**KEYWORDS**

**Tax** - This is a compulsory payment to Government. It is charged

on income, business profits or added to the cost of goods and

services.

**Tax Liability** - This means that a certain amount of money must

be paid to the Government. It is the responsibility of each person

to make sure that they pay the correct tax.

**Tax Avoidance** - This is a legal way of reducing the amount of txt that you must pay. For example, you can claim tax credits which will reduce your tax bill

**Tax Evasion -** This is illegal and usually happens when people fail

to declare some or all their tax. Those found guilty will pay

interest and penalties or may go to jail.

**Tax Rate** - This is a percentage of tax that is levied on your

income. There are 2 rates – 1. Standard rate of 20% and a higher

rate of 40%

**Standard Rate Cut Off Point -** This is also known as SRCOP.

This is a document that is sent by revenue that show how much

will be taxed at the standard rate cut off point and how much will

be taxed at the higher rate cut off point

**Tax Credit -** This is the amount by which your tax bill will be

reduce by. Your Tax credit are sent by revenue and are different

depending on the person circumstances

**Gross Pay -** This is the amount of pay before any deductions

**Net Pay** - This is Gross Pay less any Deductions. It is also known

as Take home pay

**Deductions** - These are l lth payments that are taken away from

gross pay. It included Statutory Deduction – these must be paid

and are sent to Revenue (PAYE, PRSI and USC) and Voluntary

Deduction – these are deduction that the employee chooses (VHI,

Savings, Pension)

**SELF TEST QUESTIONS**

1. Define and understand different terms associated with calculating wages
2. Calculate PAYE

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3. Calculate USC

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4. Calculate PRSI

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5. Apply the tax credit

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6. Calculate Gross pay

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7. Calculate Nett Pay

**WHY WE PAY TAX**

**SUCCESS CITERIA**

1. Calculate gross pay (Basic Pay + Commission + Bonus)
2. Calculate PAYE (Gross pay multiply by tax rate)
3. Remember to find 40% Tax use the salary figure and take away the SRCOP)
4. Remember to tax the take credits away from the PAYE figure
5. Calculate the PRSI (Gross pay Multiply by PRSI figure)
6. Calculate the USE figure (Gross Pay multiply by USC figure)
7. These 3 figures added together gives you the Statutory deduction
8. Add the voluntary deduction together
9. Add step 7 and 8 together
10. Take this figure away from you gross pay