



Money and work

Age range: 14-16



Where does money come from?

Source of money	Question	Answer
Work		£4.62
State benefits		£137.60
Borrowing		18

Where does money come from?

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Source of money	Question	Answer
Work	What is the minimum amount per hour that people under the 18 years of age are legally entitled to earn during the 2021/22 tax year?	£4.62
State benefits	How much is the full basic weekly state pension for the 2021/22 tax year?	£137.60
Borrowing	How old do you have to be to apply for a credit card?	18

Jacob and Sonya

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Jacob is 15 years old, Sonya is 21, and both are applying for jobs.

Jacob wants to apply for...



Sales assistant

A part-time sales assistant is required for our flagship store which sells mobile phones, smart technology and gaming devices. Previous experience preferred but not essential. £4.70 per hour, up to a maximum of 6 hours per week. Flexible overtime is paid at £6 per hour and is often available, but not guaranteed.

Sonya wants to apply for...



Trainee engineering manager

A full-time trainee engineering manager is required to assist with the building of a new sports stadium. Relevant degree (or equivalent qualification) required.

The starting salary is £20,400.

Reading a payslip

Here are some terms that you will find on a payslip. The following slide provides definitions.

Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
01236	A.N. Other		30/06/2021	NT	JC 76** **C	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic Gross Pay	1	1	£100.00	PAYE	£100.00	
Overtime	2	2	£200.00	NIC	£200.00	
Shift Allowance	3	3	£300.00	Pension	£300.00	
	4	4	£400.00	Student Loan	£400.00	
A.N. Other 1 My Road My Street My Town MT1 1AA	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£100.00	PAYE	£100.00	
			£200.00	NIC	£200.00	
			£300.00	Pension	£300.00	
			£400.00	Student Loan	£400.00	
	ABC Company			Total Net Pay	£1234.56	

Reading a payslip: definitions

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Basic

This is your pay when you work your normal agreed hours

Date

This is the last day of the period for which you're being paid, usually a week or month

Deductions

Amounts that are taken from the gross pay, such as income tax, National Insurance contributions, pension, student loan repayments

Employee number

Unique reference number at your place of work, in case employees have similar names

Gross pay

Your total pay before tax and other deductions

NIC

National Insurance contributions are paid by everyone over 16 earning over a certain amount. This is used to fund the state pension and benefits

NT

'No tax': appears when no tax is being deducted

National Insurance (NI) number

Unique reference for paying NI or for receiving benefits or the state pension. It is important to keep a note of your NI number somewhere safe as each new employer you work for will need it

Net pay

The amount of pay you take home after deductions

Overtime

Extra hours you work and are paid for above your normal working hours

PAYE

'Pay As You Earn': spreads your tax payments across each week or month rather than paying it in one lump sum, and is based on an estimate of your yearly salary

Pension

A long-term savings plan specifically to provide financial support in retirement. Both you and your employer may contribute to a pension fund throughout your working life

Rate

Either your hourly or monthly salary, depending on whether you are paid hourly or on an annual salary

Student loan

A borrowed amount of money to cover university tuition fees whilst studying. The loan doesn't need to be paid back until after the course has finished, and only when you are earning above a certain income

Tax code

This tells your employer how much tax to deduct from you. If you multiply the number in your tax code by ten, you will get the total amount of income you can earn in a year before paying tax

TD

'To date': shows a running total of payments from previous payslips within the current financial year, which starts on 6 April in the UK

Jacob

Jacob is 15 and works part-time in a shop – 6 hours a week plus 2 hours' overtime. He's paid weekly and earns an hourly rate of £4.70. When he works overtime, this increases to £6.

Because Jacob is under 16 he doesn't have a National Insurance number and doesn't pay any tax (PAYE) or National Insurance contributions.

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Jacob's payslip: student sheet

Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
01236	J Smith		30/06/2021	NT	-	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic	_____	4.70	£ _____	PAYE	£ _____	
Overtime	2	_____	£12.00	NIC	£ _____	
				Pension	£0.00	
				Student Loan	£0.00	
Mr J Smith 1 My Road My Street My Town MT1 1AA	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£ _____	Total gross pay TD	£120.60	
				Tax paid TD	£0.00	
				NIC TD	£0.00	
				Pension TD	£0.00	
	ABC Company Name			Total Net Pay	£ _____	

Jacob's payslip: answers

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Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
01236	J Smith		30/06/2021	NT	-	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic	6	4.70	£28.20	PAYE	£0.00	
Overtime	2	6.00	£12.00	NIC	£0.00	
				Pension	£0.00	
				Student Loan	£0.00	
Mr J Smith 1 My Road My Street My Town MT1 1AA	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£40.20	Total gross pay TD	£120.60	
				Tax paid TD	£0.00	
				NIC TD	£0.00	
				Pension TD	£0.00	
	ABC Company Name			Total Net Pay £40.20		

Sonya



Sonya is 21 and is a trainee engineering manager at a construction company. She is paid monthly and earns £20,400 per year. Because Sonya is over 16 she pays tax (PAYE) and National Insurance Contributions. She has a student loan but doesn't earn enough yet to make repayments.

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Calculate Sonya's PAYE:

- An annual personal tax allowance is 10x the number given in the tax code. What is Sonya's annual personal tax allowance?
- Work out Sonya's taxable pay – the amount of her salary that Sonya will have to pay tax on
- Calculate how much tax Sonya will pay over the year (the tax rate is 20% of taxable pay)
- Work out how much tax Sonya will pay each month

Calculate Sonya's NICs:

- National Insurance Contributions (NICs) are paid on annual earnings over £9,568. Work out how much of her annual salary Sonya will pay NICs on
- Calculate the NICs Sonya needs to pay on this amount. NICs are paid at 12% (on annual earnings over £9,568)
- Work out Sonya's monthly NICs

Sonya's payslip: student sheet

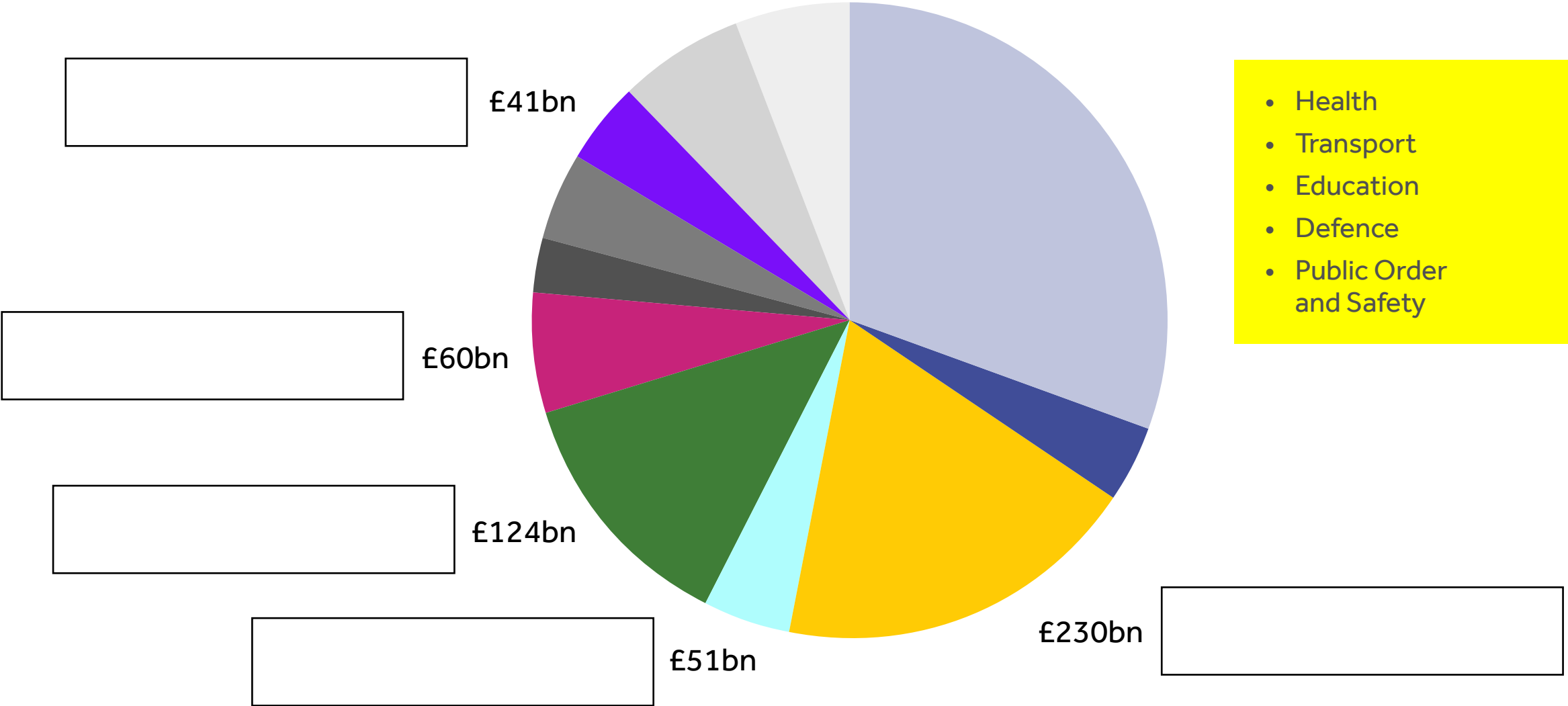
Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
0567	S Fletcher		30/06/2021	1257L	AB 123456 C	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic	1	£ _____	£ _____	PAYE	£ _____	
				NIC	£ _____	
				Pension	£0.00	
				Student Loan	£0.00	
Ms S Fletcher 4 My Road My Street My Town MT1 1BD	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£ _____	Total gross pay TD	£5100.00	
				Tax paid TD	£391.50	
				NIC TD	£324.96	
				Pension TD	£0.00	
	ABC Company Name			Total Net Pay £ _____		

Sonya's payslip: answers

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Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
0567	S Fletcher		30/06/2021	1257L	AB 123456 C	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic	1	£1700.00	£1700.00	PAYE	£130.50	
				NIC	£108.32	
				Pension	£0.00	
				Student Loan	£0.00	
Ms S Fletcher 4 My Road My Street My Town MT1 1BD	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£1700.00	Total gross pay TD		£5100.00
				Tax paid TD		£391.50
				NIC TD		£324.96
				Pension TD		£0.00
	ABC Company Name			Total Net Pay £1461.18		

Government spending



About HMRC

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To watch HMRC's short animations about tax, type 'Tax facts about HMRC' into your internet browser.

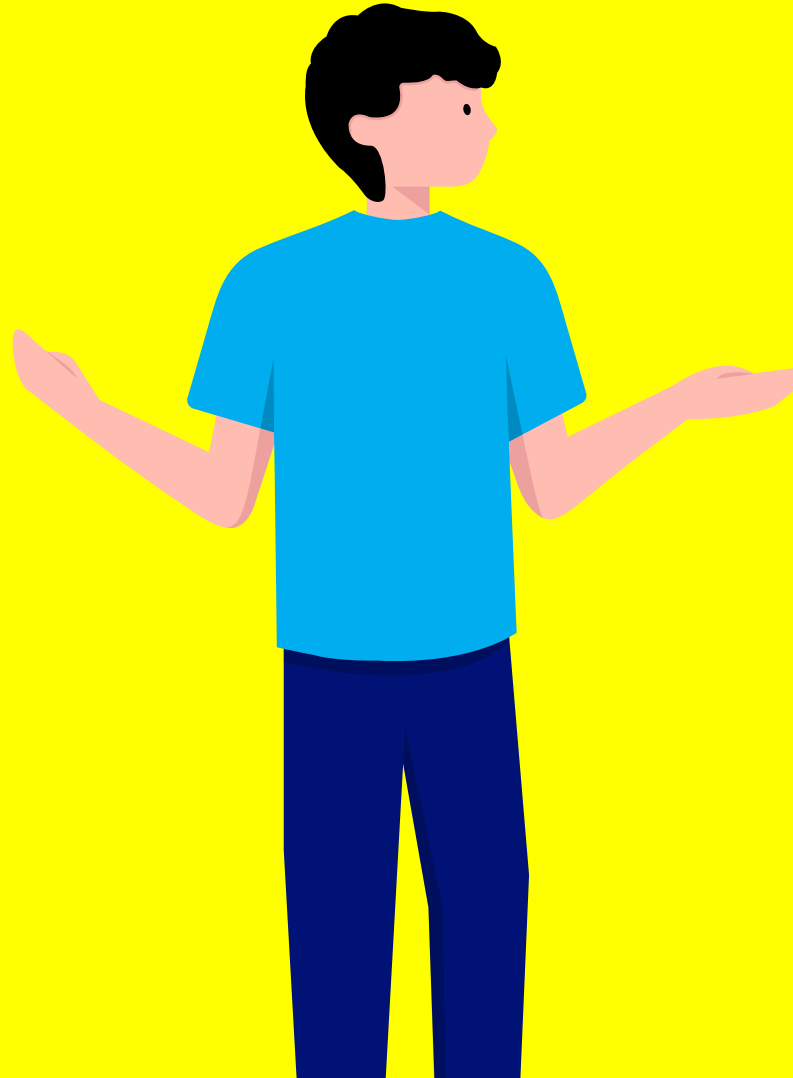
Student loans and pensions

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Student loans

- The maximum that a university can charge is £9,250 per year (for students from the UK, studying an undergraduate course in England that starts in the 2021-22 academic year)
- Students can get a tuition fee loan to cover these costs. This isn't paid back until after the course has finished, and only when you are earning above a certain income. As of April 2021, this is at a rate of 9% on any income over £27,295
- Students can also take out a maintenance loan to help with their living costs

Source: [gov.uk/repaying-your-student-loan/overview](https://www.gov.uk/repaying-your-student-loan/overview)



Pensions

- People over 22 years of age in employment, earning over £192 per week or £833 a month, will be auto enrolled in a pension scheme by their employer
- In most automatic enrolment schemes, you'll make contributions based on your total earnings between £6,240 and £50,270 a year before tax
- The minimum contribution is 8% of your pre-tax salary. This is made up of a minimum 3% employer contribution and 5% employee contribution
- It is possible to opt-out of the pension scheme

Source: [gov.uk/workplace-pensions](https://www.gov.uk/workplace-pensions)

Sonya has been promoted

Sonya is now 23 and earns £28,000 per year. This means she will have to start paying back her student loan of £42,000 at a rate of 9% of her earnings over £27,295. She has been enrolled in her workplace pension scheme, contributing 5% of her salary each year, on top of the 3% that her employer will pay in.

Calculate the student loan and pension deductions, and monthly net pay on Sonya's updated payslip.

Employee No	Employee		Pay Date	Tax Code	National Insurance Number	
0567	S Fletcher		30/9/2021	1257L	AB 123456 C	
Payments	Units	Rate	Amount	Deductions	Amount	
Basic	1	£2333.33	£2333.33	PAYE	£257.17	
				NIC	£184.32	
				Pension	£_____	
				Student Loan	£_____	
Ms S Fletcher 4 My Road My Street My Town MT1 1BD	Totals for this period			Totals Year to Date (TD)		
	Total gross pay		£2333.33	Total gross pay TD		£14000.00
				Tax paid TD		£1,543.02
				NIC TD		£1,105.92
				Pension TD		£700.02
	ABC Company Name			Total Net Pay		£_____

Why salary isn't everything

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True or false?

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**You need your
National Insurance
number when you start
a new job**

**You pay income
tax on every penny
you earn**

**You can never
query your tax code
with HMRC**

**You start paying
back your university
student loan as soon
as you get a job**

**You must pay into
a pension scheme as
soon as you turn 18**

**There's no need to
check your payslip**

**Job satisfaction
is more important
than salary**

Summary: student sheet

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Term	Description
Basic	This is your pay when you work your normal agreed hours
Date	This is the last day of the period for which you're being paid, usually a week or month
Deductions	Amounts that are taken from the gross pay, such as income tax, National Insurance contributions, pension, student loan repayments
Employee number	Unique reference number at your place of work, in case employees have similar names
Gross pay	Your total pay before tax and other deductions
National Insurance (NI) number	Unique reference for paying NI or for receiving benefits or the state pension. It is important to keep a note of your NI number somewhere safe as each new employer you work for will need it
Net pay	The amount of pay you take home after deductions
NIC	National Insurance contributions are paid by everyone over 16 earning over a certain amount. This is used to fund the state pension and benefits
NT	'No tax': appears when no tax is being deducted
Overtime	Extra hours you work and are paid for above your normal working hours

Summary (cont'd): student sheet

18

Term	Description
PAYE	'Pay As You Earn': spreads your tax payments across each week or month rather than paying it in one lump sum, and is based on an estimate of your yearly salary
Rate	Either your hourly or monthly salary, depending on whether you are paid hourly or on an annual salary
Tax code	This tells your employer how much tax to deduct from you. If you multiply the number in your tax code by ten, you will get the total amount of income you can earn in a year before paying tax
TD	'To date': shows a running total of payments from previous payslips within the current financial year, which starts on 6 April in the UK
State pension	The basic state pension is a regular payment from the government. To get it you must have paid or been credited with National Insurance contributions
Student loan	A borrowed amount of money to cover university tuition fees whilst studying. The loan doesn't need to be paid back until after the course has finished, and only when you are earning above a certain income
Pension	A long-term savings plan specifically to provide financial support in retirement. You, your employer and the government may contribute to a pension fund throughout your working life