

Taxation

Taxation is money taken by the Government from individuals and businesses to pay for the running of the country.

National Government taxes

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 and National Insurance Contributions.

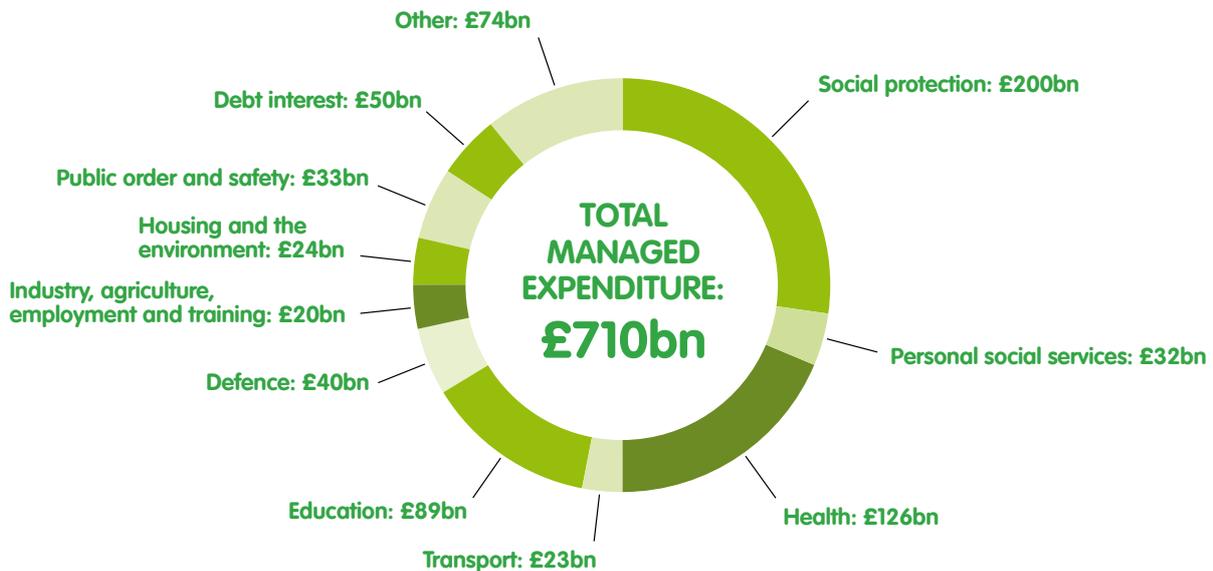
- Income Tax – is paid on your income – your earnings, pensions, interest on savings, income from shares or renting out properties, etc. The amount you pay in tax depends on your total income.
- National Insurance Contributions – known as NICs, help to pay for benefits (see Fact Sheets FA1 - Earning Money and FA2 - Benefits).

Other taxes

The Government also gets income from Corporation or Company Tax (where businesses pay a percentage of their profits), Value Added Tax (VAT - an extra charge on sales of products and services) and a range of other taxes and duties.

It works out a budget and then lets the public know how their tax money is being spent. 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.

This is the Government's budget showing its areas of spending for 2011-12:



The current government is trying to bring the deficit (i.e. the national debt) under control by stopping national spending from being more than the national income, which comes from taxes.

Local Government finance

Local governments get most of their money from Government grants, but a portion comes from Council Tax - money collected annually from people who own or rent properties in the area. The amount you pay depends on where you live and the value of the property.

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.