

Tax Allowances and Thresholds for 2025/26 Tax Year

There are a number of changes happening on 6th April – here’s a quick summary of the ones most relevant to pensions and employment.

For a more comprehensive overview of the budget, please see the full PK Budget Bulletin [here](#).

Income Tax and National Insurance (NI) Thresholds (England, Wales and N Ireland)

Income	Tax Rate	Employee NI rate
Up to £12,570	NIL	NIL
£12,571 - £50,270	20%	8%
£50,271 - £125,140	40%	2%
£125,141 and above	45%	2%

Income Tax Thresholds (Scotland) – NI rates are as per rest of UK

Income	Tax Rate
Up to £12,570	NIL
£12,571 - £15,397	19%
£15,398 - £27,491	20%
£27,492 - £43,662	21%
£43,663 - £75,000	42%
£75,001 - £125,140	45%
£125,141 and above	48%

IMPORTANT: Your tax rates determine how much tax relief you receive on pension contributions. If you contribute via Salary Sacrifice, you save personal NI as well.

The tax-free Personal Allowance of £12,570 is ‘lost’ on an incremental basis on income above £100,000 p.a. This creates an effective tax charge of 60% (more in Scotland) on income between £100,000 and £125,140. Those with income in this range may therefore receive effective tax relief of up to 60% on pensions contributions.

National Living Wage

Increased to **£12.21 per hour**.

New State Pension

Increased to **£11,973 per annum**. An individual’s entitlement will depend upon their National Insurance record; check yours here: <https://www.gov.uk/check-state-pension>

Lower Earnings Limit

This is the amount of Average Weekly Earnings that individuals must earn to qualify for benefits such as Statutory Sick Pay and Statutory Maternity Pay. For 2025/26 this is rising from £123 per week to £125 per week.

Capital Gains Tax (CGT)

Annual Exemption Allowance - £3,000.

Basic Rate: 18%

Higher Rate: 24%

Pensions

Annual Allowance (AA) – remaining at £60,000 p.a. for 25/26.

This is the maximum amount of pension savings in any one Tax Year that may qualify for Income Tax relief.

This is subject to not exceeding 100% of relevant taxable income.

Restrictions apply for higher earners – see our [PK Guide to Annual Allowance 25-26](#)

Lump Sum Allowance (LSA) and Lump Sum and Death Benefits Allowance (LSDBA)

These only apply to those with total pension savings worth over £1,073,100 and replace the old 'Lifetime Allowance' (LTA).

They limit the maximum tax-free lump sums available from pensions during the member's lifetime (LSA) and on death (LSDBA).

Different Allowances may apply to those who have applied for HMRC 'Protection' or who took pension benefits prior to April 2024. This is a complex area, and more detail is available here:

<https://www.moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lump-sum-allowances-for-pensions>

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm174200>



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