

Income Tax

- Income tax is a non-voluntary contribution made by the working population.
- It is used to support government expenditure on aspects such as education, health, social care, public order and safety.
- Income tax is usually deducted directly from earnings by the employer – ‘Pay as you Earn’, ‘PAYE’.
- The money you earn before tax deductions is known as your GROSS income.
- The money you earn after deductions (‘take home pay’) is known as your NET income.
- In most countries income tax is charged on a scale which depends on your income, so those who earn the least pay less tax (zero tax in some instances) and those with greater wealth pay more.
- In the UK in 2018, the income tax bands are:

Taxable income	Tax Rate
Up to £11 850	0%
£11 851 to £46 350	20%
£46 351 to £150 000	40%
Over £150 000	45%

So someone who is earning less than £11 850 will pay no income tax.

Someone earning £12 000 pays 0% for £11 850 of their income and 20% on the £150 (£12 000 - £11 850) they earn in the next tax band, which is

For example (1), calculate the income tax paid by the following individuals who are working in the UK:

a. David, police officer, £37 583 pa

Taxable income	Tax Rate	Taxable Value	Tax to pay
Up to £11 850	0%		
£11 851 to £46 350	20%		
£46 351 to £150 000	40%		
Over £150 000	45%		

b. Karen, Air Traffic Controller, £51 609 pa

Taxable income	Tax Rate	Taxable Value
Up to £11 850	0%	
£11 851 to £46 350	20%	
£46 351 to £150 000	40%	
Over £150 000	45%	

c. Peter, Junior Reporter, £15 500 pa

Taxable income	Tax Rate
Up to £11 850	0%
£11 851 to £46 350	20%
£46 351 to £150 000	40%
Over £150 000	45%

d. Tracy, Chief Executive, £750 000 pa

Taxable income	Tax Rate
Up to £11 850	0%
£11 851 to £46 350	20%
£46 351 to £150 000	40%
Over £150 000	45%