

Tax Training 2017, interactive session

1. According to the Institute for Fiscal Studies, what proportion of UK government revenue was collected via income tax in 2016/17?

- a) 65%
- b) 45%
- c) 35%
- d) 25%

HMRC collected around £180 billion in income tax last year- up £10 billion on the year before. National Insurance and VAT are the next biggest contributors, at around 17% each.

2. In 1966 The Beatles released the song 'Taxman' as a protest. About what?

The introduction of a 95% supertax by the then Labour government.

"It's one for you, nineteen for me" relating to the 95% rate of income tax + supertax.

This protest was less controversial than Lady Godiva's protest about tax when she apparently rode round Coventry naked, or Queen Boadicea's (or Boudica) revolt against the Romans in 60 AD, which was mainly caused by corrupt tax collectors.

3. What proportion of the UK population pays income tax?

- a) more than 70%
- b) between 50% and 70%
- c) more than 30% but less than 50%
- d) less than 30%

Most people are entitled to the standard Personal Allowance, which is the amount of money you can earn before you begin paying income tax. This currently stands at £11,000.

4. The pre-election Government proposed new rules to limit tax deductions for interest expense and other similar financing costs. What is the EBITDA restriction rate that was expected to apply to normal companies?

- a) 5%
- b) 10%
- c) 20%
- d) 30%

Answer is (d) – can lead into a discussion of impact upon the mutual sector

5. In 2016, when was 'tax freedom day', the first day you start earning money you can keep?

- a) 1 May
- b) 3 June
- c) 11 July
- d) 6 August

Source: Adam Smith Institute. 1 May is tax freedom day in Switzerland; 11 July in Germany and 6 August in Belgium.

6. In a slow year, Graham earns £100,000 and Martin earns £25,000. At current rates and to the nearest whole number, roughly how much extra tax and national insurance does Graham pay than Martin?

- a) Graham pays three times the amount Martin pays
- b) Graham pays four times the amount Martin pays
- c) Graham pays seven times the amount Martin pays
- d) Graham pays ten times the amount Martin pays
- e) The same (he is a tax accountant after all)

Someone under 60 earning £100,000 in 2017/18 would pay £28,696; national insurance would be £5,524. For someone earning £25,000, tax paid would have been £2,698 plus £2,020 national insurance.

7. In 2020 the standard rate of corporation tax in the UK will fall to 17%, as announced by George Osborne in his last budget. Who was the Chancellor of the Exchequer who announced the highest ever rate?

- a) Gordon Brown (1997 to 2007)
- b) Anthony Barber (1970 to 1974)
- c) Denis Healey (1974 to 1979)
- d) James Callaghan (1964 to 1967)
- e) Neville Chamberlain (1931 to 1937)

Corporation Tax was introduced in 1965. Before that companies paid the standard rate of income tax. Labour Chancellor Dennis Healey raised Corporate Tax to 52% in the post-election Budget of 1974, and applied it to the tax year from April 1973.

8. Which of these insurance products is the odd one out, from a tax perspective?

- a) Commercial aircraft insurance
- b) Income Protection

- c) Motability insurance for disabled drivers
- d) Health cash plans

All the products mentioned above are exempt from Insurance Premium Tax except for Health Cash Plans. The current rate of IPT is 12% having just increased again, though some large employers arrange health cover under trust to avoid paying IPT.

IPT has become a significant source of revenue to the government, though rumours that it was an industry source that suggested the rate should eventually be equalised with that of VAT, are probably untrue.

9. The tax intake from Manchester in the ten years to 2015 grew by 1% in real terms. How much did tax intake grow, or shrink, from London?

- a) - 10%
- b) 1%
- c) + 10%
- d) + 25%

According to research by the Centre for Cities, while the amount of tax generated in London increased by 25% (£28bn) in real terms between 2004/5 and 2014/15, Manchester's tax intake grew by only 1%, while Birmingham, Glasgow and Leeds all saw significant decreases in their tax intake. London now accounts for 30% of all tax intake in the UK.

10. Bob, who has never ventured north of Carlisle, earns £120,000 in the tax year ended 5 April 2018. Crystal and Amjad live together in Armagh City and earn £60,000 each.

By roughly how much is Crystal's and Amjad's take home pay greater than that of Bob?

- a) £1,540
- b) £5,300
- c) £11,780
- d) £14,600

Answer:

Bob pays tax of £40,700 and national insurance of £5,920.52. His net wage is £73,379.48. Crystal and Amjad each pay tax of £12,700 and national insurance of £5,576.48. Their net wages, taken together, are £85,152.96. That is, £11,773.48 more than Bob.

If Crystal and Amjad earned £50,000 each, their take home pay would only be £179.88 less than Bob's. But then, if they had children, they would be able to benefit from child benefit and additional childcare, which Bob would not be able to claim.