



TAX facts

HMRC Quick Answers Guide

Helping you answer students' questions with confidence



What is tax, and why do we have to pay it?

Tax is money paid to the government so it can pay for public services such as healthcare, education, defence, crime prevention, welfare benefits, and pensions.



What are the main types of tax in the UK?

- Income Tax and National Insurance: deducted from income, linked to state benefits and pensions.
- VAT (Value Added Tax): tax on goods and services.
- Corporation Tax: paid by businesses, based on their profits.

What is Income Tax, and how does it work?

Income Tax is paid on income from employment or self-employment.

- Employers deduct Income Tax from wages using **PAYE** (Pay as You Earn).
- Self-employed individuals file a **Self Assessment tax return** to report income and pay tax directly.

What is National Insurance, and why do I need to pay it?

You pay National Insurance contributions to qualify for certain benefits and the State Pension. Both employees and employers contribute. Children under the age of 16 do not pay National Insurance.

What's the difference between gross pay and net pay?

- **Gross Pay** is your income before deductions (for example, Income Tax and National Insurance).
- **Net Pay** is your income after deductions.

What is Pay as Your Earn (PAYE), and how does it work when I have a job?

- PAYE is the HMRC system that your employer uses to collect Income Tax and National Insurance contributions.
- The tax code on your payslip tells an employer how much tax to deduct.



What happens if I don't pay the right amount of tax?

HMRC is here to collect the tax that pays for the UK's public services. We'll help you meet your tax responsibilities and make sure you get any benefits, tax credits, refunds or other support you can claim. However, we will take firm action against the small minority who bend or break the law.



Do I have to pay tax on my savings?

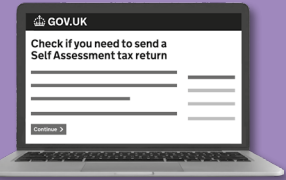
- **Interest** earned on savings may be taxed. Interest is the money a bank pays you, calculated as a percentage of the amount you pay in, for holding your money in your account.
- The **Personal Savings Allowance (PSA)** lets you earn some interest on your savings tax-free. The amount of tax-free allowance you receive depends on the rate of tax you pay.

At what age do I have to start paying tax?

There's no age limit. Tax applies if income exceeds the Personal Allowance.

Do I have to pay tax if I'm working part-time while studying?

Students working while studying will pay Income Tax and National Insurance if they exceed the income thresholds for these taxes.



What is a Self Assessment, and when do I need to complete one?

Self Assessment is how self-employed workers pay tax on their income. You declare your income by completing a tax return and then pay any tax owed. The deadline to complete a tax return for the last tax year is 31 January. You may be required to complete a Self Assessment for other tax purposes, for example people and businesses with other income. Visit www.gov.uk/check-if-you-need-tax-return for more information.

Do I have to pay tax if I am selling secondhand items online?

If you are just selling some unwanted items that you have at home, it is unlikely that you will have to pay tax. In order to pay tax on the goods or services you sell, you either have to be trading or be making what is called a capital gain.

If you are trading and your income from the trading is above a certain amount you must register as self-employed and file a Self Assessment tax return.

If I get paid for babysitting or tutoring, do I need to tell HMRC?

You can earn up to limit set by the trading allowance for occasional casual work such as babysitting. Income above that must be declared, and you'll need to register as self-employed.

Will I pay tax if I start earning money from streaming, YouTube, or social media content creation?

If your income exceeds the trading allowance threshold. You must register as self-employed and file a Self Assessment tax return.



How much can I earn from a part-time job before I have to start paying tax?

Each tax year you're allowed to earn a certain amount of money without having to pay tax. This is called a Personal Allowance, and HMRC will tell you what this is with a tax code. Your employer will use this code to work out the tax you may need to pay on your income.

How do I find information about my tax code and National Insurance number?

By downloading the HMRC app you can find out what your tax code means and its impact on your pay, you can view and save your National Insurance number and update information like your address.

Can I work for HMRC or in the Civil Service, and how do I get started?

Many of our people at HMRC begin as Customer Service Advisors, who are the first point of contact for our customers. It's a role that combines great communication skills with a genuine desire to help others. It helps people navigate essential services over the phone, by email or by web chat. It's a role that really makes a difference. We also offer a wide range of apprenticeships. To find out more about apprenticeships and a career in the civil service visit www.civil-service-careers.gov.uk

