

# Basic Income Tax and NI Guidelines for 2025/26

Please note that we have only been able to give basic information here and the below should not be regarded as a comprehensive statement of law. More detailed information can be found on the [GOV.uk](https://www.gov.uk) website.

**Income Tax and National Insurance (NI)** are two types of taxes on the income you receive as an employee in the United Kingdom, and it is commonly called Pay As You Earn (PAYE). All of us are liable for tax and national insurance (NI) as soon as we exceed specific thresholds. We are allocated a tax code that will determine the amount of tax you are liable to. NI is determined by age and thresholds. For all thresholds, please refer to the [GOV.uk](https://www.gov.uk) (commonly referred to as HMRC) website. This is deducted from your pay on a monthly basis.

Tax Bands	2025-2026 Tax Year
Tax Free Allowance	0% tax, £1048 per month, £12,576 per year
Basic tax rate	20% on annual earnings above the tax-free allowance threshold and up to £37,700
Higher tax rate	40% on annual earnings from £37,701 to £87,440
Additional tax rate	45% on annual earnings above £87,441
Emergency tax code	1257L M1
❖ The Personal Allowance reduces where income is above £100,000 - by £1 for every £2 of income above the £100,000 limit.	

**Tax Year in UK begins in April to March of the following year.**

**So what tax code should you have?**

The standard tax code for the 2025-2026 tax year is 1257L, indicating the basic tax-free personal allowance of £12,576.

- If since April 6<sup>th</sup>, you are in this **one** employment in UK, then 1257L applies and it will be cumulative.
- If you have been in one employment in UK, and left that employer to join LSE, then you will have the 1257L Month 1 (like if you were paid for the first month in the year), non-cumulative. Your previous employer would have given you a P45, please pass it on to us as soon as possible.
- If you are in employment in UK, with **another** employer as well as LSE, your tax-free allowance can only be applied to one employer, then we will apply a 0T month 1.

**Please note:** If we do not receive a P45 or if you have not completed the tax declaration upon on-boarding when you start working for LSE, we will operate 0T as a default code, until the P45 is received or a notification from HMRC is received.

## How PAYE works

In general, each month you are able to earn 1/12<sup>th</sup> of your personal allowance tax-free, and the rest of your income is divided up into the different tax bands and tax is deducted accordingly.

However it is important to note that tax codes are normally operated cumulatively – this means that previous earnings in the tax year are taken into account when tax is calculated each month. If your gross earnings are the same each month, the income tax deducted will remain about the same. However if your earnings vary from month to month, or if a new tax code is applied, we will recalculate the tax due for previous months, and if you have either under- or overpaid tax earlier in the year, an appropriate tax deduction or refund will be made from your next salary.

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PAYE	Monthly Income	%
NIC	£0.00 to £1048.00	0%
NIC	£4189.00 +	2%
NIC	£1049.00 to £4189.00	8%
Tax	£0.00 to £1048.00	0%
Tax	£1049.00 to £3142.00	20%
Tax	£3143 to £7287.00	40%
Tax	£7288.00 +	45%

## When to contact the LSE Payroll Team

Please contact LSE Payroll (by emailing [fin.div.payroll@lse.ac.uk](mailto:fin.div.payroll@lse.ac.uk)) if:

- you have any basic queries about income tax or National Insurance
- you have a query about forms P45, P46 or P60
- if you think we are operating tax code BR, D0 or OT incorrectly
- if you receive a Notice of Coding and we do not start operating the new tax code on the pay day which is at least two weeks after you receive the Notice.
- If you are a high earner, and you would prefer to be on a higher tax code (D0, D1).

**Please note** that, while LSE Payroll will try to ensure we deduct the correct income tax from your salary and assist you with any queries you may have, it is ultimately your responsibility to ensure that you pay the right amount of income tax.

Also, prior to contacting LSE Payroll for copies of payslips, P60, you are advised to connect into [MyHR](#) to view/save/print the necessary payroll documents you may need.

If unable to connect into [MyHR](#), please get in touch with [myhr@lse.ac.uk](mailto:myhr@lse.ac.uk) to resolve the issue.

## When to contact HM Revenue and Customs

Please contact HM Revenue and Customs directly if:

- you wish to dispute a tax code issued by HMRC
- you wish to claim a tax refund for one or more previous tax years.

The contact details for LSE's tax office are as follows:

HM Revenue & Customs

Telephone: 0300 200 3300

LSE's Tax Reference **120/L40364**

## National Insurance Number

In general, born UK citizens are automatically sent an NI number just before their 16th birthday (the number is generated at birth).

If you have come to the UK from abroad, you are legally obliged to [apply for a NI number](#) and register for NI purposes as soon as you start work. You should contact the [Department for Work and Pensions](#). As soon this is received, please let Payroll have your NI number, made of 2 alpha, 6 numerical, 1 alpha.

**Lastly, we recommend that you set up an account with [HMRC Online Services](#) where you will find things like your personal tax account, income history, pension and much more. To be able to set up an account, you will need a national insurance number.**