

Key terms and FAQs

Getting Paid



Income - from a personal perspective, this is the money that comes into your home or to you as an individual. It can come from many sources such as earnings from work, side hustles, benefits, pensions, or investments.

Payslip - a record of your income and deductions from your place of work. This may be issued to you in paper or electronic format. There is no standard format for what a payslip looks like in the UK but they must show you as a minimum your gross pay and take-home pay, any variable deductions (like tax) and the hours you worked in the relevant period.

Interest - money that is paid as a reward to savers or as a fee on borrowed money.

Welfare benefits - money provided by the government or councils to support families or individuals with particular needs.

Employee benefits - additional compensation or non-cash perks and rewards provided by an employer to employees, for example, enhanced workplace pensions, enhanced parental leave, cycle-to-work scheme, discounts, free lunches, or gym membership.

Employed - you work for someone other than yourself.

Self-employed - you work for yourself either as a sole trader or through your own company.

Salary deductions - money that is taken out of your pay e.g. tax, student loans etc.

Workplace pension - a retirement planning tool - you put money into long-term investments which are designed to grow over time and give you an income to be used later in life.

Investment - something that you buy, such as stocks and shares, property, or valuable items such as art. When you invest your money is at risk - while you may hope the value goes up over time, it may go down.

Student loan - money borrowed to pay for university education. Depending on your earnings, you may repay your loan through salary deductions.

Union - an organisation that represents employees working in a particular field or company. A union may support employees in making representations on their behalf e.g. in a workplace dispute and bargaining for pay.

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HMRC - Her Majesty's Revenue & Customs, the government body responsible for collecting taxes from individuals and companies.

Income tax - an amount of money paid on your income. The amount that is paid depends on your level of earnings. You typically pay more income tax the more you earn.

National Insurance Contributions (NIC)- another type of tax paid by employees, employers, and the self-employed on their income.

Gross pay - the total amount of money made in the course of working, before any deductions.

Net pay - sometimes called take-home pay, this is the money you are left with from your earnings after all deductions have been made.

Human Resources (HR)/People Team - a department within a company that is responsible for looking after people. This might include dealing with recruitment, internal training, and pay and benefits.

Overtime - the number of hours someone works over their usual or minimum working hours. This is not always paid.

Side hustle - a common name for a type of job that brings in extra money in addition to your primary source of income. It can be something you're passionate about, or simply something you do to help pay for the things you love.

Shift work - a way of working outside of the traditional workday pattern of 9-5 Monday to Friday - typical in roles within the NHS and retail.

Progressive tax - tax based on the taxpayer's ability to pay. It means the more you earn, the higher your tax will be.

National minimum wage - the minimum pay per hour almost all workers under 23 years old are entitled to by law

National living wage - higher than the minimum wage, workers get it if they're over 23. It's the highest band of the National minimum wage.

The real living wage - is a wage that employers can choose to pay (above the minimum wage). It is set by an independent charity to support people to achieve an adequate standard of living.

VAT- Value Added Tax is paid by consumers and applies to commercial activities involving the production and distribution of goods and the provision of services.

Tax code - a code made up of a series of numbers and a letter.

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1. I have two jobs. Do I pay tax on both?

If you have more than one job all of your earnings should be reported to HMRC and you will pay tax on the combined total of your earnings. Depending on how much you earn you will typically pay a combination of income tax, NICs and the Health and Social Care Levy.

2. Do I have to pay tax?

In most cases, yes! If you are over the thresholds for your personal circumstances, then you will need to pay and you can't just decide that you don't want to. There may be options available to you to pay less tax depending on your circumstances but you should plan to pay your taxes.

3. Why is my employment contract important?

Your employment contract sets out the terms and conditions of your employment. This can include details such as your working hours, salary, holidays, work location, etc. Your contract will also include a starting date and a notice period in case you want to leave your job.

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

You may not pay the right amount of tax for a number of reasons. One of the main reasons is if you are on the wrong tax code. If this happens and you have overpaid tax, HMRC may contact you to let you know you are owed a refund. If you have underpaid tax HMRC may contact you to discuss ways for you to pay it back. This could be through additional payments through future payslips or by making a one-off payment.

None of this is automatic, so if you suspect your tax payments are wrong, you should contact HMRC. If you deliberately avoid paying tax, there may be fines or even imprisonment.

5. How do I pay tax if I'm self-employed?

If you are self-employed, reporting and paying tax is your personal responsibility. If you earn over the trading allowance of £1,000 you will need to first register with HMRC to receive a unique taxpayer identification. You will then need to make sure you complete a tax return - known as a self-assessment tax return.

Some people are both employed and self-employed, which can make things a little trickier. HMRC will use records from your employer to calculate your tax bill but you will still need to let HMRC know if you have made money from another source. This self-employed income will be added to any employment income and your tax bill will be calculated on the total amount.

6. If I'm self-employed, what information needs to go on my invoice?

An invoice should have a unique identification number, your company name, the address and contact information for you or your company (if you have one), the company name and address of the customer you're invoicing, and a clear description of what you're charging for, the date the goods or service were provided (supply date), the date of the invoice, the amount(s) being charged, the VAT (value-added tax) amount if you charge this and finally, the total amount owed.

7. Is there an easy way to calculate your estimated take-home pay?

Thankfully, yes! There are several online calculators that can give you an estimate of your salary deductions and your take-home pay. This can be helpful when applying for jobs as you need to know what you will have left to budget with. Here are some places to go: The Salary Calculator, Listen to Taxman, and gov.uk .

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8. What is a tax code?

If you are at work you will be issued a tax code. A tax code is made up of a series of numbers and letters. . It tells you and your employer how much of the personal allowance you are entitled to and therefore how much tax you should be paying. The standard tax code in 2022 is 1257L - 1257 because this year the personal allowance is £12,570. If you are not on this tax code you should take a look at the GOV.UK website to understand what your tax code means. If you think your tax code may be wrong you will need to contact HMRC to explain your situation and ask them to change it. Your employer cannot change your tax code for you.

9. Do I have to pay tax on my bonus?

Yes! If you get a bonus this is treated as additional income and will be taxed in the same way as the rest of your salary. HMRC will calculate your tax based on the total amount of money you receive - salary and bonus.

10. Do I have to pay into a pension?

If you are over the age of 22 and are earning more than £10,000 you should automatically be invited to take part in your workplace pension. This is known as auto-enrolment. Your workplace pension can be a valuable way to save for your future retirement as both you and your employer will contribute money to your pension. If you have what is known as a 'salary sacrifice' pension, you will also get money back from the government that goes into your pension. You can choose not to pay into your pension. You should tell your employer if you want to stop making payments. However, your employer must give you the option to rejoin the pension at a later date.

Even though retirement might feel like a long way off, it is important to weigh up the impact of not paying into a pension today versus the impact on your retirement planning. A pension is also tax efficient because you do not pay tax now on income that you divert into a pension.

11. When might I go to an employment tribunal?

An employment tribunal is a special court that considers disputes between employers and employees. If you have a dispute with your employer that you have not been able to resolve through the grievance process you may have a case that can be taken to an employment tribunal. Not all cases will be eligible and if you are unsure about your rights you should speak to an employment lawyer, Citizens Advice, or a union representative if you are a member of a union.

12. Am I entitled to anything on a zero-hour contract?

A zero-hour contract means you are not guaranteed any paid work, but that doesn't mean you are not guaranteed rights. You are still entitled to rights such as national minimum wage and holiday and sick pay. Your health and safety should also be protected in the workplace. You also have the right not to be discriminated against, including if you're pregnant.

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13. Do I have to pay UK tax if I work abroad?

If you work and live abroad for more than 3 months in a year you are likely to pay tax in the country you have moved to. Managing your personal tax across multiple countries can be complicated so if you are planning on doing it you may wish to speak to your employer, if you are traveling at your employer's request or if you are relocating and expect to find a new job you should look for a local accountant or advisor in the country you are moving to, to make sure you pay the right amount of tax wherever you are.

14. How often do I pay tax?

If you are in employment tax will be deducted from each payslip through the PAYE (Pay as You Earn) system. If you are self-employed the deadline for paying tax is 31st January each year. If you do not pay your tax bill on time and are self-employed you may end up paying interest and penalties on top of any tax you owe.

15. When do I get paid?

As an employee, you could be paid daily, weekly, or monthly. If you are paid monthly, you may be paid on the last day of the month or a few days before this date. If you are unsure as to when to expect your pay, take a look at your employment contract or contact a member of your HR/People team who will be able to help you.

If you are self-employed when you get paid will depend on when your invoice is settled. This may vary, and you may find you have to remind your client to pay your invoice if they do not do so on time.

16. What is the average salary in the UK?

In 2021, the average (median) UK person earned £611 per week or approximately £31,772 per year.

17. How do I know if a side hustle is worth doing?

Whether a side hustle is healthy depends on why you do it. If it is purely for the money, you need to make more from it than it costs you to do (making a profit). Making a profit is good but if you are relying on your side hustle to be your main way to make money you will also need to budget for any everyday outgoings such as bills, rent, etc. to ensure you are making enough profit to make it worthwhile. However, you can do side hustles for enjoyment, training, or other rewards. For example, your side hustle could be really fun, could teach you new skills, or help the community. Whatever your reason for side hustling, you should always take care that it doesn't put your main source of income at risk.

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