Understand your payslip and keep more control

Follow your salary from gross pay to your bank account, understand the tax bands and spot the questions worth asking.

2026/27: 6 April 2026 to 5 April 2027. Income Tax example: England, Wales and Northern Ireland. Employee NI: UK category A. | Checked 3 November 2026

Three things to know

01 Gross salary and money arriving in your bank are different figures.

02 A higher tax band applies to part of your income, not all of it.

03 Check your tax code and pension deductions before assuming payroll is wrong.

Read your payslip in three passes

First check the earnings: basic pay, hours, overtime and any bonus. Compare these with your contract or agreed shifts. Next read the deductions, including Income Tax, National Insurance (NI), pension and any student loan. Finally check that net pay matches the money received. Reimbursements can also affect the amount arriving in your bank.

Keep two consecutive payslips together. If take-home pay changes, compare each line rather than guessing from the total. A pension change, one-off bonus or revised tax code can explain a difference even when basic salary stays the same.

Income Tax works in slices

For 2026/27, the standard Personal Allowance is £12,570. In England, Wales and Northern Ireland, Income Tax is 20% on the first £37,700 of taxable income, then 40%, with 45% above £125,140 of taxable income. With the full allowance, you enter the higher-rate band when total income exceeds £50,270. Scotland has different bands and rates for employment income.

The allowance reduces by £1 for every £2 of adjusted net income above £100,000 and disappears at £125,140. That means the simple full-allowance calculation below does not extend unchanged to higher incomes. Savings, dividends, benefits and pension contributions can also change your calculation.

Your tax code is an instruction

1257L is common for one job with the standard allowance, but another code can be correct. Benefits, a second job or tax owed can alter it. An S prefix indicates Scottish rates; C indicates Welsh rates. Check the explanation in your HMRC account if it looks unfamiliar. Ask payroll about incorrect earnings or deductions, and HMRC about the tax code itself.

National Insurance is a separate calculation

For category A employees paid monthly, the first £1,048 normally has no employee NI. The rate is 8% above £1,048 up to £4,189, then 2% above £4,189. NI normally uses each pay period, so a bonus can affect that month differently from Income Tax. Employer NI is the employer's cost, not an additional employee deduction. Other categories and directors can have different rules.

Understand your payslip and keep more control

Your example and next steps

Worked example: £60,000 salary

Assume one job in England, Wales or Northern Ireland, the full standard allowance and no other income, benefits or pension adjustment. This annual example calculates Income Tax only.

Only £9,730 is taxed at 40%. The remaining £48,568 is before NI, pension, student loan and other deductions; it is not take-home pay.

Salary less £12,570 allowance	**£47,430 taxable**
First £37,700 × 20%	**£7,540 tax**
Remaining £9,730 × 40%	**£3,892 tax**
Total annual Income Tax	**£11,432**

Your action checklist

[ ] Save your latest two payslips and compare earnings, deductions and net pay.

[ ] Check your tax code and expected annual income in your HMRC account.

[ ] Ask payroll which pension method applies and what pay it uses.

[ ] Build your monthly budget using normal net pay, excluding occasional bonuses.

General education, not a personal tax calculation. PAYE timing, tax codes, Scottish rates, benefits and individual circumstances can change the result.

Make understanding your money a habit

This free sheet gives you a useful starting point. Explore the members' toolkit and check what is available before deciding whether membership suits you.

See how membership works at financewithafshin.co.uk

Sources and further reading

MoneyHelper: understanding your payslip (moneyhelper.org.uk)

GOV.UK: Income Tax rates and allowances (gov.uk)

HMRC: PAYE rates and thresholds for 2026/27 (gov.uk)

GOV.UK: what your tax code means (gov.uk)

GOV.UK: employee National Insurance rates (gov.uk)

Read the current web edition