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Understanding tax implications

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About us

We are a leading financial wellbeing and retirement specialist - helping those in the workplace to improve their financial future.

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.

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Agenda

- Tax on your income
- Tax codes
- Tax issues affecting higher earners
- Managing your tax position
- Haleon share plans
- Making use of tax allowances
- Next steps

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Tax on your income

Rates of income tax

Personal Allowance
on the first
£12,570*

Basic Rate Tax
on the next
£37,700

Higher Rate Tax
on the next
£74,870

Additional Rate Tax
on earnings above
£125,140

>£12,570* **>£50,270** **>£125,140**

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

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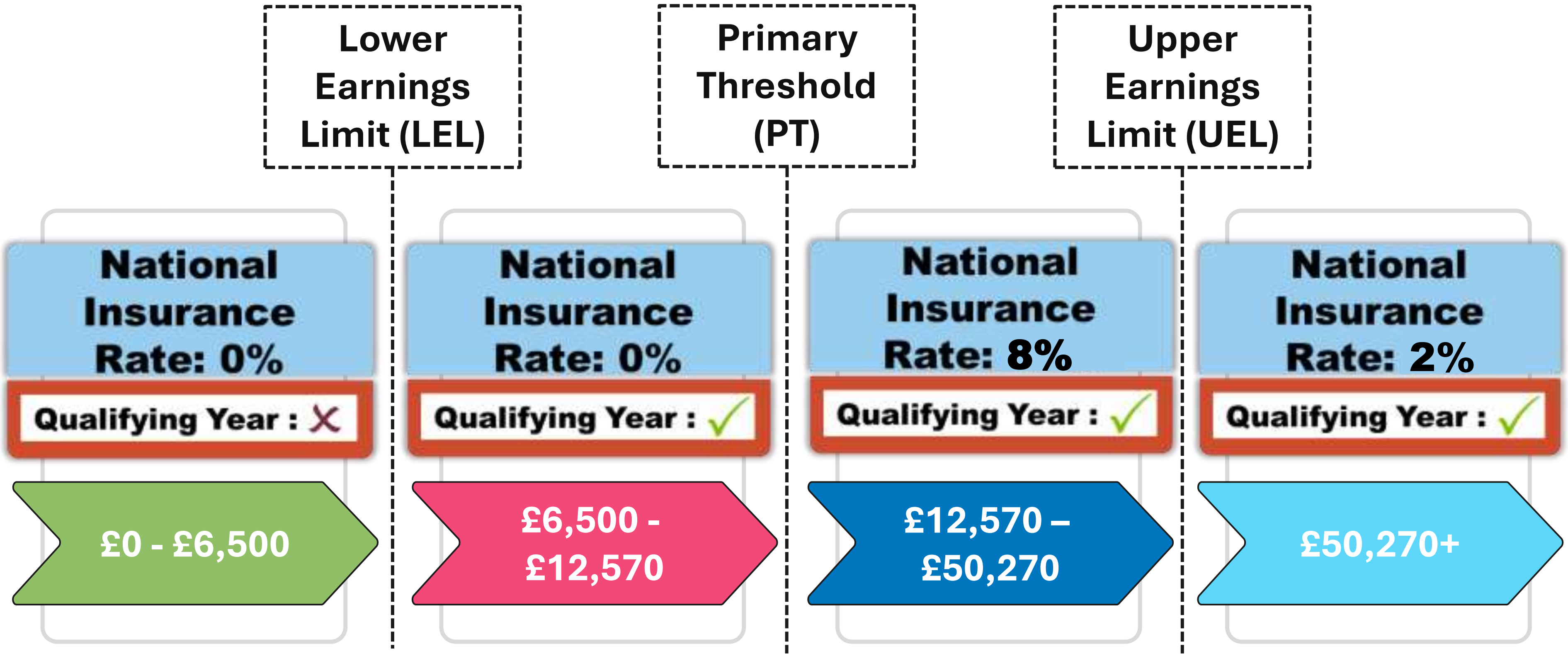
National Insurance



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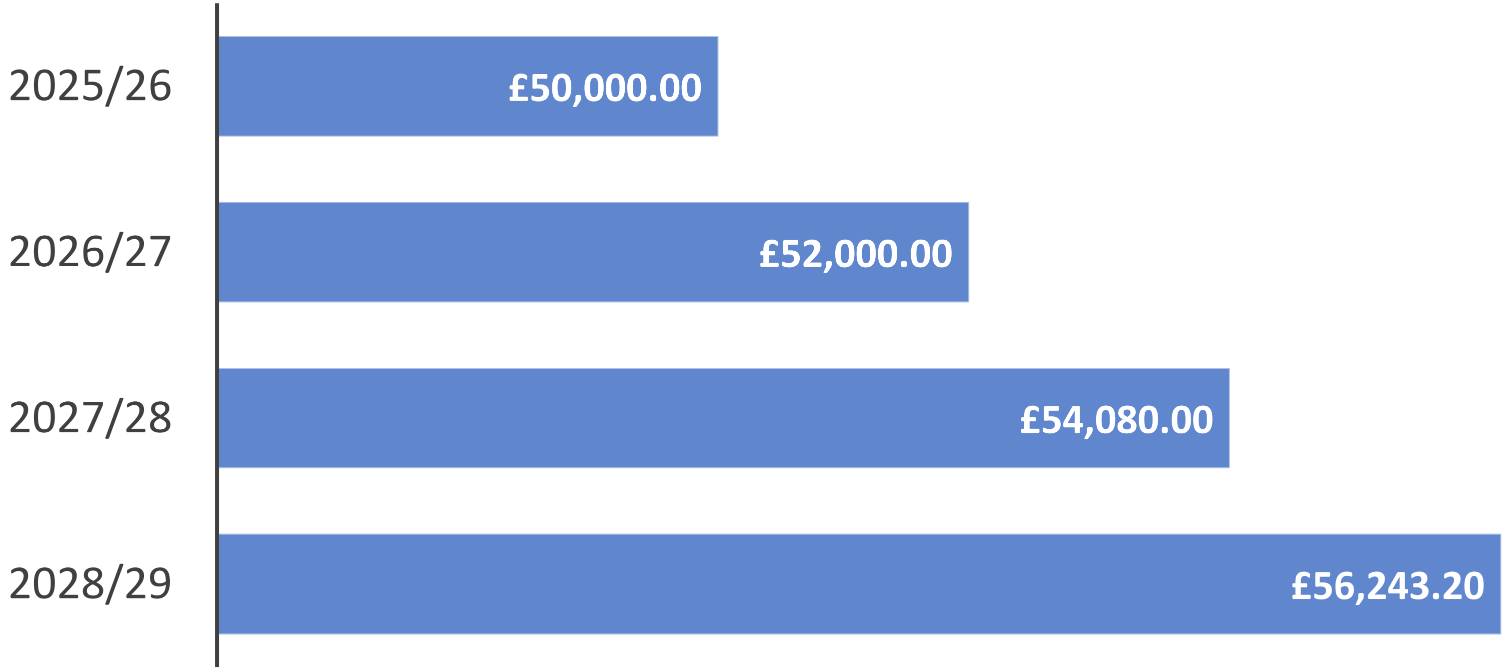
Salary inflation

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

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Tax codes

Tax codes

PAYE Coding Notice
Tax code for the year 2025-26

Personal Allowance	£12,570
Tax Code	**1257L**

- 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

Standard

1257L

The standard tax code for most employees in the current tax year

Emergency

Ending in:
W1, M1 or X

You may have started a new job or be in receipt of company benefits

Other

Starting:
K

You could be receiving benefits you need to pay tax on

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

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Tax issues affecting higher earners

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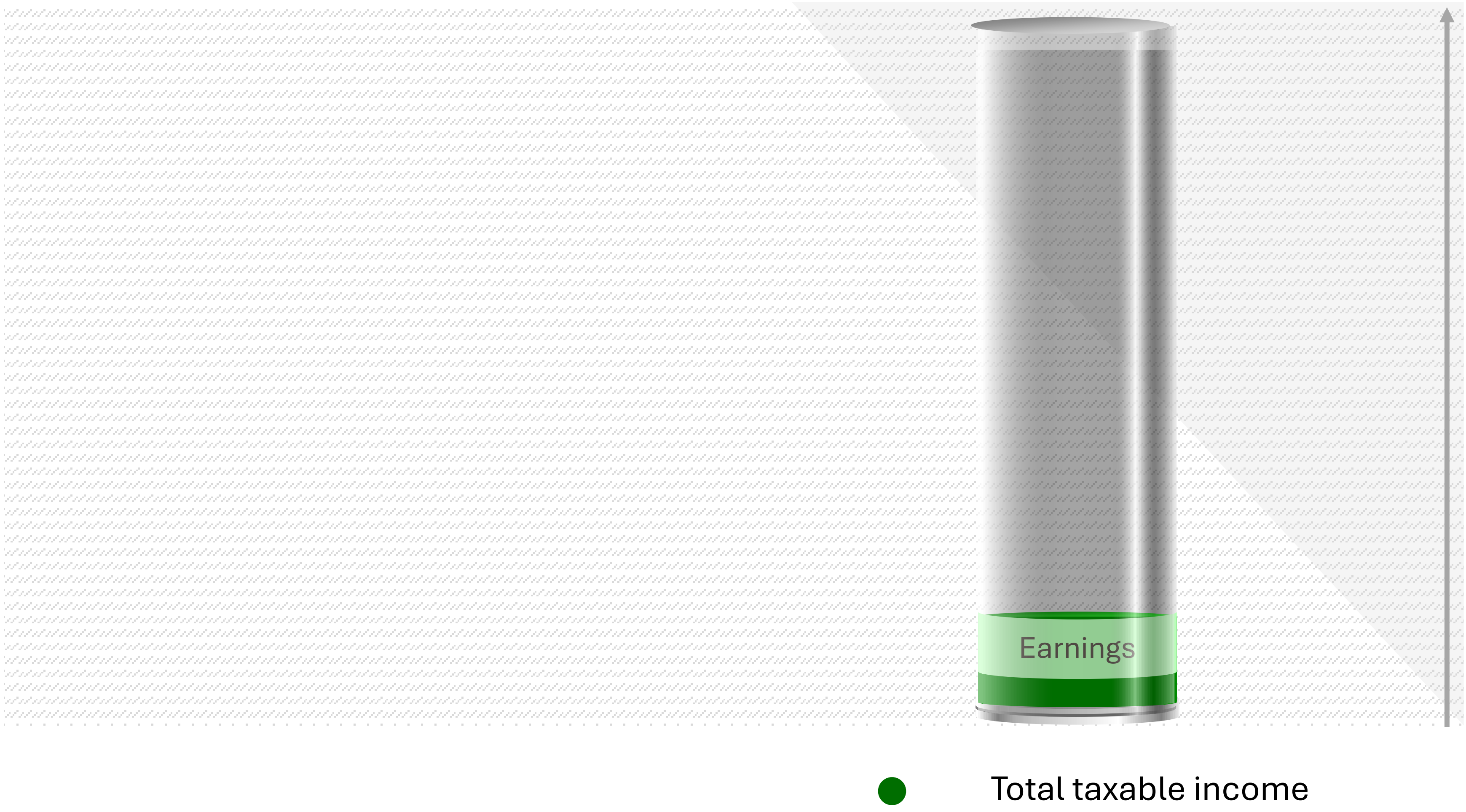
Issues affecting higher earners



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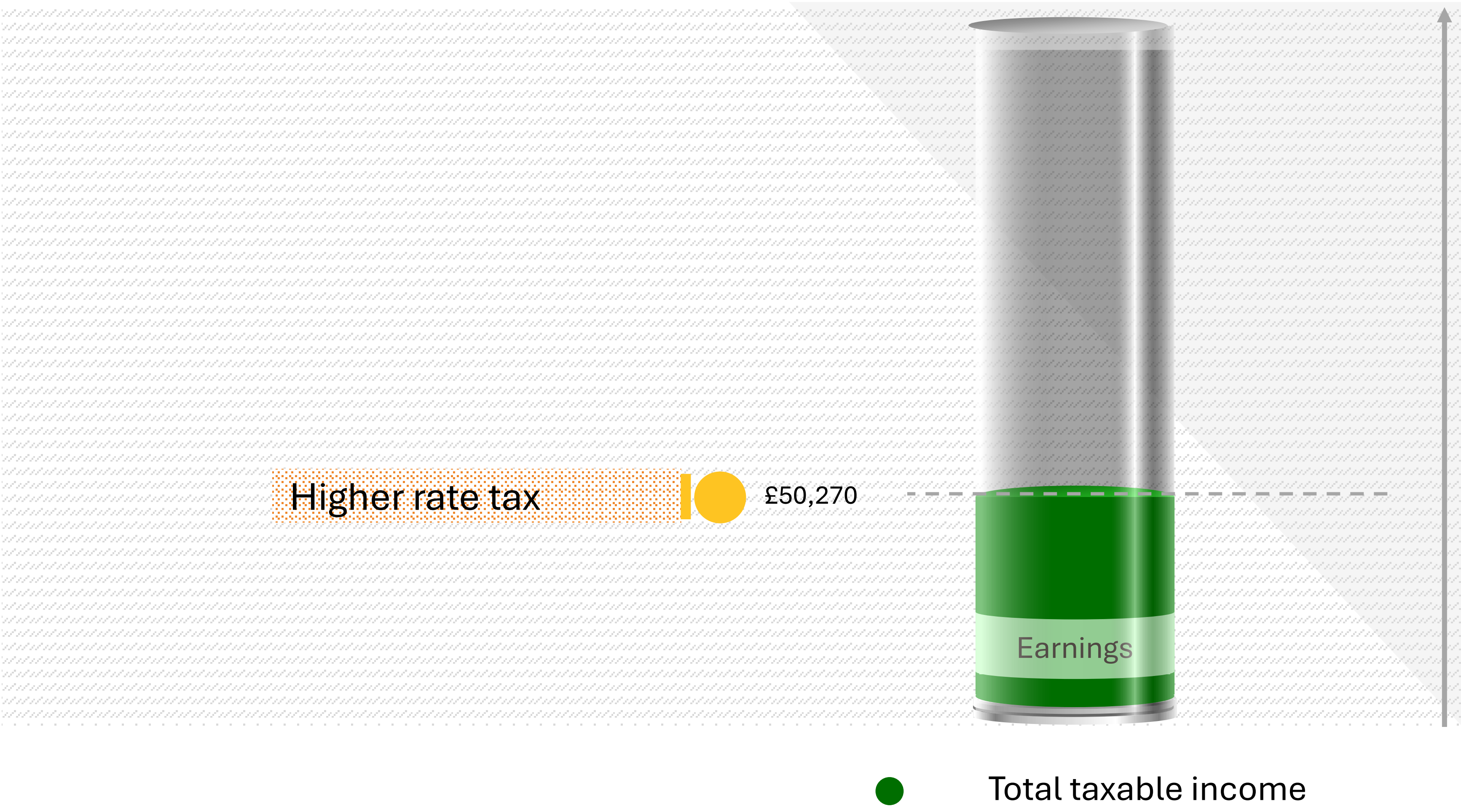
Issues affecting higher earners



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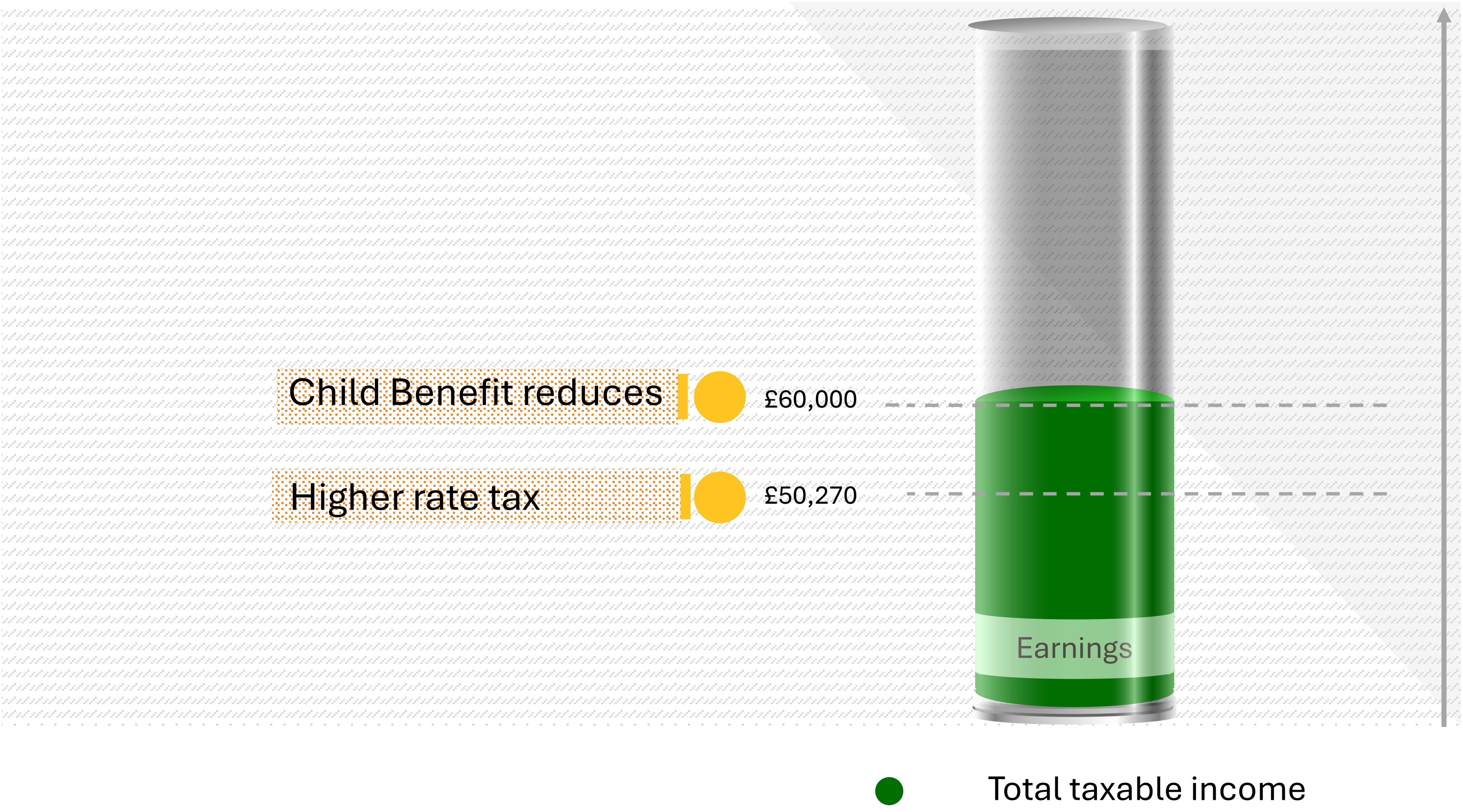
Issues affecting high earners



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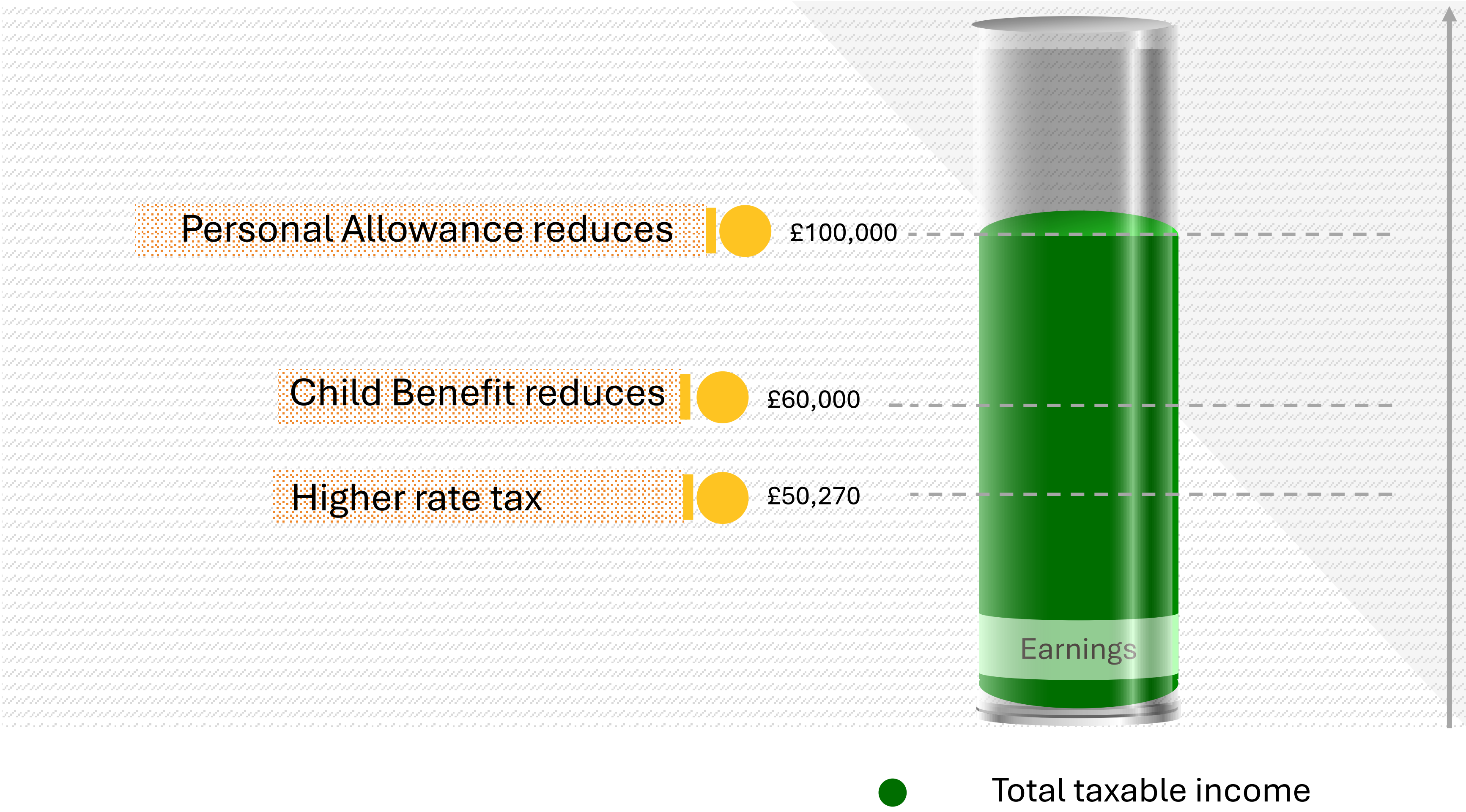
Issues affecting higher earners



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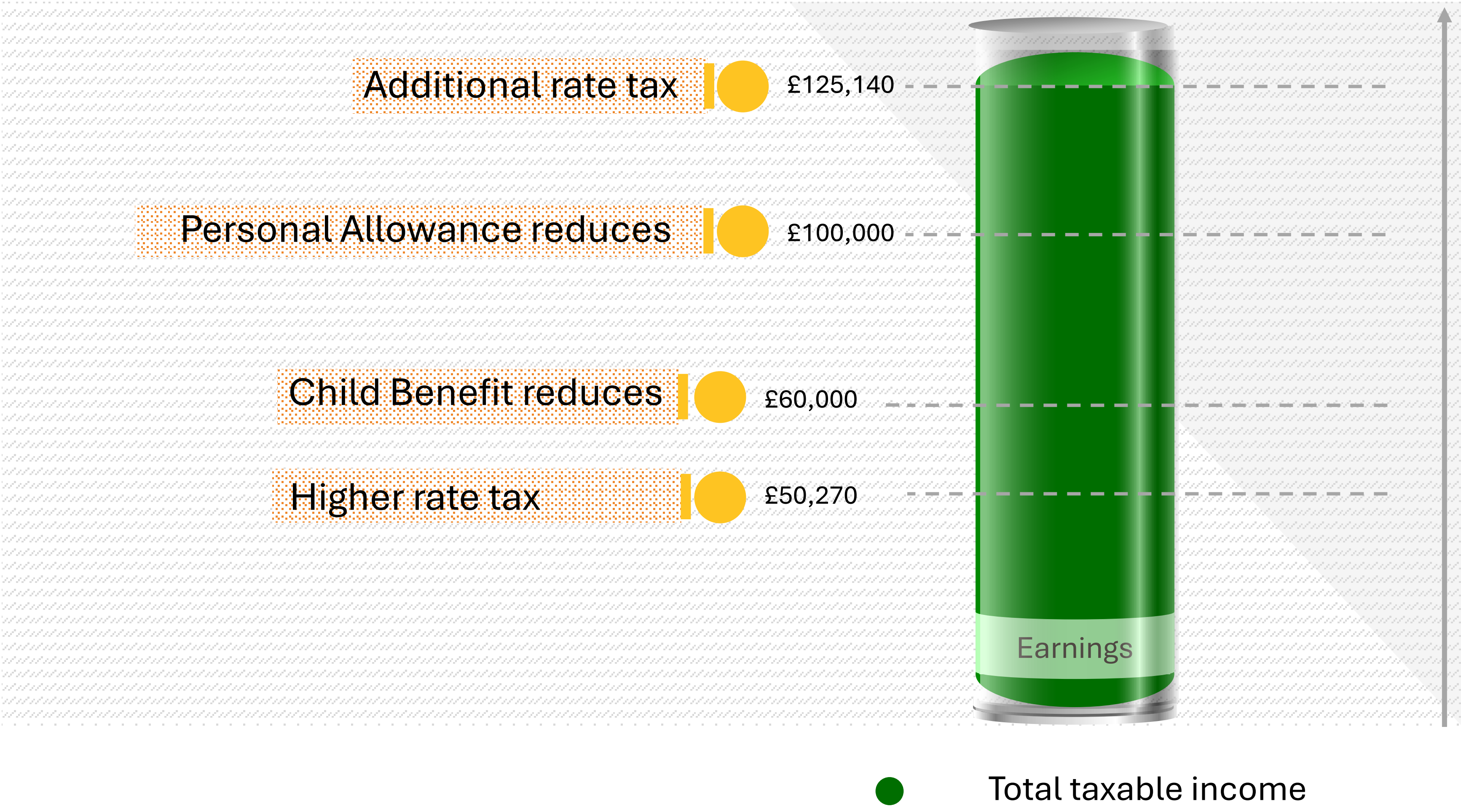
Issues affecting higher earners



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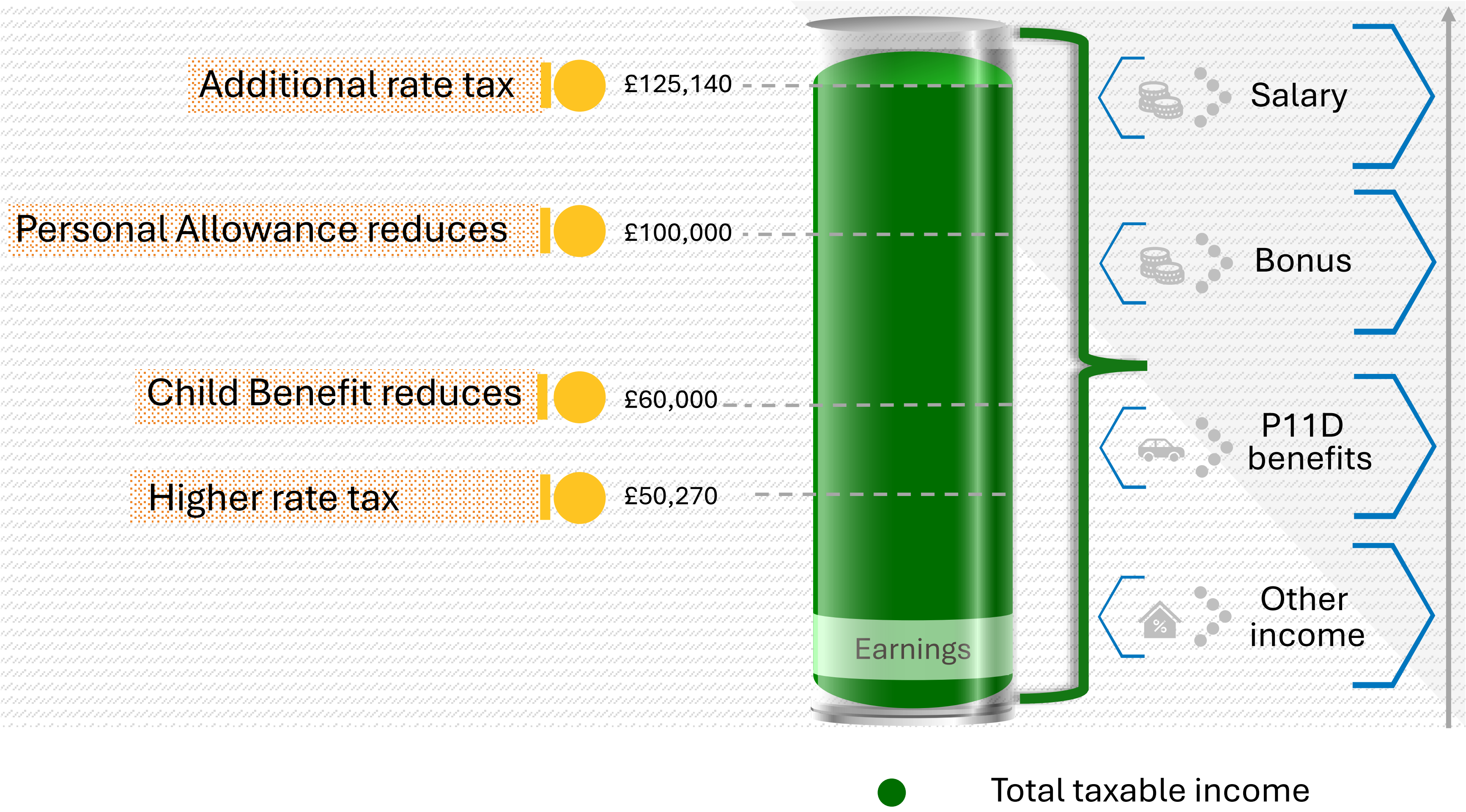
Issues affecting higher earners



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Tax-free childcare

Benefits

Receive a £2 “top up” for every £8 you pay into your childcare account until your child is 12*

Limits

Top up capped at £500 per quarter

or £2,000 per year

Eligibility

You and your partner must be earning at least minimum wage

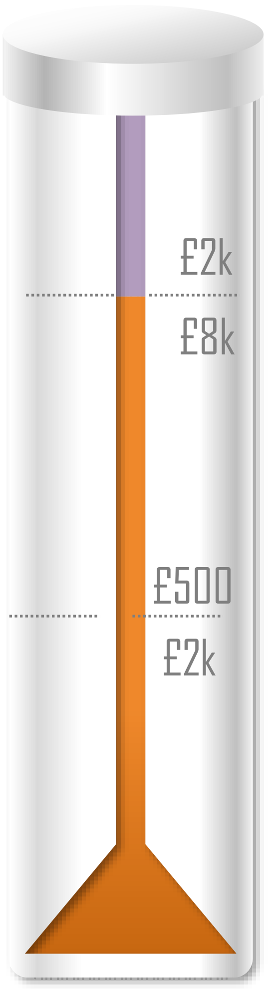
You or your partner cannot be in receipt of certain benefits

You or your partner cannot earn over £100,000

Further information

www://

gov.uk/tax-free-childcare



Government top up

Personal contribution

*If you’re working, you may be able to get up to £4,000 a year to help pay for childcare for a disabled child until age 17.

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Managing your tax position

Reducing your income tax

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

Annual Income	£65,000 including bonus		
Highest rate of income tax	40% Higher rate tax payer	2% National Insurance Contribution	
Salary Sacrifice	£6,500 Pension contributions	£9,000 Bonus paid to pension	£1,500 Haleon share plan
Income after deductions	£48,000		
Highest rate of income tax	20% Basic rate tax payer	8% National Insurance Contribution	

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Salary sacrifice

Pre sacrifice salary → Pension contribution → Post sacrifice salary → Calculate Income Tax & NI → Net Salary

You save:

Basic-rate Taxpayers up to 28%*	Higher-rate Taxpayers up to 42%*
Saving made up of: • 20% income tax, & • 8% NI	Saving made up of: • 40% income tax, & • 2% NI

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

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Salary sacrifice

Annual Salary = £65,000 (higher rate taxpayer)

Employee Contribution = £3,250pa (5%)

Tax Saving = 40%

NI Saving = 2%

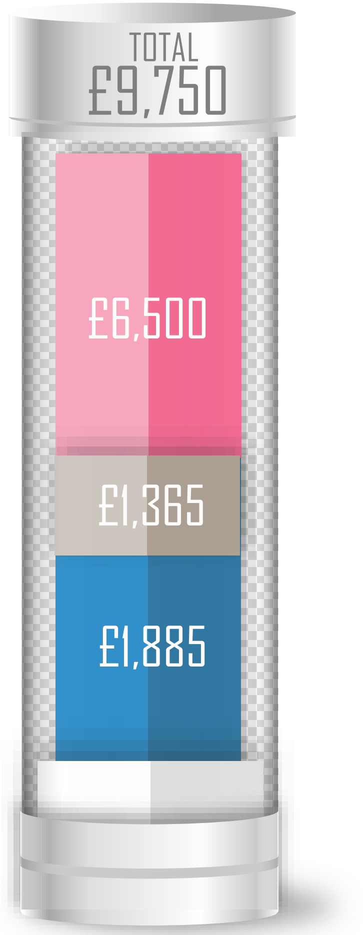
Personal Cost = £1,885pa

Employer Contribution = £6,500pa (10%)

Employer matching contribution (10%)

Tax & NI savings (42%)

Employee contribution (5%)



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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

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Haleon share plans

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Share reward

- Contributions into share reward reduce your gross salary
- Your contributions are free of both tax and National Insurance
- In some cases, reducing gross salary could move you into a lower tax band
- Your reduced salary will also be used to assess whether you qualify for child benefit

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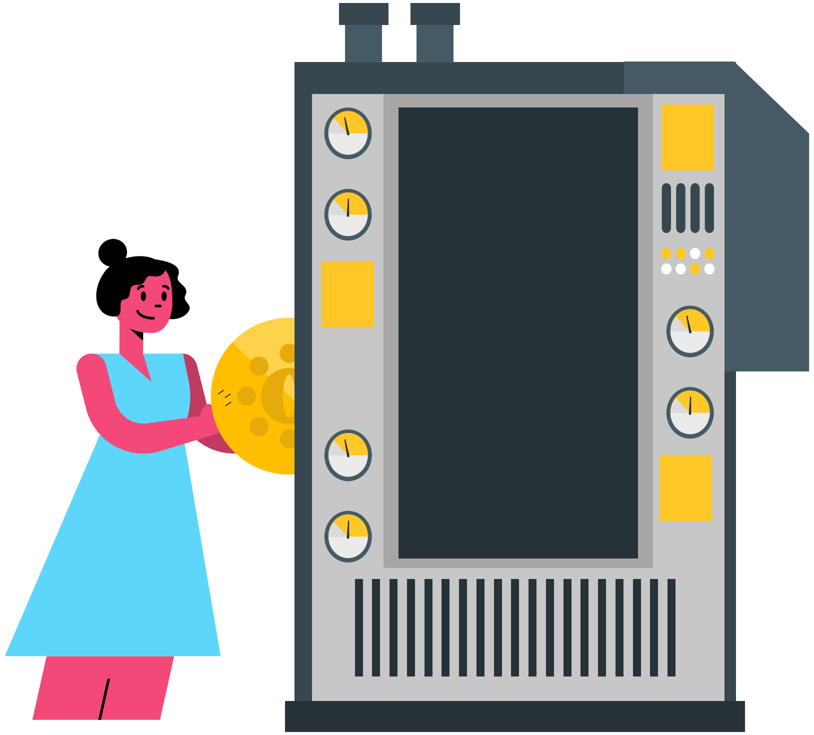
Share reward

- Contribute 10% of salary up to £125 pm
- 1 free share for every share you buy
- Savings on Income Tax and National Insurance
- Dividends can buy dividend shares or can be paid as cash
- Shares can be sold tax free after 5 yrs (dividend shares 3 yrs)
- Shares can be transferred to an ISA, or sold and the proceeds transferred to a SIPP subject to HMRC limits



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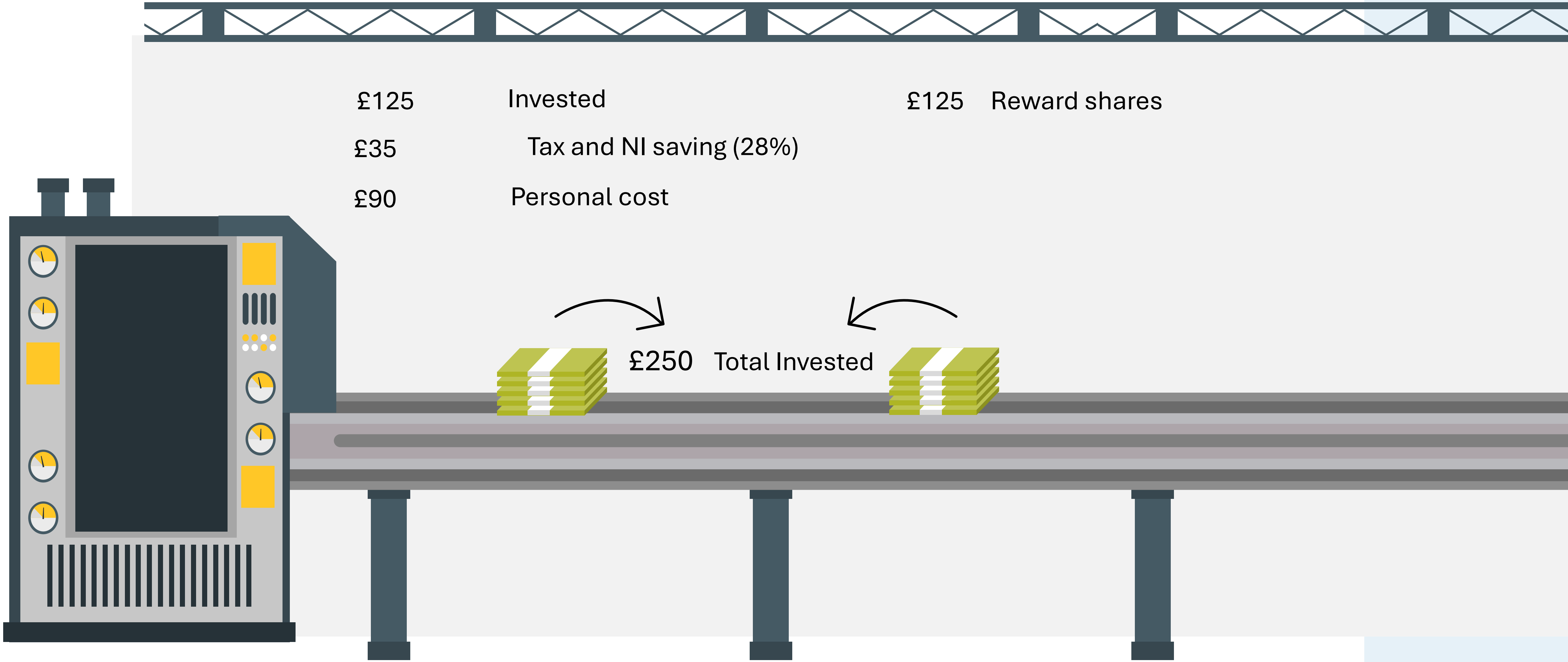

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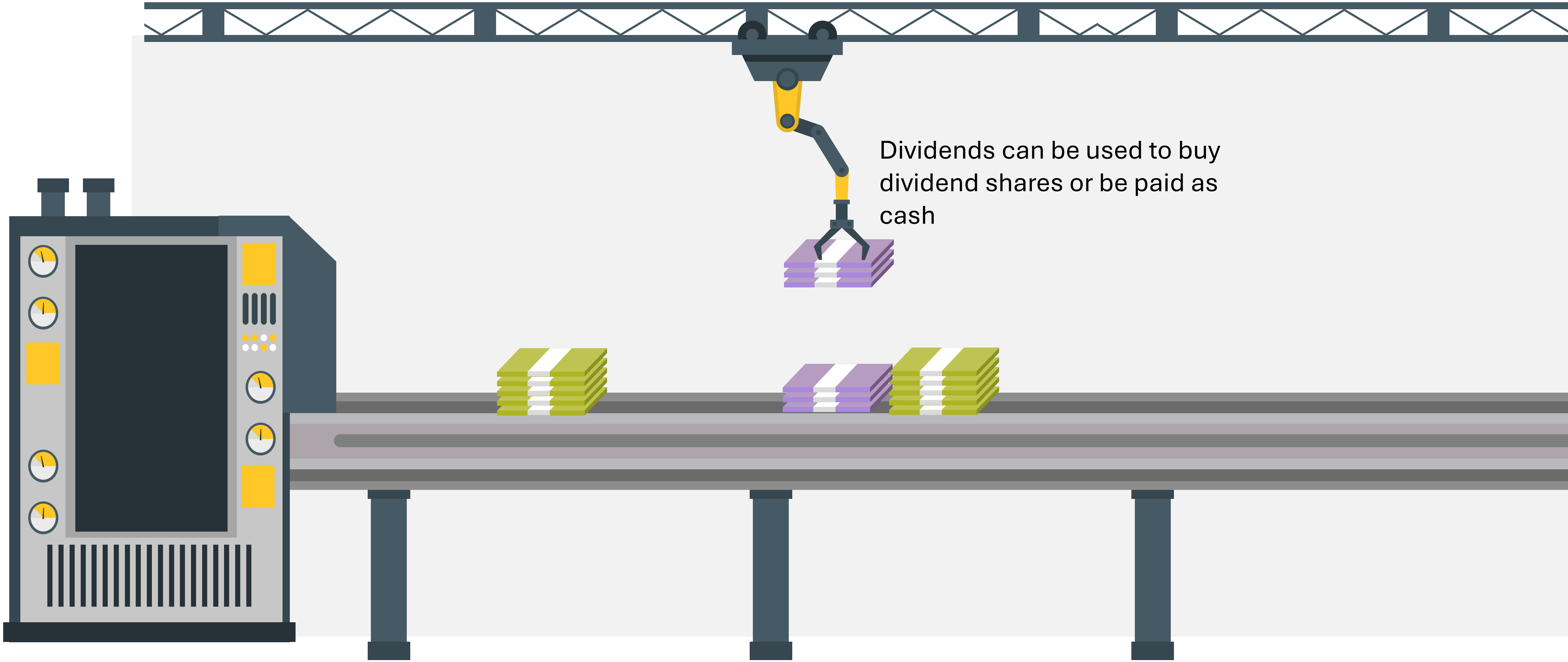

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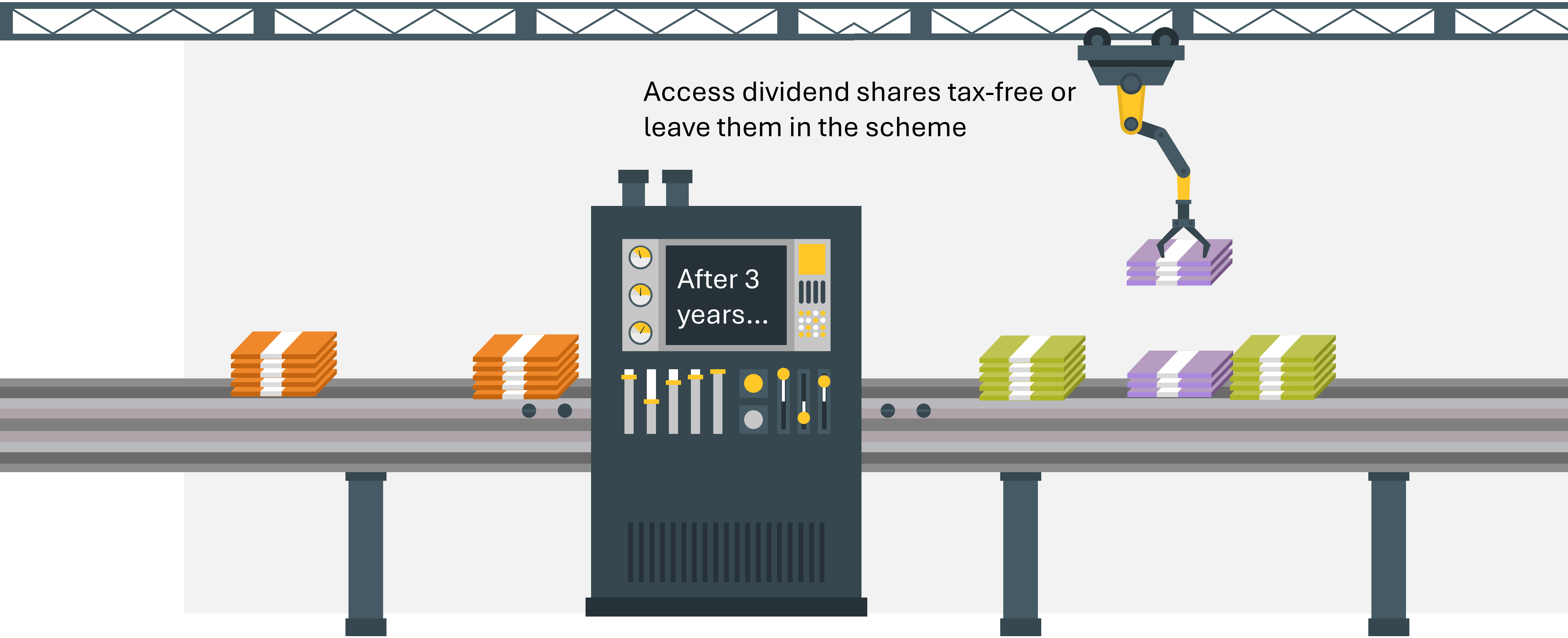
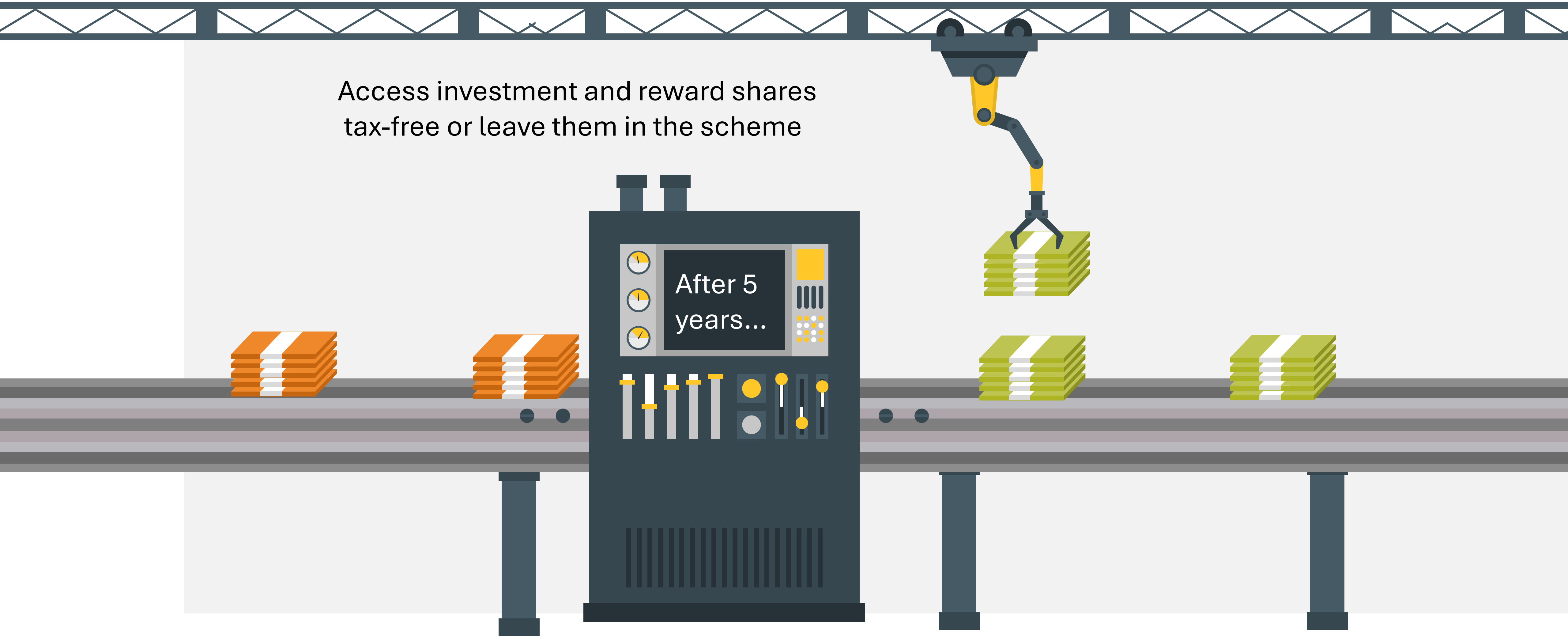
Access dividend shares tax-free or leave them in the scheme



Access investment and reward shares tax-free or leave them in the scheme



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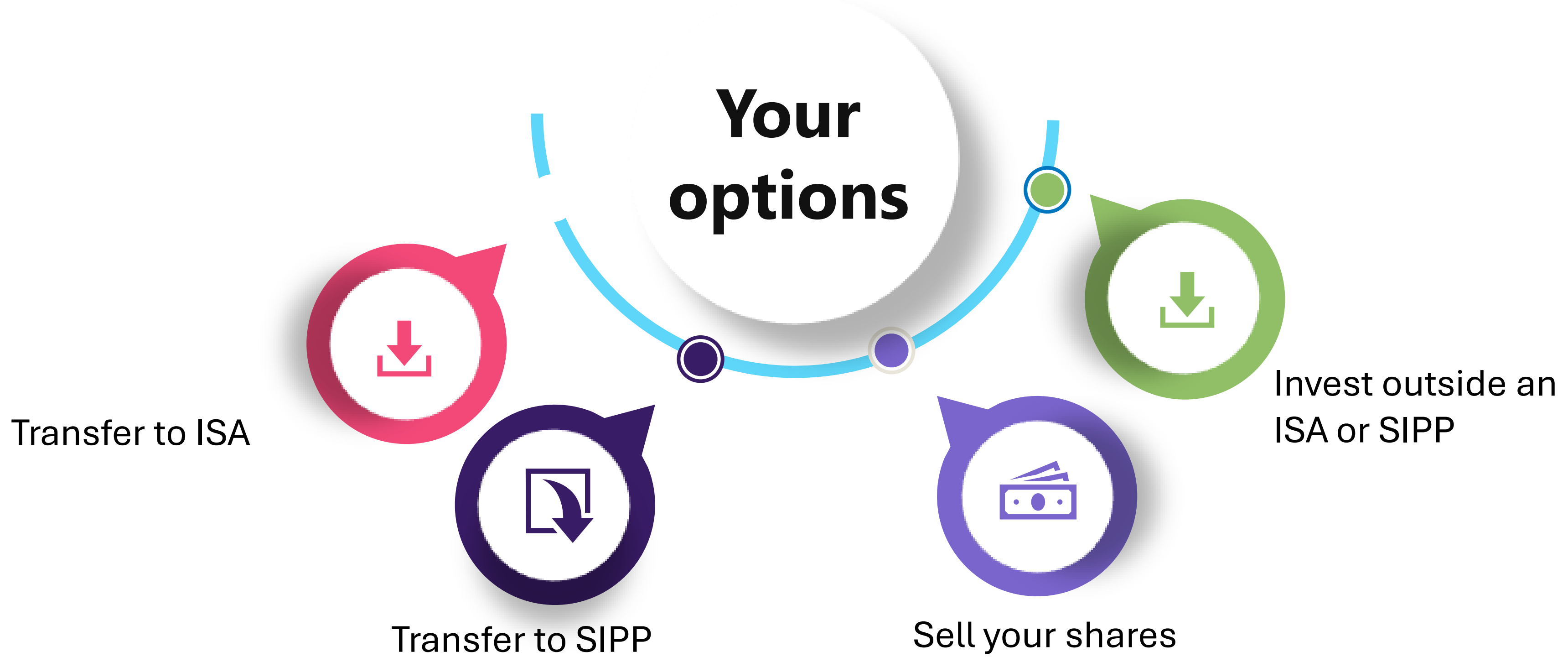
Choices upon leaving Haleon

When you leave Haleon, your shares must be removed from Share Reward.



Tax and National Insurance may be due on shares held for less than 5 years when you leave Haleon.

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Share save

Save between £5 and £500 per month

Option price is set at the start of the term and will be 20% below the share price at that time

At the end of the term, buy shares or take savings tax free*

Save for a 3 year period

Possible tax free bonus at the end of the contract

Shares can be transferred to an ISA**

*your option can be exercised anytime within 6 months from the end of the term

**subject to HMRC limits

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Share save

For illustrative purposes only

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Share save options

Exercise Option and receive shares immediately

Exercise Option and sell shares immediately

Exercise Option and transfer shares into an ISA *

Close Share Save account and obtain repayment of savings plus bonus (if applicable)

*Subject to HMRC limits

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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.

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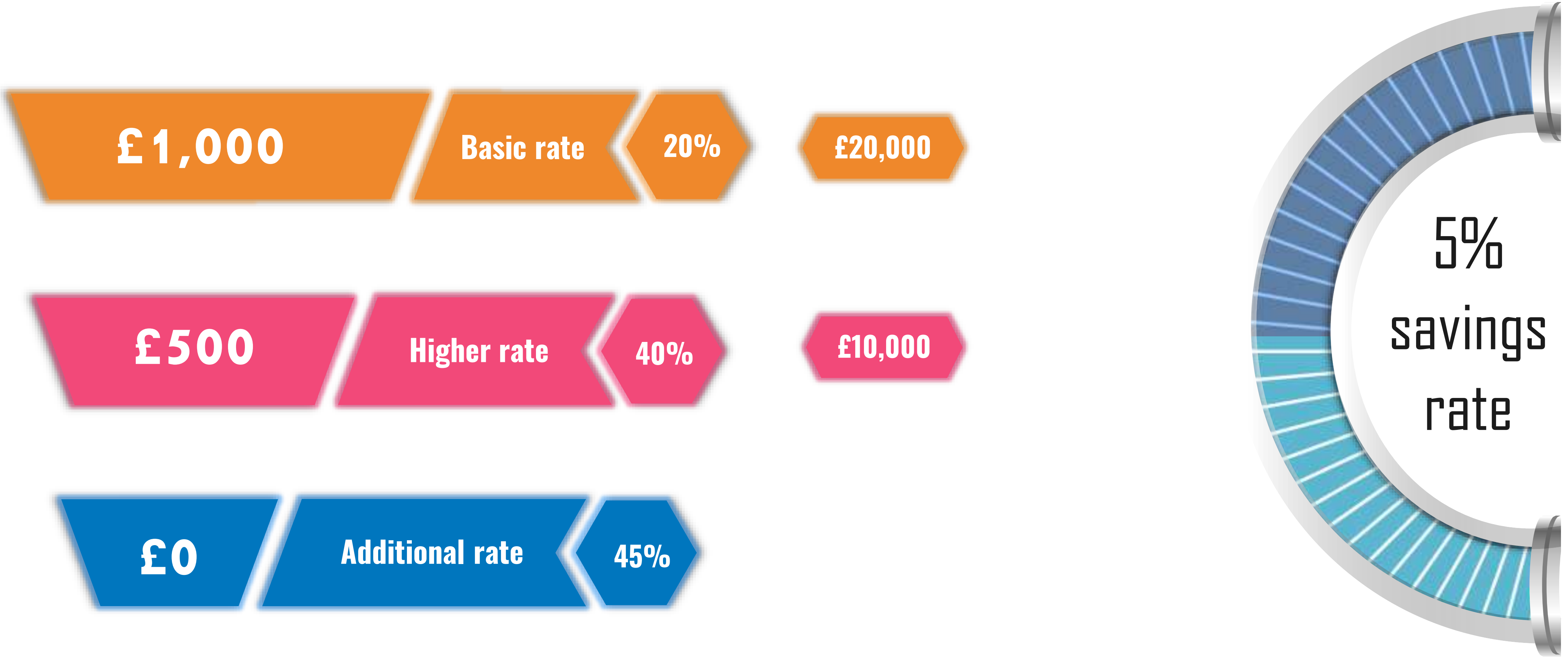
Personal savings allowance



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

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Dividend tax

39.35%

Dividend income within the additional rate band

33.75%

Dividend income within the higher rate band

8.75%

Dividend income within the basic rate band

£500

Tax-free dividend allowance

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

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Capital gains tax (CGT)

CGT is a tax on gains when certain investments are disposed of.

Main exemptions

Main residence

Pensions & ISAs

Transfers between spouse / civil partner

£3,000

Annual exemption each tax year

Gains within the basic rate tax band

18%

24%

Gains above the basic rate tax band

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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

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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
- Consider adjusting your workplace savings to manage your tax position
- Review if your savings are being held in a tax efficient way

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Next steps

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LifeSight contact information

01737 230 473

lifesightsupport@willistowerswatson.com

The LifeSight Team, Willis Towers Watson,
PO Box 758, Redhill, Surrey, RH1 9G

www.lifesight-epa.com / TotalReward Online (if on the network)

Further information and advice

Personal budgeting and setting goals

www.moneyhelper.org.uk

State Pensions, Income Tax and ISAs

www.gov.uk

www.hmrc.gov.uk

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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

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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

0800 028 3200

www.wealthatwork.co.uk/mywealth