



Local and National Taxation

The Government earns its money from the population through tax. But how is this organised and what is the money used for?

National Taxation

- Taxation is money taken by the Government for the running of the country and is spent, for example, on schools, the National Health Service, maintaining roads and national defence.
- The Government department that is in charge of tax is Her Majesty's Revenue and Customs (HMRC).
- HMRC collects most of its money through Income Tax (where people pay a percentage of their earnings), Corporation (Company) Tax (where businesses pay a percentage of their profits) and Value Added Tax (VAT - an extra charge on sales of products and services). (See Fact Sheet FA2 - Income Tax and National Insurance for more information on Income Tax and National Insurance.)
- The Government works out a budget and then lets the public know how their tax money is being spent. (See the 2011-2012 Government Budget on Work Sheet WD2 - Local and National Taxation.)
- Spending is a very political issue with political parties each offering alternatives in the hope that this will persuade people to vote for them in the next general election.

Local Tax (Council Tax)

- Council Tax is money collected annually by the Local Government (Local Authority) from people who own or rent properties in their area.
- Most households pay over £1,000 per year in Council Tax.
- The amount you pay depends on the value of the property. Generally the larger and more expensive the property, the higher the Council Tax bill. It also depends on the area in which you live (e.g. Council Tax in London is usually higher than in many rural areas).
- Some people (e.g. university students and people on certain benefits) do not have to pay Council Tax or may get a discount.
- The National Government makes sure that Local Authorities spend a certain amount of their tax income on local services. This means they have to maintain the local police, public transport, ambulance and fire services, collect and dispose of rubbish, clean the streets, offer social and housing benefits, etc. The local authority can then decide how to spend any leftover money.