

Everyone working in the UK is issued with a tax code by April 6th each year (the beginning of the new tax year). The tax code is what tells your employer the rate of tax to be charged.

The standard tax code for the tax year 6th April 2018 to 5th April 2019 is 1185L.

How is the tax calculated?

- 1185 tells your employer that your tax-free earnings allowance for the year is £11,850 which is either divided by 12 months or 52 weeks. In this example we'll use 52 weeks.
- Your weekly tax-free allowance is therefore £227.88 and you'll only pay tax on earnings above this amount each week.
- If your weekly earnings are £500 you'll pay £54.42 in tax as follows:
 $£500 - £227.88$ (your tax-free allowance) = $£272.12 \times 20\%$ (Standard tax rate) = **£54.42**

How do you find out your tax code?

Your personal tax code will be displayed on your payslip assuming you are paid via the PAYE system. Your code will also be displayed on your P45 if you change employments, and your end-of-year P60 form which shows your salary, income tax and NIC amounts for the previous tax year.

You may also receive an HM Revenue & Customs coding notice at the start of the calendar year to allow your employer to make an adjustment to your tax amounts for the forthcoming tax year.

What if you have more than one source of PAYE income?

If you have salaried income from more than one source, you will have two (or more) separate tax codes. Your personal allowance will typically be deducted from your principle salary. Your additional tax code(s) may be BR or DO to show that tax is payable on the full amounts.

What do the letters mean?

Letters in your tax code refer to your situation and how it affects your Personal Allowance.

LETTERS	WHAT THEY MEAN
L	You're entitled to the standard tax-free Personal Allowance
M	Marriage Allowance: you've received a transfer of 10% of your partner's Personal Allowance
N	Marriage Allowance: you've transferred 10% of your Personal Allowance to your partner
T	Your tax code includes other calculations to work out your Personal Allowance, for example it's been reduced because your estimated annual income is more than £100,000
OT	Your Personal Allowance has been used up, or you've started a new job and your employer doesn't have the details they need to give you a tax code
BR	All your income from this job or pension is taxed at the basic rate (usually used if you've got more than one job or pension)
DO	All your income from this job or pension is taxed at the higher rate (usually used if you've got more than one job or pension)
D1	All your income from this job or pension is taxed at the additional rate (usually used if you've got more than one job or pension)
NT	You're not paying any tax on this income
S	Your income or pension is taxed using the rates in Scotland