

## Income tax

Income tax (in Croatian: porez na dohodak) is a compulsory financial contribution imposed by a government to raise revenue, levied on the earned and unearned income of individuals and trusts. To find out more about the income tax system in the United Kingdom, please read the text below and do the activities that follow.

In the UK not all income is taxable. Taxable income includes: earnings from employment; earnings from self-employment; state, company and personal pensions income; interest on most savings; income from shares or dividends; rental income; and income paid to you from a trust. Non-taxable income includes: certain benefits; income from tax exempt accounts; working tax credit; and premium bond wins. Nearly everyone who is resident in the UK for tax purposes receives a personal allowance, which is an amount of taxable income you are allowed to earn or receive each year tax-free.

A Choose the correct answer out of the selection.

1. Is all income taxable in the UK? Yes/No
2. Does a self-employed person need to pay income tax? Yes/No
3. Is income from property rental taxable or non-taxable income? Taxable/Non-taxable
4. Does everyone in the UK receive a personal allowance? Yes/No
5. The income paid from a trust is tax free? Yes/No

*Key: 1. no, 2. yes, 3. taxable, 4. no, 5. no*

B Answer the questions below to check if you understand some of the key words used in the text. The first letters of the answers are given to help you answer the questions.

1. What is the word for the money that is earned from doing work or received from investments? I\_\_\_\_\_
2. What is the word for an organisation which controls property and/or money for another person? T\_\_\_\_\_
3. What is the word for the money that you earn from keeping your money in an account in a bank or other financial organisation? I\_\_\_\_\_
4. What is the word for the money given by the government to people who need financial help because of sickness, unemployment, etc.? B\_\_\_\_\_
5. What is the word for an amount of a person's income that is not subject to income tax? A\_\_\_\_\_

*Key: 1. income, 2. trust, 3. interest, 4. benefit, 5. allowance*

C Match the phrases in the left-hand column with their definitions in the right-hand column.

- |                         |  |
|-------------------------|--|
| 1. working tax credit   | a. a payment made by the UK government to an unemployed person       |
| 2. premium bond         | b. a state benefit in the UK made to people who work on a low income |
| 3. dividend             | c. income that is not earned from your job or business               |
| 4. unemployment benefit | d. a sum of money distributed from a company's                       |

5. unearned income                      e. net profits to the holders of certain policies  
a lottery bond issued by the UK government's  
National Savings and Investments agency

*Key: 1b, 2e, 3d, 4a, 5c*

D Complete the sentences with one of the following verbs: *levy, tax, receive, exempt, earn*.

1. The government is planning to \_\_\_\_\_ on second home owners as part of its review of local government financing.
2. There was a strong plea to \_\_\_\_\_ small businesses with under 50 employees from VAT regulations.
3. China plans to \_\_\_\_\_ consumption taxes on more luxury goods.
4. Everyone can \_\_\_\_\_ a certain amount each year without paying any income tax.
5. No worker in the UK should \_\_\_\_\_ benefits until he or she has worked for five years in the country.

*Key: 1. tax, 2. exempt, 3. levy, 4. earn, 5. receive*