

Tax Questions

Lesson 12



Be able to answer tax questions by understanding how tax brackets work.

Tax Brackets

Banks tend to give you more interest as you deposit more into your account. This means that there are interest brackets. The same can apply for income tax rates.

In these questions you need to distinguish between **Simple Tax** and **Staggered Tax**.

What is staggered tax?

Tax is staggered when you do not pay a consistent tax for the whole sum. For example consider this staggered tax table:

Annual Taxable Income Bracket (£)	Tax Rate
0 - 10,000	10%
10,000 - 20,000	15%
20,000 - 35,000	25%
35,000+	35%

In this table above:

- A person earning £12,000 will pay £10,000 at 10% and £2,000 at 15%.
- A person earning 8% would pay all tax at 10%.



Example Scenario 12

The table shows the total tax paid (£) on annual taxable income.

Annual Taxable Income Bracket (£)	Tax Rate
0 - 10,000	10%
10,000 - 20,000	15%
20,000 - 35,000	25%
35,000+	35%

30. Kate Ward has an annual income of £24,000. How much income tax, to the nearest £, does she pay?

- A. £2,000
- B. £2,500
- C. £3,500
- D. £4,500
- E. £6,000

31. James pays £450 of income tax per month. To the nearest £500, what is his annual income?

- A. £30,000
- B. £30,600
- C. £31,000
- D. £31,600
- E. £32,000