

'The Budget', Deductions and Payslips

The Budget: Click [here](#) for a link to CBBC Newsround's explanation of the government's budget.

The budget is one way for the government to get money to provide some services such as health and education. It is the government's major financial and economic

statement, telling us how they have spent our money and how they plan to spend it, made each year by the Chancellor of the Exchequer to Parliament and the Nation. Since 1998, the Chancellor has presented the Budget in the Spring.

Deductions + Tax: Anyone who earns over a certain level pays income tax which is taken straight out of their earnings and shown on their payslip. The more you earn, the more tax you pay. We all pay tax whenever we buy something; tax is less on items like food and milk. We pay Value Added Tax (VAT), a higher tax, on luxury goods like restaurant food, clothes and holidays. Items such as alcohol and tobacco (cigarettes) have 'duty' (tax) paid on them – when you go to an airport, you might visit the Duty Free Shop where these items are much cheaper as there is no 'duty' to pay on them. Click [here](#) to watch a video explaining tax and how it is used.



Glossary:

Corporation tax	A tax on the profits that a business makes.
Tax year	From 6 th April to 5 th April the following year.
Gross pay	Your total earnings before any tax, National Insurance, pension contributions etc... are deducted.
Her Majesty's Revenue & Customs (HMRC)	The UK's tax administration — HMRC makes sure that the money is available to fund the UK's public services, and also helps families and individuals with targeted financial support.
Income tax	The tax you pay on your income – whether you are employed by someone else or self-employed.
Inheritance tax	A tax on the estate (the property, money and possessions) of someone who has died.

National Insurance (NI)	Payments that you and your employer make through your working life that provide you with certain benefits, including your state pension.
Net pay	The amount of money you take home after tax, National Insurance, pension contributions etc... have been deducted. It's often called your 'take-home' pay.
PAYE (Pay As You Earn)	The system HMRC uses to collect income tax and National Insurance Contributions from employees.
Pension	Money the government pays regularly to an older person when they reach a certain age. For some people, this enables them to stop working and retire.
Personal allowance	The amount you can earn before you pay income tax.
Profit	The amount that is left over from the money a business has earned, after it has paid all its costs.
Self-Assessment	A tax return for someone who is self-employed, including someone in a partnership.
Stamp Duty Land Tax (SDLT)	You must pay this if you buy a property or land over a certain price in England and Northern Ireland.
Value Added Tax (VAT)	A tax that is added to the sale of goods and services.

I would like you to consider the following questions about tax:

- Why do you think that tax is less on items such as food and milk?
- How do you think the government might use tax and duty to change our behaviour?

Task: I would like you to complete the activity about payslips below and then design a quiz about the information that you have learnt during this lesson. You will need to write at least 10 questions and then provide a separate answer sheet. You could handwrite the questions or use Word on the computer – it is up to you!

I would like to see a photo of your quizzes on today's discussion or you could upload your Word document.

Payslips:

Information and questions around Payslips

What your payslip/pay statement must contain:

- amount of your wages before any deductions (gross wages)
- individual amount of any fixed deductions (such as trade union subscriptions)
- individual amount of any variable deductions (for example tax)
- net amount of your wages (this is the total after deductions)
- amount and method for any part-payment of wage (such as separate figures of a cash payment and the balance credited to a bank account)

Your employer might include additional information on your payslip which they are not required to provide, such as:

- National Insurance number
- tax codes
- pay rate (either annual or hourly)
- additional payments like overtime, tips or bonuses, which might be shown separately

Questions to ask about payslips: Look at the two payslips and answer these questions:

1. What is this person's tax code?
2. What is their basic hourly pay?
3. Do they work part time or full time?
4. What is their gross pay?
5. Is the gross pay for a week or for a month?
6. How much are the deductions?
7. Is the total pay correct?

Payslip One:

T	C		Units	Amount	To-date	
T	1	Basic Salary		2651.40	18559.80	Mr J. Bloggs Any Company Any Industrial estate Anywhere Town
		Fringe Allowance	1.00	39.80	278.60	
T	1	Gross Pay		2691.20	20183.47	Period Bank date 05-31/10/2012 29/10/2012
		Income Tax (pay = 2529.73)	96L	518.35-	3834.43-	N.I. Number Sort Code YWX23456P 12-23-09
		Nat Ins. (pay = 2691.20)	D	211.05-	1487.84-	
T	1	Pension	6.0%	161.47-	1169.89-	Paypoint A/c Number 123123 14257689
		Deductions		890.87-		Work ref. A/c Name 57/2345 Bloggs Joe Mr.
						Pay Enquiries to: IT Services Payslip Company Anytown
						Tax Enquiries to: H.M. Inspector of Taxes Chapel Wharf Area Trinity Bridge House Dearmans Place Salford Employer tax ref: 123/JB70
						Annotation of entries: 'T' column – indicates if entry is taxable 'C' column – indicates the contract hours Adj/Arns – adjustment or arrears for previous pay.
		NET PAY		£1,800.33	Paid in by Bank	

Payslip Two:

Employee Name			Employee Number		Tax period	3
Mr Joseph Bloggs			30000757		Tax Code	BR/O
					N. Insurance No.	YTV27790454C
					N. Ins. Code	A
PAYMENTS			DEDUCTIONS		THIS PERIOD	
Description	U/T	Rate	Description	Cash	Description	Cash
Cash			Tax	228.80	Taxable pay	1,144.42
Basic Pay			NI – A	76.06		
1,142.42			Pension	68.67		
					YEAR-TO-DATE	
					Tax Paid YTD	679.80
					NI – A	224.51
					Taxable pay YTD	3,399.92
TOTAL PAYMENTS		1,144.42	TOTAL DEDUCTIONS		373.53	NET PAY
						770.89
					Paid in by	BACS
					Sort Code	123456
					Account No.	473256559