

Let's Talk



Understanding your tax code

In the UK, we have one of the most complex tax and benefits systems, so it's important to understand the basics.

Tax Year

The UK tax year runs from the 6th April to the 5th April the following year. Each year, the Chancellor of the Exchequer delivers a Budget Statement to the House of Commons, announcing the government's tax and spending plans for the year ahead and proposed changes to taxation.

Key dates:

- **5th April**
End of last tax year.
- **6th April**
First day of new tax year.
- **31st May**
Deadline for copies of P60 documents to be issued to employees.
- **31st October**
Deadline for paper submission of self-assessment tax returns for the previous tax year.
- **31st January**
Deadline for online self-assessment tax returns the previous tax year.

Income Tax Tax codes and allowances

Your tax code will normally start with a number and end with a letter. 1257L is the tax code for 2025/6 tax year currently used for most people who have one job or receive a pension. This is the amount you can earn before having to pay any income tax.

So for someone with a tax code of 1257L, they can earn £12,570 before having to pay any income tax. Tax bands for England and Wales:

- **Basic rate tax (20%)** **Your personal allowance to £50,270 pa**
- **Higher rate tax (40%)** **£50,271 to £125,140 pa**
- **Additional rate (45%)** **over £125,140 pa**

For more details on how your tax code is calculated and what it means click [here](#).

Personal savings allowance

Personal savings allowance refers to the amount of income generated from savings each year.

- **Basic-rate taxpayers can earn up to £1,000 in savings interest before paying tax.**
- **Higher-rate taxpayers can earn up to £500 in savings interest before paying tax.**
- **Additional rate tax payers do not have a personal savings allowance.**

Savings in tax-free accounts like Individual Savings Accounts (ISAs) and some National Savings and Investments accounts do not count towards your allowance.

National Insurance

You pay National Insurance contributions to qualify for certain benefits and the State Pension.

You pay mandatory National Insurance if you're 16 or over and are either:

- **an employee earning above £242 a week from one job**
- **self-employed and making a profit of £12,570 or more a year**

There are different types of National Insurance (known as 'classes'). The type you pay depends on your employment status and how much you earn.

If you're employed, you stop paying Class 1 National Insurance when you reach the State Pension age.

If you're self-employed you stop paying:

- **Class 2 National Insurance when you reach State Pension age**
- **Class 4 National Insurance from 6 April (start of the tax year) after you reach State Pension age**

Capital Gains Tax

Capital Gains Tax is a tax on the profit when you sell (or 'dispose of') something (an 'asset') that's increased in value. It's the gain you make that's taxed, not the amount of money you receive.

Some assets are tax-free. You also do not have to pay Capital Gains Tax if all your gains in the tax year 2025/6 are under your tax-free allowance £3000 or £1500 for trusts.

Disposing of an asset includes:

- **selling it**
- **giving it away as a gift, or transferring it to someone else**
- **swapping it for something else**
- **getting compensation for it - like an insurance payout if it's been lost or destroyed**

NATIONAL INSURANCE CLASS	WHO PAYS
Class 1	Employees earning more than £242 a week and under State Pension age - they're automatically deducted by your employer.
Class 1A or 1B	Employers pay these directly on their employee's expenses or benefits.
Class 2	Self-employed people earning more than £6,725 a year. If you're earning less than this, you can choose to pay voluntary contributions to fill or avoid gaps in your National Insurance record.
Class 3	Voluntary contributions - you can pay them to fill or avoid gaps in your National Insurance record.
Class 4	Self-employed when profits are more than £12,570 a year.

Value Added Tax (VAT)

VAT standard rate of 20% is paid on most goods and services. Some goods have a reduced rate payable of 5% and these include items such as children's car seats and home energy. There are also some goods and services that have a zero rate of VAT payable and these include most food and children's clothes.

Police pay and overtime

For all the police pay scales, click on the various links below:

[Police Constables](#)

[Police Sergeants](#)

[Police Inspectors](#)

[Police Superintendents](#)

Overtime for Constables and Sergeants is potentially payable when:

- You remain on duty after your tour of duty ends
- You are recalled between two tours of duty or
- You are required to begin earlier than the rostered time without due notice and on a day when you have already completed your normal daily period of duty.

For more details on overtime and rest days, please check your own Force Federation website or intranet page.

Please remember that overtime cannot be included in your income when you are applying for a mortgage and can stop at any time.

Second jobs – If you have a second job you will be liable for tax, at the appropriate rate and NI payments on all earnings from your second job as you will have likely used your tax allowance for your police salary.





Tax Relief and claiming tax back

If you contribute to a recognised staff association such as the **Police Federation** you can claim an allowance against those subscriptions. If you have never claimed for this, all is not lost because you can claim for this tax year and up to four previous years.

Police officers may be able to claim tax relief on the cost of cleaning their uniform. HMRC will allow an employee to claim for reasonable upkeep costs (i.e. laundry) of clothing. Click [here](#) for more information.

Information in this guide is accurate at the time of production.



**For more information about the products
and services available from Police Mutual:**

Call us 0151 242 7640

Visit policemutual.co.uk