



### Income Tax

This is the tax levied directly on personal income. The amount of **income tax** you pay depends on two things:

How much of your income is above your **Personal Allowance**

How much of your income falls within each tax band

### National Insurance Contributions

You pay this in order to qualify for certain benefits and State Pension. **Anyone over 16**, earning £157 or more each week, or is self-employed and has a profit of more than £6,025 a year is expected to pay .

### 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

### Debt

This is when you owe money and your account has a negative balance, this could be through using a credit card, taking out a loan or not paying a bill on time.

### Credit

This is when your account has a positive balance, for example you have overpaid a bill or have money in your bank account.

### Debit card

This is a card used for making payments, the payments can be using chip and pin, contactless or online payments. The money that is used will come from your bank account and is your money, there are no fees for using a debit card in this country and you are not getting into debt by using one unless you are using an overdraft on your bank account.

### Credit card

To acquire a credit card a good credit rating is needed as is the ability to pay back anything you spend. This can be used in the same ways as a debit card however, the money is not from your savings, you are borrowing it from a bank and will need to pay it back. Unless it is paid in full before the date the payment is due there will be an interest charge placed on top so you will be paying back much more than you spent. If you use a credit card and pay it off completely each month it will help build your credit rating.

### Credit Rating

This is a number given to people based on their financial decisions. The higher the credit rating the better deals will be on offer, lower interest loans and mortgages with more money available to borrow. Missing payments, taking out too much debt and not being on the electoral register are all things that will lower a credit rating, if the rating becomes too low it will make it very difficult to borrow money from the big banks and interest rates will be much more (meaning over time you will be paying back far more than you borrow).

- **Taxation** - A means by which governments finance their expenditure by imposing charges on citizens and corporate entities.
- **Deductions** - Any item or expenditure subtracted from gross income to reduce the amount of income.
- **National Insurance** - The system of compulsory payments by employees and employers to provide state assistance for people who are sick, unemployed, or retired.
- **Direct Taxation** - Are usually obvious amounts such as income tax which you can see being taken from your pay or have to pay direct to HMRC. Other direct taxes include corporation tax, capital gains tax and inheritance tax.
- **Gross Income** - Total amount of income earned before any deductions.
- **Net Income** - Total amount of income you receive after all deductions

## Key Terminology

Taxation, National insurance, Income, Debt, Credit, Credit Rating, Savings, Pensions, Account, Wages, Financial, Budget, Branch, Loans, Financial Responsibility, Financial Competence, Values, Overdraft, Store Card, Pay-As-You-Earn