

## Key Concepts

<b>Credit</b>	The ability of a customer to obtain goods or services before payment.
<b>Debt</b>	A sum of money that is owed or due.
<b>Interest</b>	Money paid regularly at a particular rate for the use of money lent.
<b>'buy now, pay later'</b>	A way for you to buy goods on credit and pay for them later.
<b>Tax</b>	A compulsory contribution to the state
<b>Council tax</b>	Tax people pay on properties they own or rent, goes directly to the local council.
<b>Income tax</b>	Tax people pay on their wages and salaries.
<b>National Insurance</b>	Tax you give from your wages if your over 16 and goes towards paying you if your off sick and to have a pension.
<b>Benefits</b>	A payment made by the state to someone entitled to receive it.
<b>Job seekers allowance</b>	An unemployment benefit given whilst someone is looking for work
<b>Employment support allowance</b>	A benefit given to people who cant work due to illness or disability, this is medically assessed.
<b>Universal Credit</b>	Universal Credit is a benefit payment for people in or out of work. It replaces some of the benefits and tax credits you might be getting now: Housing Benefit. Child Tax Credit. It tries to encourage people to work.
<b>Pension</b>	A regular payment made by the state to people of or above the official retirement age.

## The benefits system

<u>Why people receive benefits</u>	<u>Problems with the benefits system</u>
Disability. Terminal Illness that prevents you from working. For having a child. Unemployment. Long term sickness. Low income. Receive benefits if your spouse dies under certain circumstances Benefits if you are a carer	Have to be assessed by a doctor/benefits claim handler, but still may not receive benefits even if they deem you unfit to work.  Have to wait long periods of time before you receive money, this can be up to 14 weeks  People cannot afford bills or to buy food.  Some people cannot access the online application as they struggle to use computers  Can result in people having mental health issues such as anxiety and depression.  Can result in people ending their lives due to the stress it causes.



<u>Benefits of universal credit</u>	<u>Problems of universal credit</u>
It helps people to live if they have no income.	People have to wait a long time to receive their money, may cause poverty.
It helps people find a job and keep a job for longer.	People may be discouraged to work as they can receive benefits instead, or vulnerable people e.g. alcoholics may spend it inappropriately
It helps people manage their money better.	People cannot afford essential things like gas and electricity.
It supports families with children and childcare costs	People have to visit foodbanks because they cannot afford to buy food.
Simple system compared to the past	It is paid monthly instead of fortnightly so have to change lifestyle e.g. buying fresh goods.

### **Eligibility for state pension:**

The current pension age for those born after 1960 is 68 years old  
 To get the full basic State Pension you need a total of 30 qualifying years of National Insurance contributions or credits. This means you were either:

- Working & paying national insurance
- Getting national insurance credits, for example for unemployment, sickness or as a parent or carer
- Paying voluntary national insurance contributions if you're not eligible for a basic State Pension, or you're not getting the full amount, you might qualify for a 'top up' to £77.45 per week through your spouse's or civil partner's National Insurance contributions.

Glue here

### What do National Insurance Contributions go towards:

- State retirement pension;
- Bereavement benefits for spouse/civil partner;
- Contribution-based Jobseeker’s allowance;
- Contribution-based Employment and Support Allowance.
- The NHS

National Insurance payments cannot be used directly to fund general government spending.

### How is income tax calculated:

As an employee:

- You pay 0% on earnings up to £12,500\* for 2019-20
- Then you pay 20% on anything you earn between £12,501 and £50,000
- You’ll pay 40% income tax on earnings between £50,001 to £150,000
- If you earn £150,001 and over you pay 45% tax.

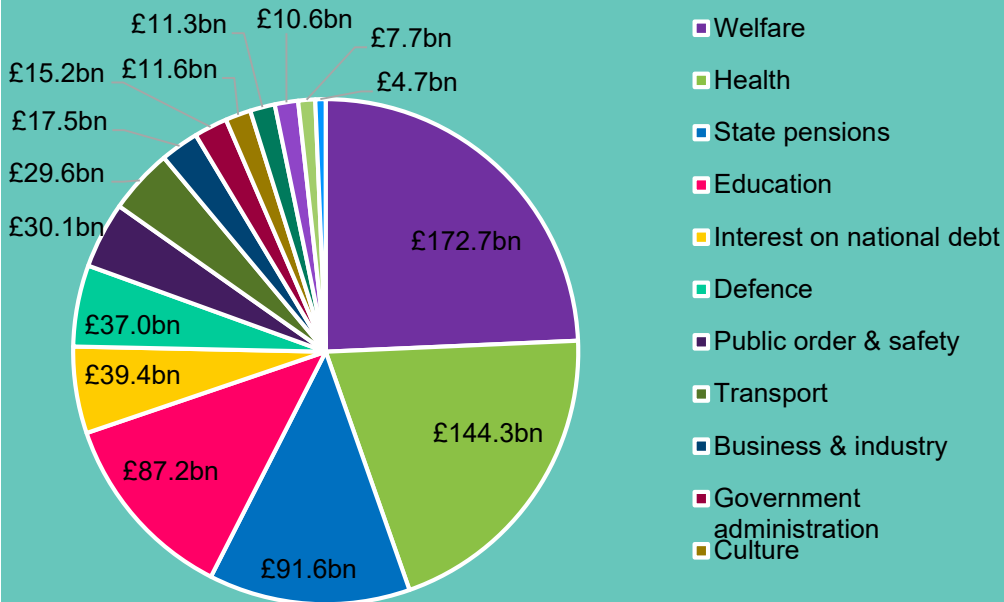
For example, if you earn £52,000 a year, you pay:

- Nothing on the first £12,500
- 20% (£7,500.00) on the next £37,500
- 40% (£800) on the next £2,000.

Therefore you would expect to pay

- £8,300 per year / £691.66 per month

### Government expenditures



### What happens if I don't pay Income Tax?

Tax Most people pay Income Tax through PAYE. This is the system your employer or pension provider uses to take Income Tax before they pay your wages or pension.

If your employer makes a mistake and under pays your tax, you could be made to repay that amount through the next years PAYE if the amount is under £3,000 and you earn under £30,000 per year.

If your employer or pension payer is at fault, the tax can be collected from them instead. If you are a self-employed person, **you** are responsible for filing your tax returns each year with the HMRC. Failure to do so or filing late or inaccurate returns can result in a HMRC Enquiry. If the enquiry find you are guilty of deliberately misleading or falsify your tax record you can be **prosecuted for fraud**. In most cases you will be given a bill for the unpaid tax and a set time frame to pay it back.