PayToolkit

Payslip Explainer Card 2026/27 — Every Line, Decoded

Your payslip has three parts: what you earned (gross pay), what came off (deductions), and what landed in your bank account (net pay). Here's what every field means.

Gross pay

Your total earnings before any deductions — basic salary plus overtime, bonus, commission and any statutory pay (SSP, SMP etc.).

NI category / letter

Tells HMRC which National Insurance rates apply. Most employees are category A (standard rate). Others include B (married women's reduced rate — legacy), C (over State Pension age), H (apprentice under 25), M (under 21).

National Insurance (NICs)

Separate from Income Tax. For 2026/27, employees pay 8% on earnings between £12,570 and £50,270, and 2% above that.

Student loan

Deducted if you earn above your plan's threshold: Plan 1 £26,065, Plan 2 £28,470, Plan 4 £32,745, Plan 5 £25,000, Postgrad £21,000 (2026/27 estimates — check gov.uk for confirmed figures).

Year-to-date (YTD)

Cumulative totals since 6 April — gross YTD, tax YTD, NI YTD, pension YTD, net YTD. These are the figures HMRC uses for your year-end tax position.

Tax code

Tells your employer how much tax-free pay you get. Standard code for 2026/27 is 1257L — the number x10 is your Personal Allowance (£12,570). The letter shows adjustments (see box below).

Income Tax (PAYE)

Calculated using your tax code and the current bands: 0% up to your Personal Allowance, then 20% (basic), 40% (higher), 45% (additional).

Pension contribution

Your workplace pension deduction. Auto-enrolment minimum is 8% total (typically 5% you + 3% employer) unless you've opted out.

Net pay (take-home)

What actually lands in your bank account, after every deduction above.

Common tax code letters

L	Standard Personal Allowance (most common)
M / N	Marriage Allowance — received (M) or transferred (N)
BR	All income taxed at basic rate (20%) — often a second job or emergency code
D0 / D1	All income taxed at higher (40%) / additional (45%) rate
0T	No Personal Allowance applied — check this urgently
K	Negative allowance — tax is added to your income, not deducted (e.g. company benefits)
W1 / M1	Emergency 'non-cumulative' code — taxes each pay period alone, not tax year to date

Red flag: BR, 0T or W1/M1 codes lasting more than 2 months usually mean you're overpaying tax.

Check yours free at paytoolkit.co.uk/tax-code-checker/ — decodes any UK tax code in seconds.