

## Income Tax

This form of taxation is charged on a variety of income types. Income streams subject to income tax are broken down into three categories:

### 1. Other Income:

**Employment:** This is would be gross salary from your employment that gets charged to Income tax (refer to excel)

**Employment Benefits:**

These are non-cash rewards given to employees in addition to their cash salary.

The situation may present itself in your workplace, where your employer may offer you paid health care, use of a car, or another asset, a fuel allowance, interest free loan etc.

The “extras” offered by your employer, in the eye of the taxman are regarded as employment benefits.

The tax impact would be more tax to pay over to HMRC.

### Are all benefits offered taxable?

No they are not. The government do allow certain benefits to be exempt from tax, some include:

- Mobile phone
- Parking space
- Relocation costs for employees (up to a limit)

**Self-employment:** This would be your adjusted net profit from your business

Note\* It is the amount of cash left over:

- a) After deducting all expenses (bank charges, motor expenses etc.,) overheads (rent, heat etc.,) finance costs (interest paid out etc.,) which is essentially your Profits.

## **Profits**

If you were to sell a product for £100.00 that had originally cost you £50.00, then your **profit** would be £50.00 (100 -50.) It is the 50.00 that you would be taxed on.

Remember, it is not the amount of amount of cash you receive from sales **but** the cash you have left over after you paid out all business related expenses.

**Property income:** This would be income you would receive by renting out your property for example.

Similar to trading profits, property income includes allowable deductions e.g. repairs & maintenance costs, mortgage interest, letting agency fees etc.

## **2. Saving Income:**

**Bank and building society interest:** This would be the interest received from your bank account and you would receive it net of Tax.

Note\* "Net of tax" means, the amount paid to you includes the deduction of tax, so you do not have to pay anything, you may spend the money you receive and not have to think about the tax implication (given your income is below a certain limit).

## **3. Dividend Income:**

This would be Dividends received from UK & foreign companies. You would receive it net of Tax (similar to savings income.)

\*Note: The applicable tax rates for other and Savings income are the same but dividend income is different (Tax table link)