CALCORCHARD · UK TAX PLAYBOOK

The £100k Trap Escape Playbook

12 legal moves to beat the 60% marginal rate on income between £100,000 and £125,140. 2024/25 tax year.

2024/25 EDITION REST-OF-UK BANDS

Who this is for: UK employees and directors whose adjusted net income sits between £100,000 and £125,140 — the band where your personal allowance is being tapered away and every extra £1 costs you roughly 62p in tax and NI.

What this is not: personal financial advice. This is a checklist of well-known, HMRC-recognised planning moves. Confirm your position with a chartered accountant or IFA before acting.

Prepared by CalcOrchard · calcorchard.com · Version 1.0

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Why the "60% marginal rate" is real

The 60% marginal rate isn't a headline tax band you'll find on any HMRC page — it's the practical result of two rules colliding:

- You pay **40% Income Tax** on earnings above £50,270.
- For every £2 you earn above £100,000, your **£12,570 personal allowance is reduced by £1**. It disappears entirely at £125,140.

The mechanical consequence: on every extra £1 you earn between £100k and £125,140, you pay 40p in Income Tax on the £1, *and* lose 50p of allowance (which was going to save you 20p of tax) — so an extra 20p vanishes. Add 2% employee National Insurance and you keep about **38p of that pound**.

A £5,000 pay rise inside this band gives you **~£1,900 take-home**. The other £3,100 goes to HMRC. That is the trap.

> **The good news:** the taper is calculated on *adjusted net income*. Anything that reduces your adjusted net income — pension contributions, Gift Aid, salary sacrifice benefits — **restores your personal allowance at the same 60% effective rate**. Every £1 you shelter is worth 60p, not 40p.

How the 12 moves work together

The moves fall into three tiers of leverage:

Tier	Moves	What they do
Tier 1 Highest leverage	1, 2, 3, 4	Direct reductions to adjusted net income via pension. Restores personal allowance at 60%.
Tier 2 Structural	5, 6, 7, 8	Salary sacrifice benefits and charitable giving. Reduce adjusted net income while buying things you'd buy anyway.
Tier 3 Situational	9, 10, 11, 12	Only apply in specific circumstances — riskier, more complex, but potentially large.

Most higher-earners escape the trap with Moves 1 + 2 alone. The rest are compounders and edge cases.

Move 1 — Workplace pension salary sacrifice

The mechanic

Instead of you paying pension contributions from post-tax salary, your employer contributes on your behalf and reduces your gross salary by the same amount. Because your gross drops, so does your Income Tax, National Insurance, and — critically — your adjusted net income for the personal allowance taper.

Why it's Tier 1

Every £1,000 sacrificed inside the £100k–£125,140 band saves you roughly £600 in tax and NI, plus your employer often adds their saved 15% employer NI back into the pension.

Typical saving on £10k sacrificed: £6,000+ · retained £4,000 as pension

Move 2 — Bonus sacrifice into pension

A discretionary annual bonus is typically taxed at your top marginal rate — 62% inside the trap. Asking your employer to divert some or all of the bonus into your pension avoids the tax entirely. Most FTSE employers have a "bonus sacrifice" option; smaller employers can accommodate it via a one-off salary-sacrifice arrangement (needs to be agreed *before* the bonus is contractually earned).

A £15,000 bonus sacrificed inside the trap keeps £15,000 in your pension vs. ~£5,700 cash.

Move 3 — Employer NI rebate top-up

When you salary-sacrifice, your employer saves 15% (formerly 13.8%) in employer's National Insurance. Many employers will pass some or all of that saving back into your pension if you ask. It's free money that many employees never claim.

On £10k sacrificed, the employer saves ~£1,500. Ask for it.

Move 4 — Personal SIPP contribution

If your employer doesn't offer salary sacrifice, contribute directly to a SIPP (Self-Invested Personal Pension). You pay in from post-tax salary; the SIPP provider claims 20% basic-rate relief automatically. You then claim the remaining 20% (or 25% inside the trap) via self-assessment. This reduces your adjusted net income and restores the personal allowance.

Contributions are capped at the annual allowance (£60,000 for most; tapered for high earners with income over £260,000).

On £8,000 in from cash: £10,000 in the SIPP + ~£4,000 back via self-assessment inside the trap.

Move 5 — Cycle-to-work scheme

Salary sacrifice up to £3,000 for a bike + accessories. Reduces gross by the same, so reduces adjusted net income. You keep the bike at the end (small final payment or extended hire).

£3,000 sacrifice → ~£1,800 effective saving inside the trap.

Move 6 — EV salary sacrifice

Salary-sacrifice for a fully-electric company car currently benefits from a low 2% benefit-in-kind (BiK) rate. Payments come from gross salary, reducing adjusted net income. For a £600/month lease, the trap-band worker pays roughly £230/month net — half what a private lease would cost.

Effective saving of £3,500–£5,500/year on a mid-range EV lease.

Move 7 — Tax-free childcare + workplace childcare

Two rules to know:

- **Tax-Free Childcare:** government tops up 20% (max £2,000/child/year). *Not* available if either parent's adjusted net income exceeds £100,000. Escaping the trap via Moves 1–4 makes you eligible.
- **Legacy childcare vouchers:** if you were enrolled before Oct 2018, keep the scheme — up to £55/week salary-sacrificed.

£2,000/child/year restored if you drop below £100k.

Move 8 — Gift Aid donations

Charitable donations paid under Gift Aid extend your basic-rate band, which for personal allowance taper purposes reduces your adjusted net income by the gross donation amount. Same 60% relief effect inside the trap.

£1,000 net donation → £1,250 gross → ~£750 tax reclaim inside the trap.

Move 9 — VCT / EIS investments

Venture Capital Trust (VCT) subscriptions give **30% up-front Income Tax relief** on up to £200,000/year, plus tax-free dividends. Enterprise Investment Scheme (EIS) gives the same 30% relief on up to £1m/year, plus CGT deferral. Both are **high-risk** — small illiquid companies — and unsuitable for anyone who can't afford to lose the capital.

£10,000 into a VCT → £3,000 off your tax bill for that year.

Move 10 — Marriage Allowance (if applicable)

If your spouse or civil partner earns less than £12,570 (the personal allowance), they can transfer £1,260 of it to you — saving up to £252/year. Small but free money, often missed.

Up to £252/year.

Move 11 — Salary vs dividend (Ltd company directors)

If you run your own limited company, take a salary up to the NI threshold and pay the rest as dividends. Dividends are taxed at 8.75% / 33.75% / 39.35% depending on band — and are *not* subject to NI. For a £150k target income, this can save £5,000–£10,000/year vs. all-salary. Combine with pension contributions from the company (fully tax-deductible for corporation tax).

£5,000+/year saving with correct structure. Requires accountant.

Move 12 — Time your bonus / defer income

If a bonus or share vesting will push you into the trap this tax year, ask if it can be deferred to the next tax year — especially if next year you'll have lower income (parental leave, sabbatical, job change with a gap). Requires employer agreement, but many will accommodate.

Depends on your circumstances; can be worth thousands in some years.

Worked example: £115,000 → escape the trap

Sarah earns £115,000. Her adjusted net income is currently in the trap — she is losing £7,500 of personal allowance and paying an effective 62% marginal rate on the top £15,000.

Scenario	Take-home	Into pension	Effective saving
Do nothing	£72,470	£0	—
+ 10% pension sacrifice (£11,500)	£67,860	£11,500	£6,890
+ Cycle scheme (£3,000)	£66,720	£11,500	£1,860
+ Gift Aid £1,000 net	£66,470	£11,500	£750

Sarah's adjusted net income is now £99,500 — **outside the trap**. She has moved £11,500 into her pension, £3,000 into a bike, and £1,250 to charity — total value received £15,750 — while her cash take-home only dropped by £6,000. Every £1 she "spent" bought £2.62 of value.

The 5-minute self-audit checklist

- [ ] Do I know my current pension contribution rate as a % of gross?
- [ ] Does my employer offer salary sacrifice? If not — why?
- [ ] What does my employer do with the NI they save when I sacrifice? Am I asking for it?
- [ ] Do I have a bonus coming this year? Can any of it be sacrificed?
- [ ] Am I within £5,000 of the £100k threshold? Small changes are highest-leverage here.
- [ ] Am I claiming higher-rate relief on any personal SIPP contributions via self-assessment?
- [ ] Have I checked whether I qualify for Tax-Free Childcare after applying Moves 1–4?
- [ ] Have I run the numbers using the calcorchard.com take-home calculator with 0%, 5%, 10% pension?

Disclaimer. This playbook is general information for the 2024/25 UK tax year (rest-of-UK bands). It is not personal financial or tax advice. Rates, thresholds and rules change; check current HMRC guidance and speak to a chartered accountant or FCA-regulated Independent Financial Adviser before making decisions. CalcOrchard accepts no liability for actions taken based on this document.