



How much tax does a typical worker pay?
In this activity you will work out how much
income tax workers pay on the money they earn.

Information sheet A Income Tax 2013 – 14

Income Tax is paid on 'taxable income' above a certain level.



How to calculate income tax

Find the worker's taxable income by subtracting their personal tax allowance from their annual income. The standard personal tax allowance is £9440.

Basic rate

Income tax is paid at 20% on the first £32 010 of taxable income.

Higher rate

Income tax is paid at 40% on taxable income between £32 010 and £150 000.

Additional rate

Income tax is paid at 45% on taxable income above £150 000.
(Note all incomes used in this activity are below this value).

Example

Katie earns £400 per week. Her personal tax allowance is £9440.

Katie's annual income = $£400 \times 52 = £20\,800$

Katie's taxable income = $£20\,800 - £9440 = £11\,360$

Income Tax = 20% of £11 360 = **£2272 per annum**

Think about...

What methods could you use to work out 20%?

Example

Liam earns £58 600 per annum. His personal tax allowance is £9440.

Liam's taxable income = $£58\,600 - £9440 = £49\,160$

Tax paid at basic rate = 20% of £32 010 = £6402

Tax paid at higher rate = 40% of $(£49\,160 - £32\,010)$
= 40% of £17 150 = £6860

Total income tax per annum = $£6860 + £6402 = £13\,262$

Think about...

What methods could you use to work out 40%?

Think about...

What income tax will Liam pay each month?

Information sheet B Typical earnings

The table gives typical annual earnings for a variety of jobs in 2013:

Job	Typical salary (per annum)
Accountant	£49 250
Bank manager	£39 000
Bus driver	£22 900
Dancer	£19 700
Dentist	£70 245
Doctor	£79 300
Electrician	£29 000
Hairdresser	£17 750
IT project manager	£61 450
Labourer	£19 350
Member of Parliament	£65 738
Nurse	£28 200
Office administrator	£18 300
Pilot	£83 300
Retail sales assistant	£14 750
Supermarket manager	£63 000
Television presenter	£46 800
Truck driver	£29 500
Vehicle mechanic	£21 930
Waiter/waitress	£15 200

Think about...

Which of these jobs would you be interested in?

Think about...

What do you need to assume to work out the income tax they will pay?

Try these

1 Sam earns £2275 per month. His personal tax allowance is £9440.

Complete the calculation below to work out how much income tax Sam pays in 2013-14.

Sam's annual income =

Taxable income =

Income tax at the basic rate = 20% of =

2 Meera earns £79 800 per annum. Her personal tax allowance is £9440.

Complete the following calculation to work out how much income tax Meera pays in 2013-14.

Taxable income =

Income tax at the basic rate = 20% of =

Income tax at the higher rate = 40% of

=

Total income tax =

3 Choose two or more jobs from Information Sheet B.

Calculate the amount of income tax each worker pays.

Write a brief summary of your findings.

At the end of the activity

- Does a person who earns £30 000 per year pay twice as much tax as someone who earns £15 000 per year?
- Sketch a graph of income tax against taxable income.
Is income tax proportional to taxable income?
- How much do you need to earn before you become a higher rate tax payer?
- Sketch a graph of income tax against annual earnings for earnings up to £100 000.
How does the steepness of the line segments relate to the tax rates?