

# Tax codes

## Pension guide – Information for pensioners

The purpose of this guide is to provide pensioners with an explanation of UK tax codes to help you understand what yours means and importantly what action to take if you believe your tax code is wrong.

If you need help with dealing with HMRC, or you are not able to access your tax information online, you can ask someone to call HMRC on your behalf. Please refer to the last question for more information.

It is important to understand that whilst Aptia are happy to answer questions about your pension, neither Aptia nor the Trustees have any discretion in relation to any tax code received from HMRC. Any queries about your tax code should be directed to HMRC, and if you contact Aptia about your tax code they will refer you to HMRC.

### 1. What is a tax code?

A tax code is a combination of numbers and letters given by HMRC to an employer, or in this case your pension scheme administrator, for them to work out how much income tax to deduct from your pay or pension. There are no National Insurance Contributions to pay on pensions.

### 2. What should my tax code be?

It's impossible to answer what your tax code should be because it's personal to you. Your tax code depends on your Personal Allowance, income from elsewhere, other taxable benefits, money you may owe from previous years, among other things.

### 3. What is the Personal Allowance and how does this affect my tax code?

Most people in the UK get a Personal Allowance of tax-free income. This is the amount of income you can have before you pay tax. Between 6 April and 5 April each year most people **under State Pension age** can earn £12,570 before paying tax and this is known as your Personal Allowance. This allowance has been frozen and has not been increased since the 2021/22 tax year. The table below shows the tax rates you pay in each band for the 2025/26 tax year, if you have the standard Personal Allowance of £12,570. Please note that income tax bands are different if you live in Scotland. You do not get a Personal Allowance if your taxable income is more than £125,140. For more information please visit [www.gov.uk/income-tax-rates](http://www.gov.uk/income-tax-rates)

Band	Taxable income	Tax rate
Personal Allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	Over £125,140	45%

Where you are entitled to a Personal Allowance, your tax code will show the level of Personal Allowance so that this can be factored in when calculating how much you will be paid. On your tax code, HMRC will drop the last digit of the tax-free amount and then add on a letter. For example, for the 2025/26 tax year the most common tax code includes a Personal Allowance of £12,570, so this becomes the tax code **1257L**. Not every tax payer will get a code of 1257L, there are items included in the code calculation that will reduce the tax-free amount and increase the amount of tax that is taken.

If you are **over State Pension age** and have started to receive your State Pension, please be aware that the State Pension income is taxable but is paid without any tax being deducted. Therefore although tax isn't deducted from your State Pension it will use up some of your tax-free Personal Allowance.

## 4. What do the letters mean?

The final letter in the tax code is there for HMRC and your pension provider to refer to. The most frequently used letters are shown in the [Appendix](#)

Your code may also have 'M1' next to it. This means 'Month 1' and is an emergency tax code, usually issued by HMRC on a temporary basis. If you do have a 'Month 1' tax code, this means the calculation of your tax will only take into account your pension for that month, and will not take into account any pension and tax you've already paid in the current tax year. If you don't see an 'M1' next to your code this means it will be on a cumulative basis, which means your tax calculation will take into account any pension and tax you've paid since the start of the current tax year (since 6 April).

On your payslips from Aptia, if your tax code is followed by **/0** this means your tax code has been issued by HMRC on a cumulative basis. If your tax code is followed by **/1** this means your tax code has been issued by HMRC on a 'Month 1' basis.

## 5. Why have I been placed on an emergency tax code?

HMRC put individuals on emergency tax because they don't have enough information about you to work out how much tax should be taken from your pension. Until HMRC gets hold of these details, you will be kept on an emergency tax code.

When your pension is first put into payment, Aptia will apply an emergency tax code of **1257L M1** for your first pension payment (which may include backdated arrears from when your pension was due to start). This means your pension will be taxed assuming you have a Personal Allowance of £12,570 and will be taxed on a 'Month 1' basis which means no previous income or tax paid will be taken into account in the calculation.

Alternatively, as part of the paperwork you will be asked to complete by Aptia in order for them to start paying your pension, Aptia will ask if you want to instead be placed initially on a tax code with no Personal Allowance being taken into account. This may be more suitable if you have other taxable income in addition to your BAE Systems pension which is using some or all of your Personal Allowance.

Once your first payment has been made, Aptia will send details of your pension to HMRC, who will then assess your overall tax position, and will send a new tax code to Aptia to apply going forward. If this new tax code is different, and is on a cumulative basis, any tax you overpaid or underpaid in your first instalment will be adjusted in your next pension payment, where this is within the same tax year.

## 6. Where can I find my pension payslip which shows my tax code?

You can access your payslips on Aptia's member website, [OneView](#). Hard copy payslips will only be posted to you when there is a variation in your net pension amount of more than £10 compared to the prior month, and you have told Aptia you want to receive posted correspondence by opting out of digital communications.

## 7. What do I need to do if I think I'm on the wrong tax code?

If you think your tax code is wrong you should contact HMRC. You can do this via the Income Tax Helpline 0300 200 3300 or via the [HMRC contact us page](#)

Please be aware that calls are charged at the same rate as a standard landline call, which can be up to 16p per minute from landlines and 65p per minute from mobiles.

You may find it useful to register with HMRC via the [Government Gateway](#) at [www.gov.uk/personal-tax-account/prove-identity](http://www.gov.uk/personal-tax-account/prove-identity). As you will see in the instructions you must prove your identity to register for the Government Gateway if you have not used it before. You will need a mobile phone that can send and receive text messages. You can also use the [HMRC app](#) to deal with some enquiries. You can find your tax code, find out how much tax you should pay, manage your tax credits, and check progress on forms you've sent to HMRC.

Alternatively, you can write to: HM Revenue & Customs, Pay As You Earn, PO Box 1970, Liverpool, L75 1WX

Remember, Aptia will be unable to help in determining what your tax code should be.

## 8. Will my tax code be automatically changed in the future?

If you think your tax code is wrong and you do not contact HMRC, there is a possibility that you will stay on the same tax code for the rest of the tax year. This should be automatically corrected by HMRC, but not until after the end of the tax year (5 April) once HMRC reconcile your total income and tax position for the whole tax year.

## 9. This is very confusing, can someone else speak to HMRC for me?

Usually HMRC can only deal with you directly, however if you do need help there are a few options.

**Ask someone to call HMRC on your behalf** – If you need help with dealing with HMRC, or you are not able to access your tax information online, you can ask someone to call HMRC on your behalf. You must be in the same room as the person helping you when they call, and HMRC will ask you to confirm your identity and check that you're happy for them to represent you before they will be able to discuss anything with the person helping you. Please ensure that if you do ask someone to help you that this is a trusted close friend or family member.

**Ask someone to register online as a 'trusted helper'** – You can ask a close friend or family member to register online as a 'trusted helper' who would be able to check or update your personal tax account online.

You can find out more on at [www.gov.uk/help-friends-family-tax](http://www.gov.uk/help-friends-family-tax). You can get extra support from HMRC if your health condition or personal circumstances make it difficult when you contact HMRC. If you need extra support, you can get a phone or video appointment with the HMRC extra support team. Ask the call handler when you call HMRC to help you with this.

## Appendix – Example tax code letters

<b>L</b>	This is the most common letter on tax codes. This means that you qualify for the normal tax-free Personal Allowance (£12,570* for 2025/26), though your actual code will depend on your personal circumstances.
<b>BR</b>	All income from this pension is taxed at the basic rate of income tax (20%*) without the benefit of a tax-free Personal Allowance. Using this tax code indicates that HMRC believes you have other sources of income that use up your Personal Allowance, such as being self-employed, having a second job or receiving a pension from another source.
<b>D0</b>	All income from this pension is taxed at the higher rate of income tax (40%*) without the benefit of a tax-free Personal Allowance. Using this tax code indicates that HMRC believes you have other sources of income that use up your Personal Allowance and basic rate tax band, such as being self-employed, having a second job, or receiving a pension from another source.
<b>D1</b>	All income from this pension is taxed at the additional rate of income tax (45%*) without the benefit of a tax-free Personal Allowance. Using this tax code indicates that HMRC believes you have other sources of income that use up your Personal Allowance and basic/higher rate tax bands, such as being self-employed, having a second job, or receiving a pension from another source.
<b>OT</b>	Your Personal Allowance has been used or you've started a new job/have a new pension and your employer/pension scheme doesn't have the details they need.
<b>NT</b>	You're not paying any tax on this income.
<b>K</b>	These codes apply when there are items that reduce the tax-free allowances, such as a large State Pension that result in minus allowances. HMRC treats these minus allowances as extra income on which tax is due, and so they use a special code number beginning with the letter K.
<b>T</b>	This indicates allowances are split between two or more incomes and HMRC will review this code every year.
<b>M</b>	This indicates that 10% of your spouse's Personal Allowance has been transferred to you by the Marriage Allowance transfer.
<b>N</b>	This indicates you have transferred 10% of your Personal Allowance to your spouse by the Marriage Allowance transfer.
<b>X</b>	This indicates there may be tax issues and HMRC will review the tax paid at the end of the tax year.
<b>S</b>	Your tax is based on rates in Scotland.
<b>C</b>	Your tax is based on rates in Wales.

\*Different income tax bands and tax rates apply if you live in Scotland