

# Pay Day Puzzle

## Amazing Fact

In 1705, the Russian Emperor, Peter the Great, decided to tax beards. He was hoping it would encourage the clean-shaven look that was becoming popular in Western Europe.

Tax is a compulsory contribution to the government. It is imposed on a worker's pay, a business' profits and is also added to the cost of some goods, services and transactions.

A payslip is a document a worker receives each time they are paid. It provides information about money paid and about money deducted. Look carefully at the pay slip below.

| <b>Payslip</b>         |                             |                                |                  |
|------------------------|-----------------------------|--------------------------------|------------------|
| <b>Name:</b>           | <b>National Ins Number:</b> | <b>Pay Date:</b>               | <b>Tax Code:</b> |
| T Bear                 | JL086730C                   | 17 <sup>th</sup> December 2016 | 426B             |
| <b>Payments</b>        |                             | <b>Deductions</b>              |                  |
| <b>Description</b>     | <b>Amount</b>               | <b>Description</b>             | <b>Amount</b>    |
| Gross Pay              | £1000.00                    | Income tax                     | £120.00          |
| Overtime               | £250.00                     | Nat Insurance                  | £65.00           |
|                        |                             | Pension                        | £40.00           |
|                        |                             | <b>Less Deductions</b>         | <b>£225.00</b>   |
| <b>Total Gross Pay</b> | <b>£1250.00</b>             | <b>Net Pay</b>                 | <b>£1025.00</b>  |



# Pay Day Puzzle

## Challenge 1

Draw a line to match up the definitions of the different parts of T Bear's payslip:

Gross pay

The amount of money received before any deductions are made.

Income tax

The date on which wages are paid.

Net pay

The amount of money received after deductions.

National Insurance Number

Sometimes called PAYE (Pay As You Earn), this is an amount of money, or tax, paid to the government.

Pay date

A savings account to be used for retirement.

Tax code

A unique number for every citizen.

Pension

Time worked and paid for which is extra to normal contracted hours.

Deductions

A set of numbers, which details how much money can be earned before having to pay tax.

Overtime

Monies deducted from monthly wage.

# Pay Day Puzzle

## Challenge 2

Answer the following questions about T. Bear's payslip:

1. On what date will T Bear be paid?

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2. How much is T Bear's gross pay this month?

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3. How much is T Bear's net pay this month?

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4. What is the difference between T Bear's gross and net pay this month?

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5. What is this difference referred to as on the payslip?

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6. How much income tax is T Bear paying this month?

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7. How much income tax could T Bear pay each year?

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8. Is T Bear paying into a pension fund?  
If so, how much will he pay into this fund over a year?

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9. Why might T Bear's net pay be less next month?

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10. How might this affect his deductions next month?

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You could also try to find out:

- about other unusual taxes that have existed in the past;
- whether children could have to pay tax;
- what happens to tax once it is collected;
- how some people and companies try to avoid paying tax.

# Pay Day Puzzle **Answers**

|                           |   |
|---------------------------|---|
| Gross pay                 | The amount of money received after deductions.  |
| Income tax                | Sometimes called P.A.Y.E (Pay As You Earn), this is an amount of money, or tax, paid to the government. |
| Net pay                   | The amount of money received before any deductions are made.  |
| National Insurance number | A unique number for every citizen.  |
| Pay date                  | The date on which wages are paid.   |
| Tax code                  | A set of numbers, which details how much money can be earned before having to pay tax.                  |
| Pension                   | A savings account to be used for retirement.  |
| Deductions                | Monies deducted from monthly wage.  |
| Overtime                  | Time worked and paid for which is extra to normal contracted hours.                                     |

- On what date will T Bear be paid? **17th December 2016**
- How much is T Bear's gross pay this month? **£1250.00**
- How much is T Bear's net pay this month? **£1025.00**
- What is the difference between T Bear's gross and net pay this month? **£225.00**
- What is this difference referred to as on the payslip? **Deductions**
- How much income tax is T Bear paying this month? **£120.00**
- How much income tax could T Bear pay each year? **£120 x 12 = £1440**
- Is T Bear paying into a pension fund? If so, how much will he pay into this fund over a year? **Yes, £40 x 12 = £480.00**
- Why might T Bear's net pay be less next month? **He worked overtime this month and may not do this next month.**
- How might this affect his deductions next month? **His overall gross pay will be less therefore his deductions will also be less.**