



PART SIX

MANAGING YOUR MONEY

MODULE 21

UNDERSTANDING YOUR PAY



JOB SEEKING SKILLS



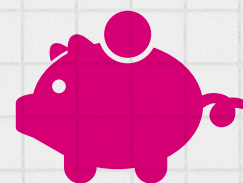
MODULE 21

Understanding your pay

It's payday, time to be rewarded for all your hard work!

When you start work your employer will tell you how much you will get paid and the date when you will receive your pay.

It may be weekly, every 4 weeks, monthly or on the last day of the month.



If you look at the example below you can see there is a difference in the amount you receive depending on how often you are paid.

Can be paid
monthly,
4 weekly
or weekly



Example: Salary is £19,2581 per annum

That equals monthly – £1604.25 gross pay per month

4 weekly – £1480.85 gross pay every 4 weeks

weekly – £370.21 gross pay per week



You are entitled to an individual, itemised, written pay statement (payslip), at or before the time you are paid.

Your payslip doesn't have to be on paper, it could be sent to you by email, or accessed through an employer's intranet website.

It's important for you to understand how your pay is calculated so that you can be confident that you are receiving the right amount each pay period and that the correct deductions are being taken from your pay.

You need to check your payslip to ensure it is correct and raise any questions that you have with your payroll department or your HR team depending on the procedures within your company.

WHAT INFORMATION DOES YOUR PAYSLIP CONTAIN?

There is a lot of information held within your payslip.

Not all payslips look the same but they will all have some if not all of the details as outlined in the following pages.



1. YOUR PERSONAL INFORMATION

- **Your name** (and sometimes your **home address**) will be shown.
- **Your payroll number** – This is a unique number allocated to you by your payroll department and you will need to know this for any contact that you may have with them.
- **Your bank account** – Usually shown is your bank account number and the date that your pay will be credited to your account.
- **Your tax code** – Your tax code will be sent to you by **HM Revenue & Customs (HMRC)**. The code tells your employer how much tax-free pay you should get before deducting tax from the rest. If the code is wrong, you could end up paying too much or too little tax, so you should check this against your latest tax code letter.
- **Your National Insurance (NI) number** – This is your unique reference number for the social security system and will never change. It's used to make sure all your contributions are recorded properly and helps to build up your entitlement to state benefits – like a pension.

2. PAYMENTS

One section of the payslip will be a list of all the payments that you have received this pay period.

- **Basic Pay** – This is the proportion of your salary that you have earned this period. If you are paid monthly – it will be 1/12 of your annual salary. It might also show how your pay was calculated, for example, your hourly rate and the number of hours worked.
- **Expenses** – Your employer might pay any expenses owed to you via the payroll. Some employers will list each expense payment separately on the payslip. Others combine them to show a taxable or non-taxable amount.
- **Overtime** – If you have worked overtime it may be paid at a different rate than your basic pay and will be listed separately on your payslip.
- **Bonus** – This is an extra payment that may be paid to employees as a reward for excellent work or as a profit share from the employer.
- **Sick Pay** – If you have had a period of illness you will have been paid an amount to cover your pay when you were sick. This may be shown as **SSP (Statutory Sick Pay)**. Under your contract you may also be entitled to **Occupational Sick Pay** which would be shown as **OSP**. See here for more information about sick pay [Gov.uk Statutory Sick Pay \(SSP\)](https://www.gov.uk/statutory-sick-pay).

The total of all of these payments is your **Gross Pay** – this is how much you have earned in wages before any deductions are made.

3.

DEDUCTIONS

Unfortunately, you will not receive your Gross Pay as there are deductions that need to be made by your employer each pay period.

Income Tax – The amount of tax you pay is determined by HMRC and you will be allocated a tax code that tells your employer how much tax you need to pay each year.

Everyone is entitled to a certain portion of their income being tax-free. For **2025/26** this sum is **£12,570** which means that you will only pay tax on earnings over this amount. The basic rate of tax is 20%.

EXAMPLE

Emma earns **£15.00 an hour** and works approximately **35 hours a week**. She is paid weekly, and this is her only job. Her tax code is **1257L**, which means she has a tax-free allowance of **£12,570 a year**.

HMRC expect Emma to earn **£27,300 a year** ($£15.00 \times 35 \text{ hours} \times 52 \text{ weeks}$). They will deduct tax on the income she earns above **£12,570** which in Emma's case is **£14,730**.

Her tax rate is 20% of this **£14,730**, which is **£2,946**.

This will be spread out over 52 weeks, so Emma will get taxed **£56.65 a week**.



The tax year differs from a calendar year and refers to the period from **6 April until 5 April in the next year**. For example, tax year **25/26** is the period from **6 April 2025 until 5 April 2026**.

National Insurance – If your gross earnings are over **£184 per week**, you are expected to pay NI. This is a contribution to pay for the welfare state such as your state pension. From April 2025, the basic rate will be set at 15% of your pay.

Income tax and National Insurance payments are called **PAYE** – which means “**Pay As You Earn**” and is the system for the Government (HMRC) to collect both your tax and NI contributions directly from your pay through your employer. There are other ways for people who are self-employed or contractors to pay before their contributions.

Pensions - If you're paying towards a workplace pension that your company has set up or arranged access to, the amount you're contributing will be shown. If your employer is also contributing, that amount might also be shown.

Student Loan – If you received a student loan it will be deducted automatically when your salary reaches a certain level. **As at 2025/26** student loan repayments commence once you earn **£31,395 a year**.

You can find out more about student loans here - [Repaying student loans](#).

Other deductions – You may have other voluntary deductions that you have opted into such as trade union fees, company saving scheme, or even payments to a cycle 2 work scheme.

NET PAY

For many people, the most important figure on their payslip is Net Pay.

This is the amount you get paid once all the deductions have been made.

You should check this against your bank statement to make sure it matches what is paid in.

THINGS TO CHECK

- ✓ The first thing to check is that all your personal details are correct, including your National Insurance number.
- ✓ Check the money has actually been paid into your bank.
- ✓ If the total is correct, including any overtime worked or bonus or commission due.
- ✓ Make sure you are on the correct tax code. The amount of tax you pay depends on your income. The standard tax code for tax year 2025/26 is 1257L. This means you won't start paying tax until you earn over £12,570 a year.
- ✓ If you are on the wrong tax code you could end up paying too much or too little tax. Check the tax code against the notification you should have received from HM Revenue and Customs (HMRC).
- ✓ Sometimes when you start a new job you are put on an emergency tax code, but this is usually sorted out quickly and you will be refunded for any overpayments. Check your deductions are correct and your employer is not taking off anything that hasn't been authorised by you.
- ✓ If you have been off work sick, check if you have been paid Statutory Sick Pay (SSP). This may be less than your usual rate of pay. SSP pay will show under your Basic Salary on the payslip.



If there is anything on your payslip you don't understand, or you think a mistake has been made, speak to your employer or payroll department.



Why it is important to keep your payslips

It's a good idea to keep your payslips in a safe place (if you receive a paper copy) because:



- ✓ it contains a lot of personal information about you and your pay, so you don't want others to have access to it
- ✓ if there are any problems with your pay or tax, then you have records of everything to check details
- ✓ you may need proof of your earnings if you want to take out a loan or any form of credit.

P60 and a P45

There are another two important documents relating to your pay which you should receive from your employer.

P60 is a form showing all the money you've been paid in the last tax year, along with all the tax and National Insurance Contributions (NICs) that have been taken out. People who pay their tax through the Pay As You Earn (PAYE) system get a P60 after the end of the tax year (by the 31st of May), and it's a useful bit of paperwork to hang on to. There are lots of times when being able to prove how much tax you've paid is crucial - and your P60 is pretty much the simplest way to do it.

P45 - you get one of these when you leave a PAYE job. It's important if you have to prove you're owed a tax refund because you only worked for part of the year. You should give this document to your new employer which will mean that they can take the correct tax from your new salary and you will not have to be emergency taxed.



Activity 1: Example payslip quiz

Complete the [Activity 1 worksheet](#) to learn about inspecting a payslip.



Activity 2: Pension poster

Complete the [Activity 2 worksheet](#) to think about the benefits of saving towards a pension.

Now you have learned how to examine your payslip,
you can move on to

Module 22 - Managing your finances - **COMING SOON!**

Or [click here](#) to return to the main screen.