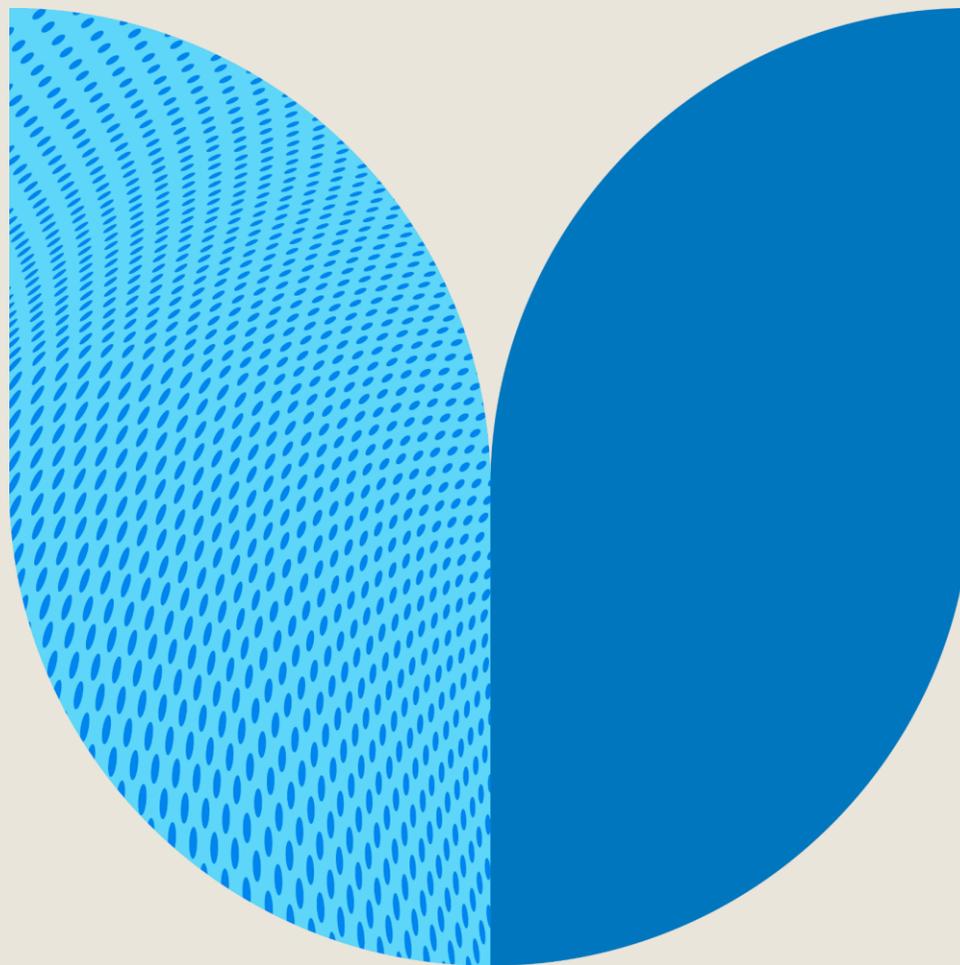


# Applying the taper

For every £2 that an individual's adjusted income exceeds £260,000, the annual allowance is reduced by £1 up to a maximum reduction of £50,000.



# Managing your tax position



# Salary sacrifice



## You save:

**Basic-rate  
Taxpayers  
up to 28%\***

- Saving made up of:
- 20% income tax, &
  - 8% NI

**Higher-rate  
Taxpayers  
up to 42%\***

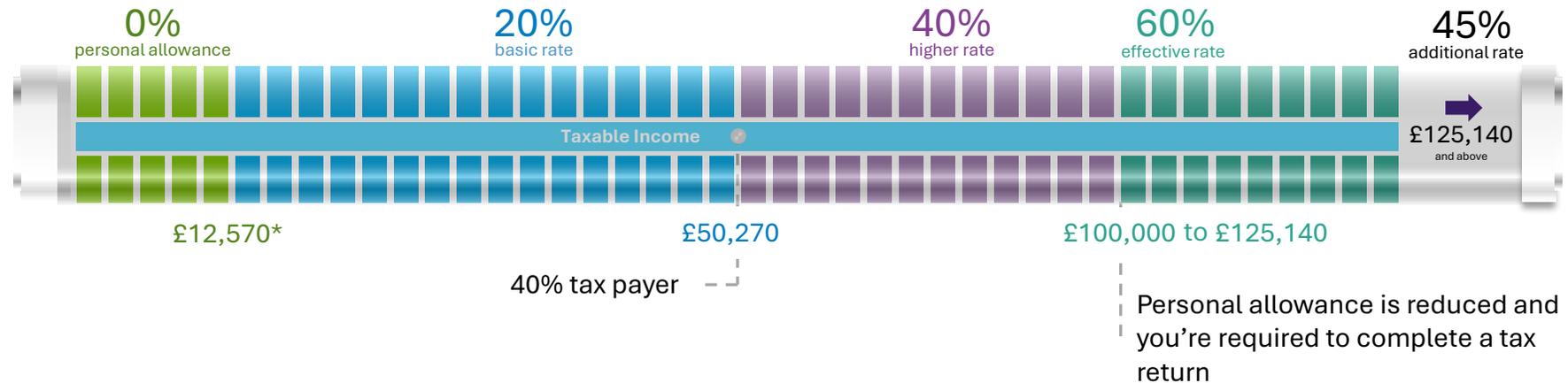
- Saving made up of:
- 40% income tax, &
  - 2% NI

**Additional-rate  
Taxpayers  
up to 47%\***

- Saving made up of:
- 45% income tax, &
  - 2% NI

\* Tax relief on pension contributions is limited to the greater of 100% of relevant earnings and £3,600.

# How salary sacrifice may help



- Salary sacrifice reduces your pay for the purposes of these calculations
- You may be able to use Salary Sacrifice to reduce your tax burden
- Making regular AVC's can increase pension contributions further via Salary Sacrifice

# Reducing your income tax

By paying more into your workplace savings schemes, you could reduce your rate of income tax and unlock other benefits.

**Annual Income**

**£60,000** including bonus

**Highest rate of income tax**

**40%** Higher rate taxpayer

**Deductions**

**£6,000**  
Pension contributions

**£5,800**  
Bonus sacrificed to pension

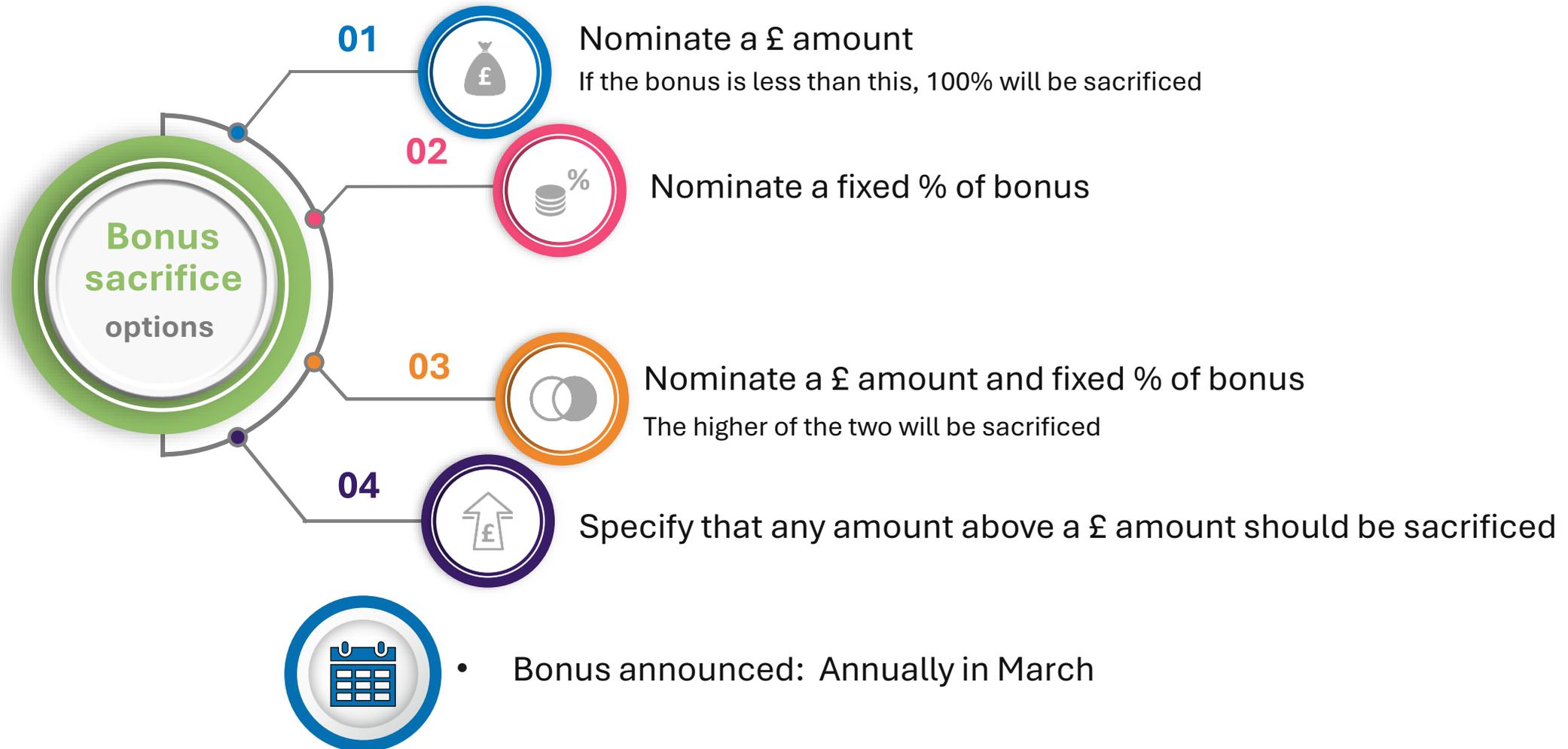
**Income after deductions**

**£48,200**

**Highest rate of income tax**

**20%** Basic rate taxpayer

# Bonus sacrifice to your pension



# Bonus payment into your pension



Bonus example:

- Chooses to pay 50% of bonus to pension

£20,000 total bonus



# Bonus payment into your pension

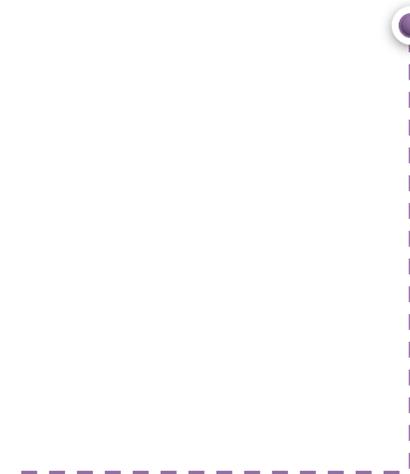
£10,000  
paid to pension



£10,000  
received through payroll



£20,000 total bonus

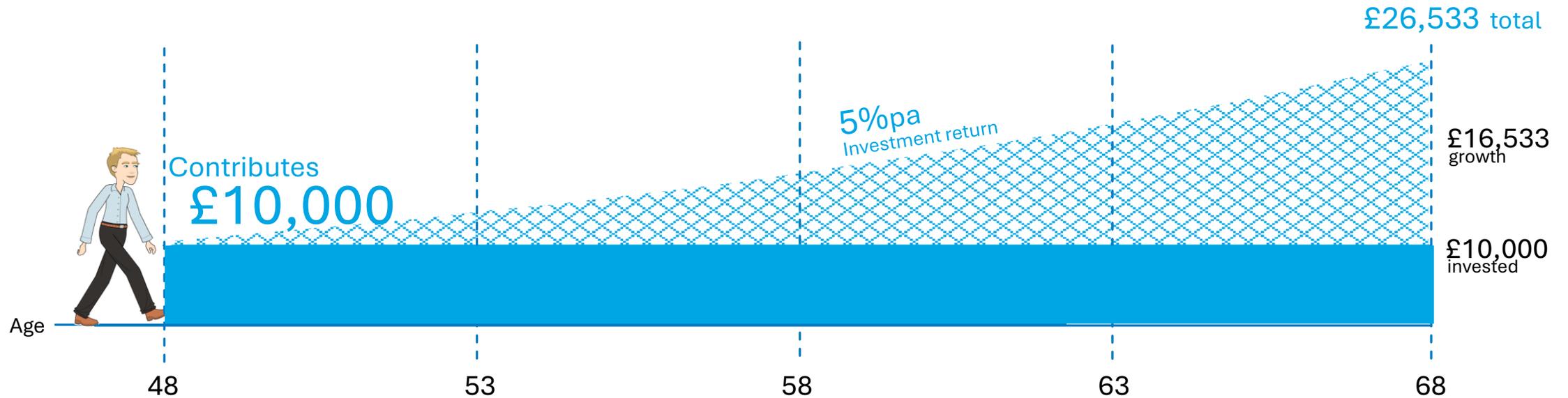


# Bonus payment into your pension



# Your bonus at retirement

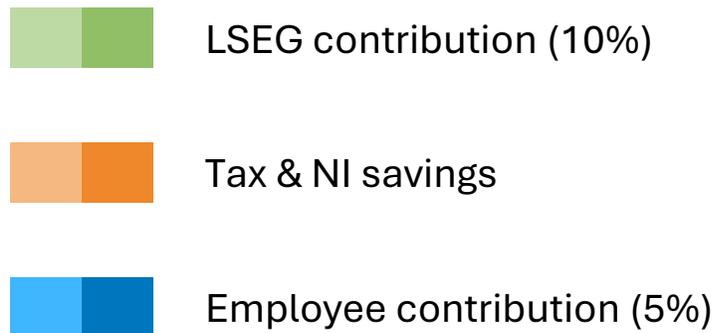
Using compound interest calculations you can estimate the future growth of your bonus in your pension.



For illustrative purposes only. Investment growth is not guaranteed. Ignores inflation and potential charges.

# Your tax efficient pension

- Annual Salary = £40,000 (basic rate tax payer)
- Employee Contribution = £2,000pa (5%)
- Tax Saving (20%) = £400pa
- NI Saving (8%) = £160pa
- Personal Cost = £1,440pa
- LSEG Contribution = £4,000pa (10%)



Salary sacrifice is the default contribution method

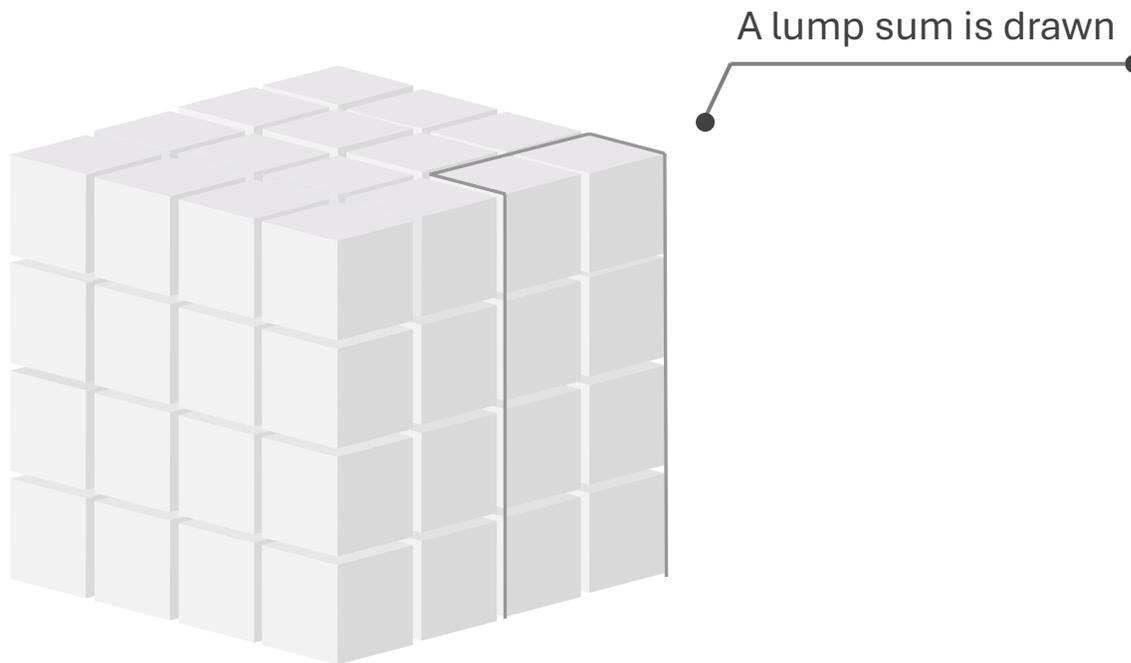


# Tax relief versus tax cost

- You will typically pay no tax or N.I. on your pension contributions\*
- However withdrawals at retirement are assessed for tax
- The following example weighs up the tax relief and tax cost of contributing and receiving a lump sum
- There are numerous other ways you may choose to access your pension

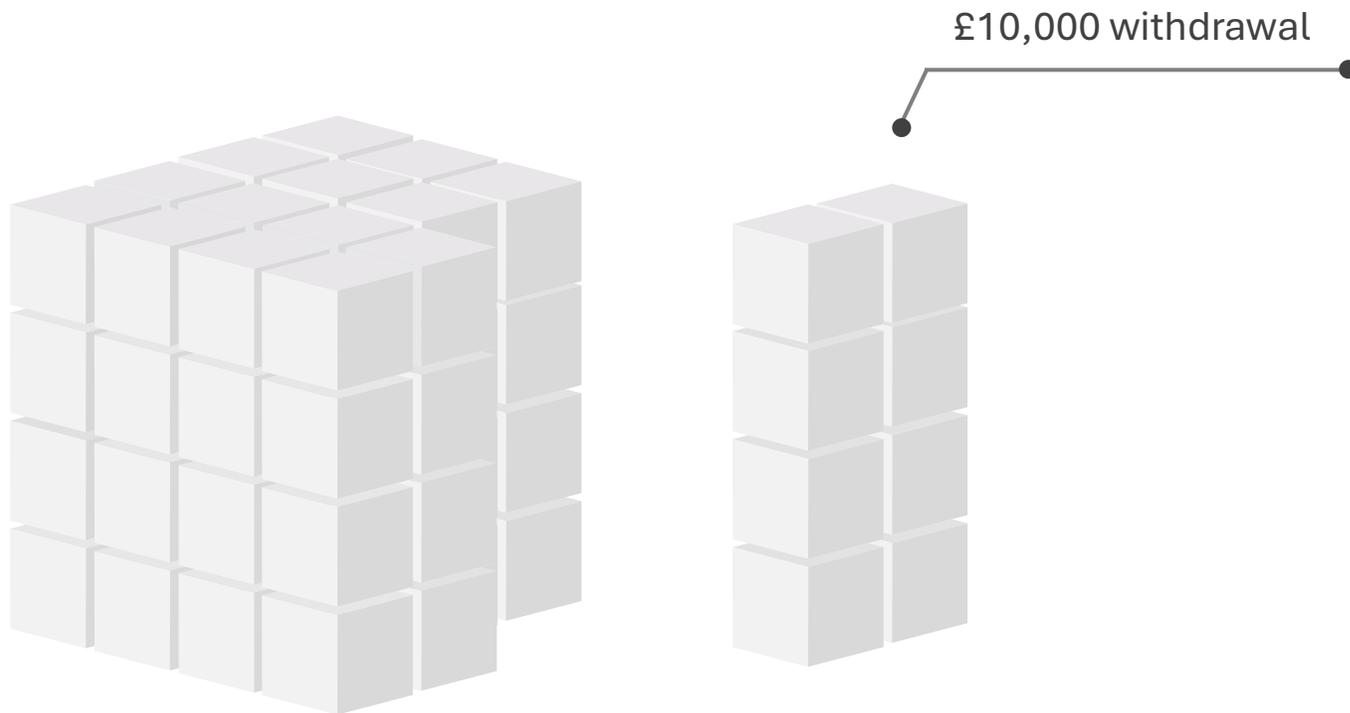
# Tax relief versus tax cost

Based on an individual who has no available Personal Allowance in retirement and will pay basic rate tax on withdrawals.



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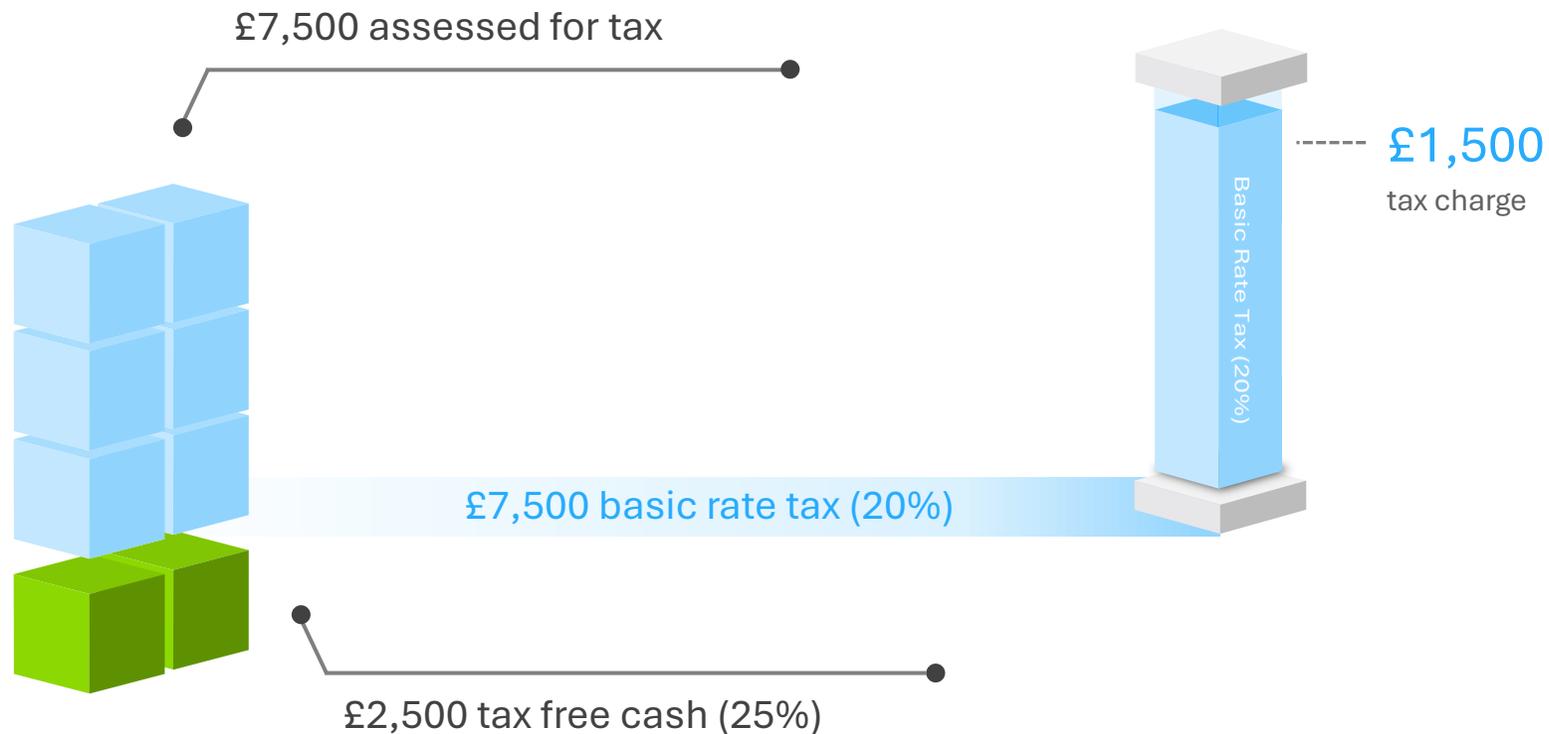
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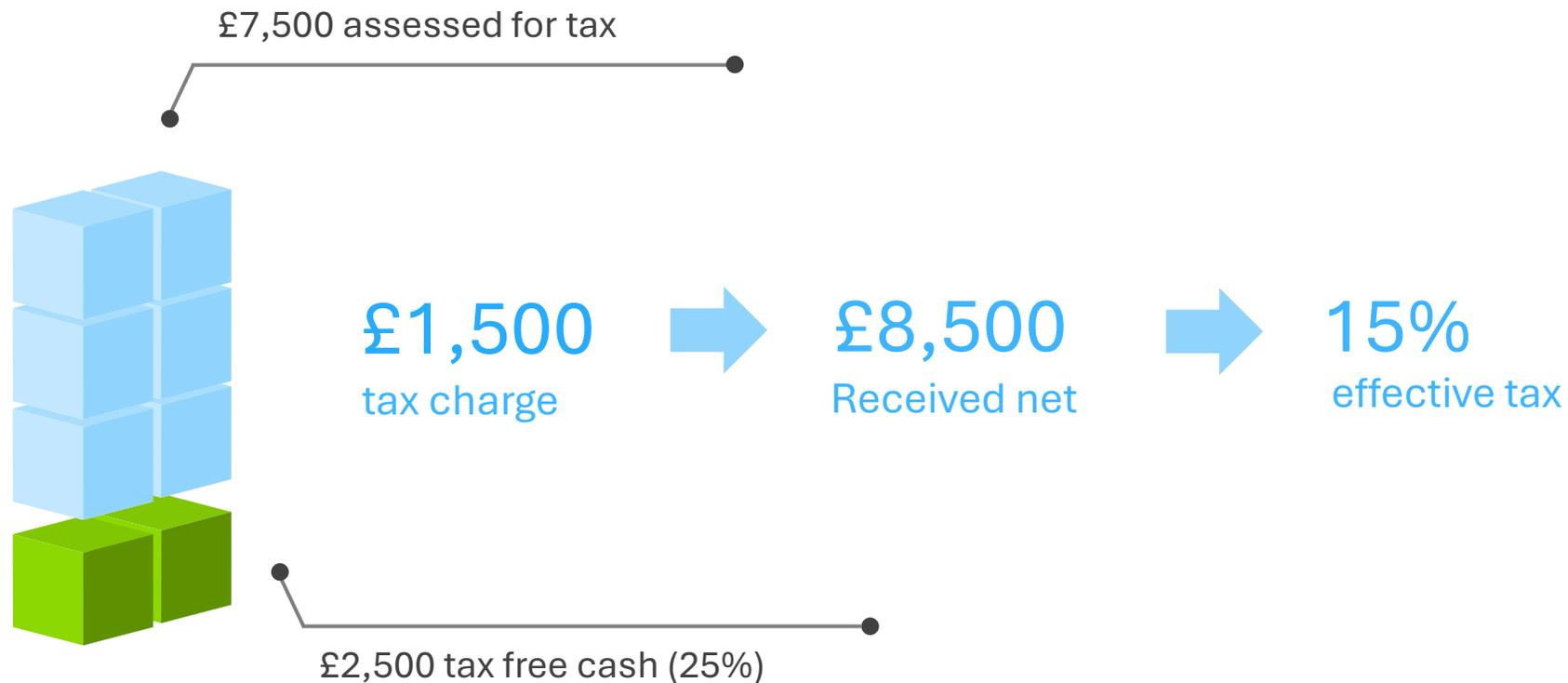
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Based on an individual who has no available Personal Allowance in retirement and will pay basic rate tax on withdrawals.

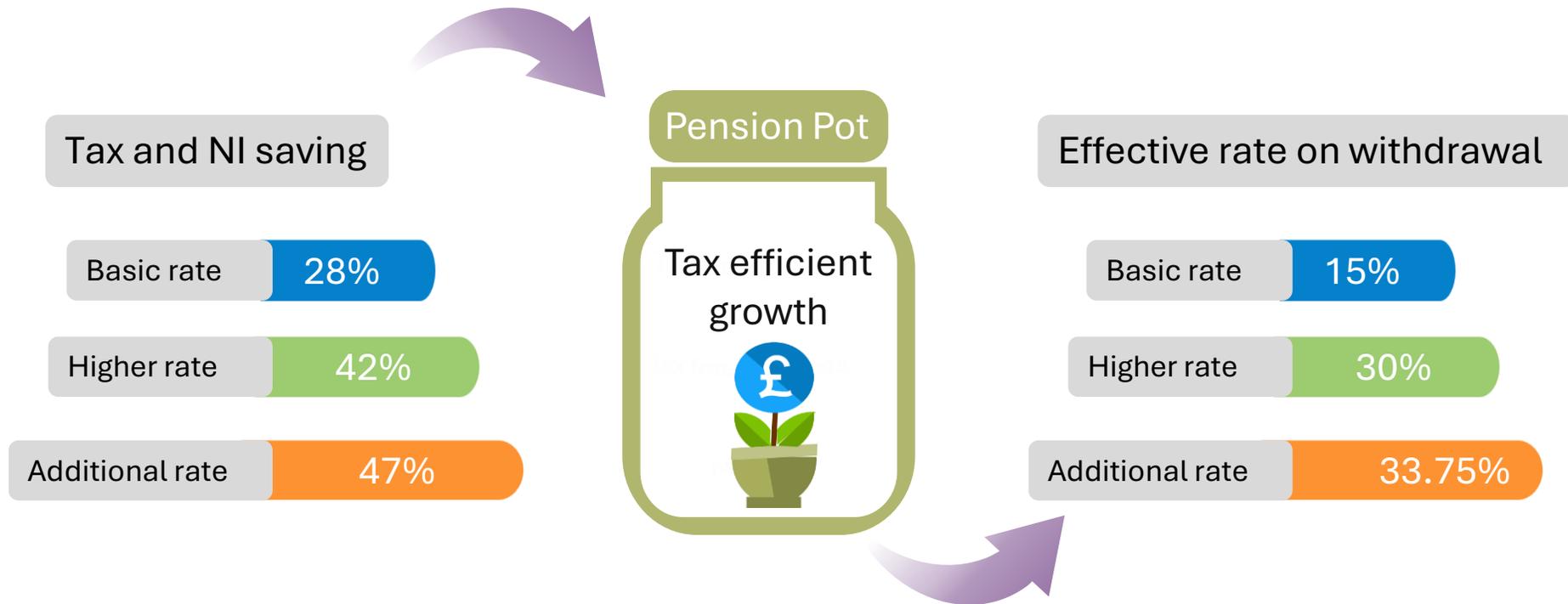


# Tax relief versus tax cost

Based on an individual who has no available Personal Allowance in retirement and will pay basic rate tax on withdrawals.



# Tax saving vs saving cost



# Limits on tax efficiency

## Annual Allowance (AA)

- The annual allowance is £60,000\*
- This may be reduced if your total taxable income exceeds £200,000 or you flexibly withdraw taxable income from a DC scheme
- Carry forward may be available from up to the 3 previous tax years

## Limits on tax-free cash

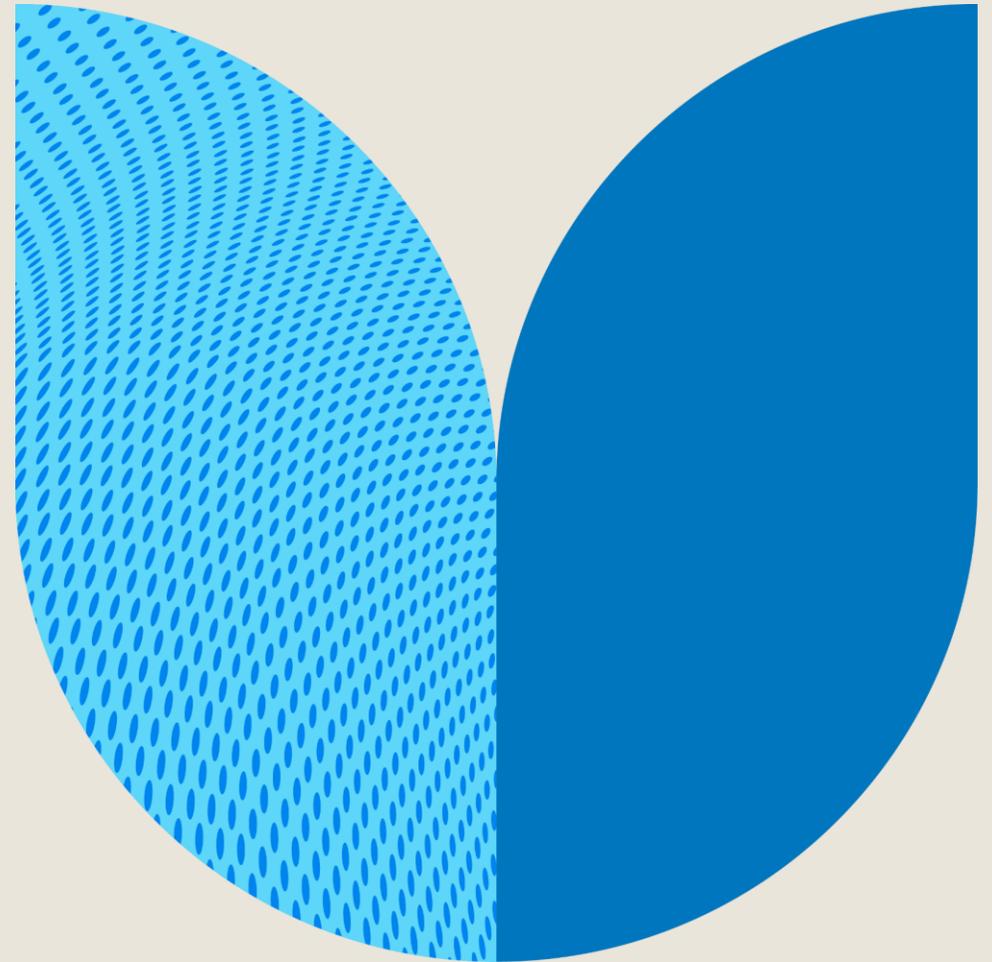
- Lump Sum Allowance (LSA): The maximum tax-free cash is limited to 25% of the pension value, subject to a total cap of £268,275 (which is set to be frozen)
- Lump Sum and Death Benefits Allowance (LSDBA): The maximum amount of non-taxable lump sums that can be taken from a pension, set at £1,073,100.
- Those individuals who hold Life Time Allowance (LTA) protection will have allowances based on their protected LTA



**If you think you may be affected, ask about this on your follow up call**

\*Tax relief is only available on contributions up to the greater of 100% of relevant earnings or £3,600

# Making use of tax allowances



# Marriage allowance



This could reduce your or your partner's tax by up to £252

Enables the transfer of £1,260 of personal allowance between spouses or civil partners.

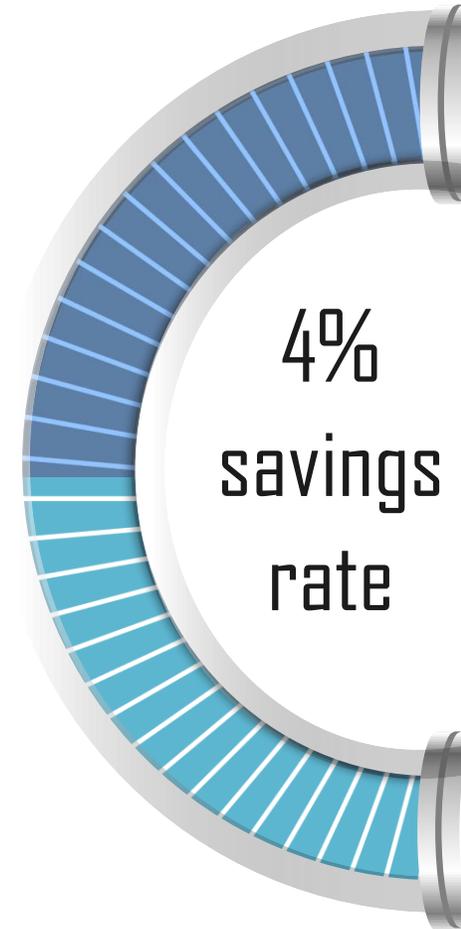
The applicant must earn less than £12,570 and the partner must earn between £12,571 and £50,270.



The transfer reoccurs annually until it is cancelled

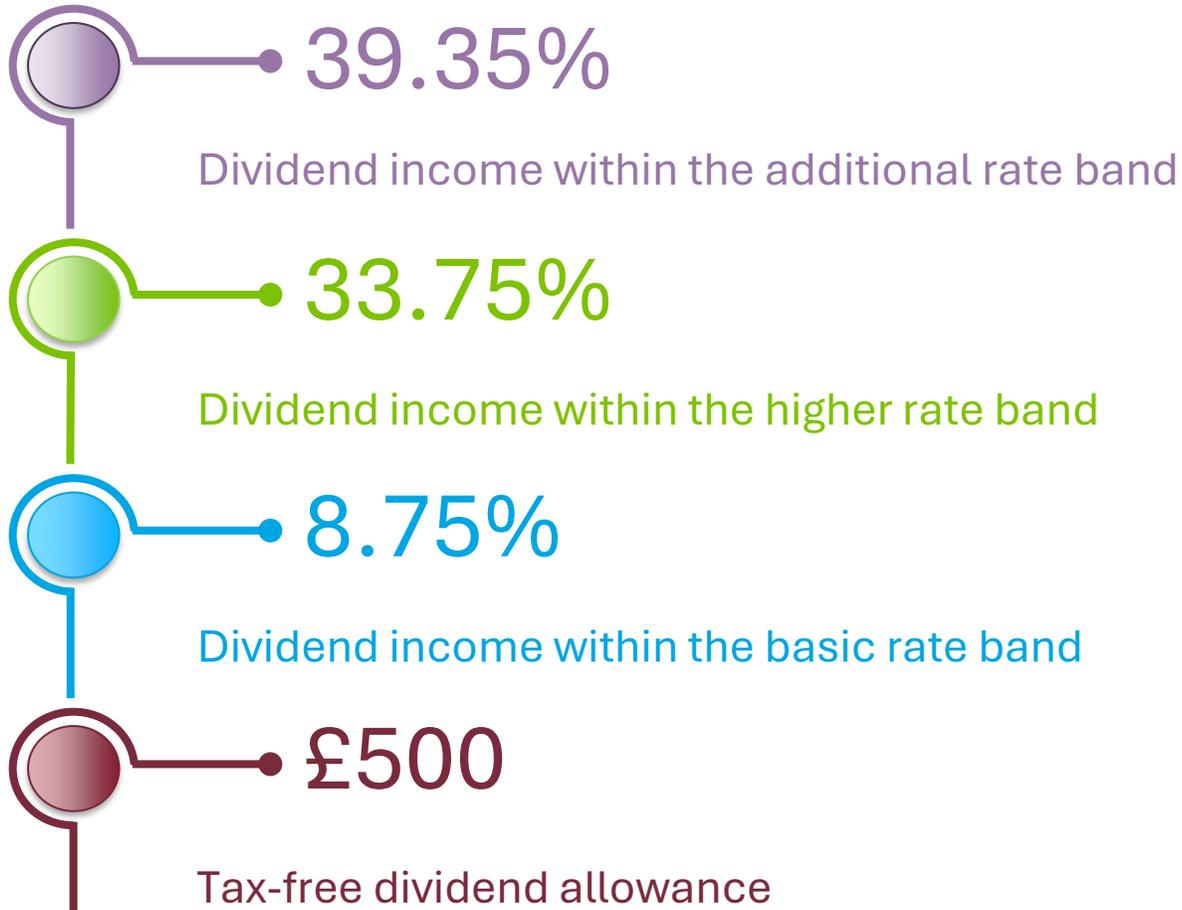
You can backdate your claim to include any of the previous four tax years.

# Personal savings allowance



The Personal Savings Allowance is based on UK income tax rates and not Scottish income tax rates

# Dividend tax



The dividend allowance is based on UK income tax rates and not Scottish income tax rates

# Capital gains tax (CGT)

CGT is a tax on the profit when you sell (or 'dispose of') an asset that's increased in value.

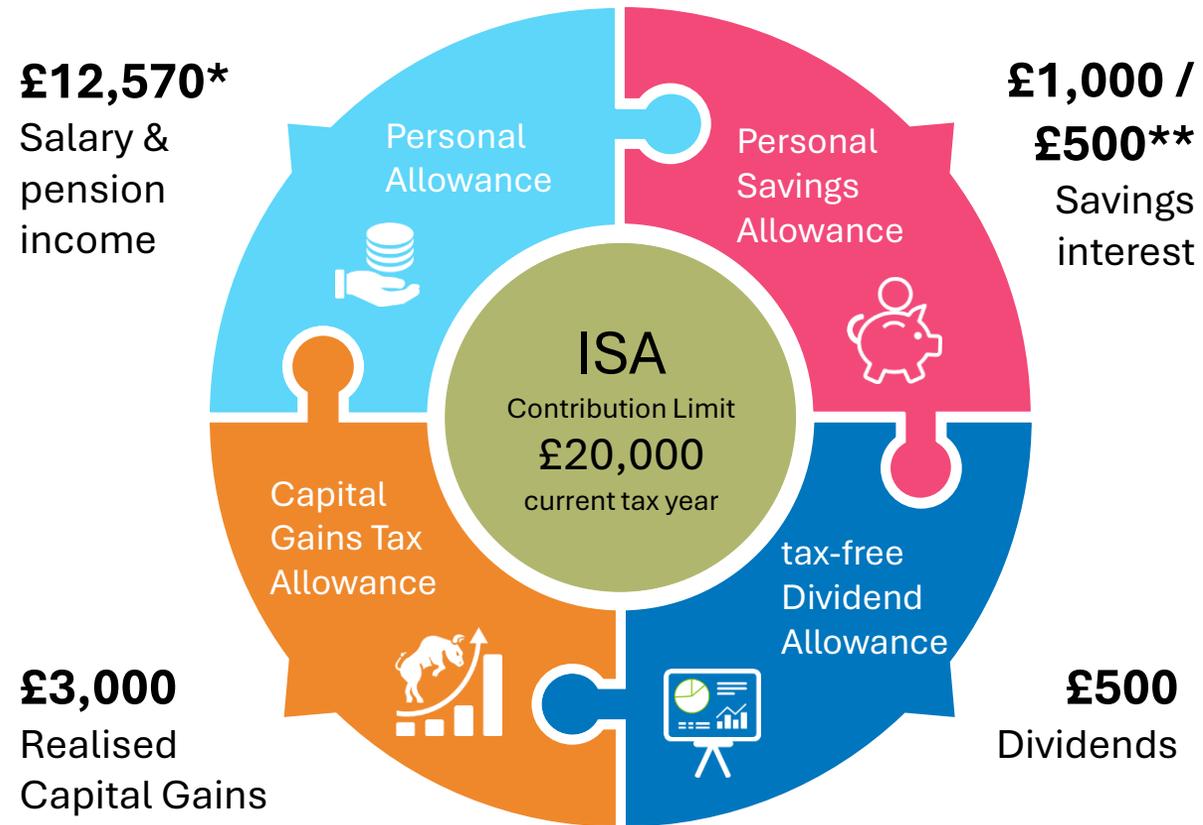


# Individual savings accounts (ISAs)

- An ISA protects your savings and investments from taxation
- Interest and dividends are tax-free
- Growth is free of Capital Gains Tax



# Tax allowances summary



\*Reduced for those with income over £100,000

\*\*£1,000 for basic rate and £500 for higher rate taxpayers. Additional rate taxpayers do not have a Personal Savings Allowance

# Action points

01

Review your tax code and update with HMRC if it is incorrect

02

Calculate your potential taxable income this tax year

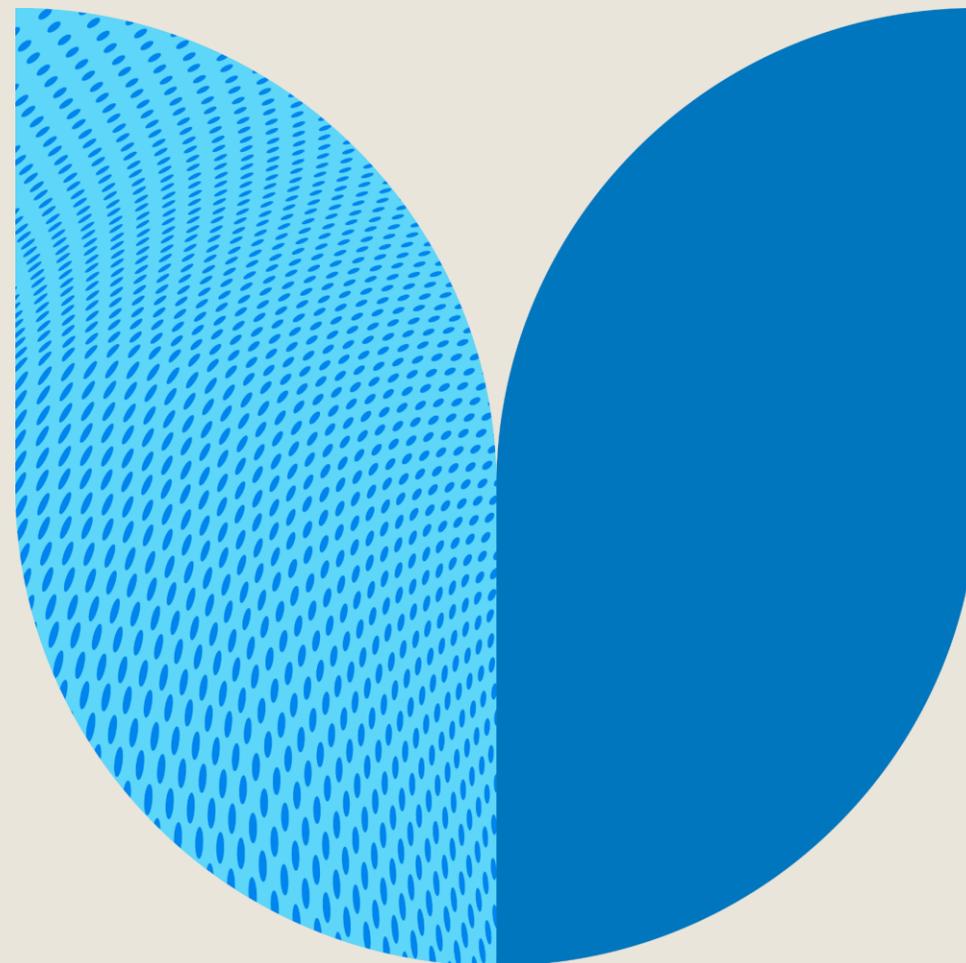
03

Plan ahead to reduce your tax costs and maximise the allowances available to you:

Including:

- Review your pension contributions
- View your P11D
- Consider adjusting your pension contributions to manage your tax position
- Review if your savings are being held in a tax efficient way

# Next steps



## Further information

HM Revenue  
& Customs

Further information on the annual allowance:  
[www.gov.uk/tax-on-your-private-pension/annual-allowance](http://www.gov.uk/tax-on-your-private-pension/annual-allowance)

HM Revenue  
& Customs

Further information on the lifetime allowance:  
[www.gov.uk/tax-on-your-private-pension/lifetime-allowance](http://www.gov.uk/tax-on-your-private-pension/lifetime-allowance)

**Money  
Helper**

For information, tools and calculators:  
[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

# Useful contacts

01

## **Lifeworks**

Login.lifeworks.com | 0800 169 7072  
Username & password: lsegUK

02

## **Money Helper pension calculator**

[www.moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator](http://www.moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator)

03

## **General tax and National Insurance information**

[www.hmrc.gov.uk](http://www.hmrc.gov.uk)

04

## **Pension Tracing Service**

[www.gov.uk/find-pension-contact-details](http://www.gov.uk/find-pension-contact-details)

05

## **Questions about your LSEG Pension Plan**

Email: [pensions@lseg.com](mailto:pensions@lseg.com)

# Seeking advice

An adviser will assess your circumstances, objectives and risk profile and provide you with a personal recommendation to meet your objectives.

All regulated firms are listed on the Financial Services Register, this provides confirmation that the firm is authorised, the specific services they are authorised to provide and details of the advisers who work for them.

Financial Services Register link:

- <https://register.fca.org.uk>

## Contact us

We provide a telephone helpline and a regulated financial advice service through **my wealth** - a trading name of Wealth at Work Limited which is part of the Wealth at Work group.

It helps individuals to understand their personal financial situation especially when selecting their retirement income options.

- Telephone **0800 028 3200**

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# Thank you

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