

## Topic 16.1 Employment: Taxation

- tax N-COUNT  
taxation N-NONCOUNT  
taxable ADJ  
tax (taxes, taxing, taxed) VERB

**Tax** is money charged by the government or an official body to pay for services. The government **taxes** both individuals and corporations.

*You too can 'shock' George Osborne by utilising some common and legitimate methods to minimise your taxable income and maximise your take-home pay.*

*A Google spokesman said it was only right the majority of its tax should be paid in the US*

Different kinds of taxes include:

**capital gains tax** – tax on the profit made on the sale of assets

**corporate tax** – tax on the profits of a corporation

**income tax** – tax on personal income

**value added tax (VAT)** – tax on goods and services

Common collocations

**tax allowance** – part of income which is received tax-free

**tax avoidance** – trying to minimize tax legally

**tax concession** – allowing less tax to be paid

**tax evasion** – trying to avoid tax illegally

**tax loophole** – legal means of not paying tax

**tax relief** – allowing tax-free income

**tax rebate** – money returned to an individual because they have paid too much tax

**tax deductible** – referring to an expense that can be deducted from total profits

thereby reducing the amount on which tax must be paid

**tax haven** – a country that offers foreign individuals and businesses little or no tax liability in a politically and economically stable environment

*Protesters in a rally in London called for tougher government measures to tackle tax evasion.*

- **PAYE Pay As You Earn**

When an employee is paid under the **PAYE** system, tax on his/her personal income is deducted at source by the employer.

Common collocations

To charge tax

To levy a tax

To fill in a tax return

- Income N-NONCOUNT

When a person receives **income**, they receive money from operations or investment. **Earned income** refers to money earned through work while **unearned income** refers to money received from investments. The amount of money of the salary before taxes are levied is called **gross income**, and the amount of money that a person receives after the taxes have been deducted is called **net income**.

## Topic 16.1 Employment: Taxation

1. Complete each space with an expression from the box.

Pay-as-you-earn (PAYE)	tax rebate	tax return	deducted
investment income	pension income		

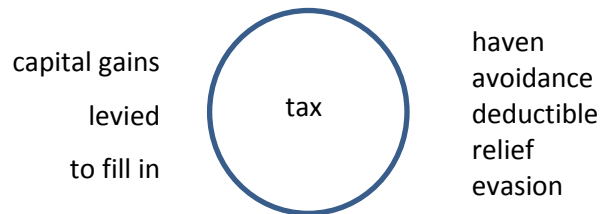
[The Inland Revenue is planning not to send individuals a tax return unless their circumstances change.]

One leading firm of accountants reckons some people could actually lose out as a result of not getting a ..... - in particular, those who often receive a ..... because they have paid too much tax.

These can include pensioners who receive ..... from perhaps two or three sources and some ....., and discover that the wrong amount of tax was ..... at source. That can happen because some say the ..... system often can't cope with the various bits of income that people have.

Adapted from *The Guardian* 26 Feb 2005

1. Complete each sentence with an expression formed with one of the expressions in the first column or the third column and the word 'tax'.



- i. The prime minister announced plans that would make life easier for business by making it easier to set up a company, to employ people, and ..... returns.
- ii. .... is levied on the sale of all assets.
- iii. As a general rule, you can't get ..... for the cost of clothing you wear to work.
- iv. Taking clients out for lunch is now generally never ....., even if they are clients and you are talking about work.
- v. The German foreign intelligence service, paid €5m (£3.81m) for the info - and ..... on that princely sum at 10%.
- vi. Whatever the legal rights and wrongs of paying taxpayers' money for stolen documents, the authorities chasing tax dodgers (through legitimate ..... and illegal .....) have initiated an unprecedented global sweep and crackdown on them.
- vii. Nigel Farage, the leader of the UK Independence party, has admitted setting up a trust fund in an offshore ..... which could have enabled him to cut his tax bill.

3. Read the text and say whether each statement is true or false.

In the US and most other countries, the corporate form of organisation is the most important in terms of dollar value of assets owned, although many more firms are organised as partnerships or single proprietorships. Legally, a corporation is regarded as a separate entity, while partnerships are considered as extensions of their owners. Income earned through proprietorships and partnerships is taxed primarily through the personal tax levied on their owners. Income earned by a corporation may be taxed twice – once when it is earned via corporate income tax and again when it is received as dividends by holders of the firm's securities, via personal income tax.

## Topic 16.1 Employment: Taxation

- |   | T                        | F                        |
|---|--------------------------|--------------------------|
| i. The CEO of a corporation pays corporate tax.   | <input type="checkbox"/> | <input type="checkbox"/> |
| ii. The CEO of a corporation pays personal tax.   | <input type="checkbox"/> | <input type="checkbox"/> |
| iii. In the US there are more corporations than partnerships.   | <input type="checkbox"/> | <input type="checkbox"/> |
| iv. The US government collects tax from the income generated in a business partnership using corporate tax. | <input type="checkbox"/> | <input type="checkbox"/> |
| v. The US government collects tax from both corporations and their employees.                               | <input type="checkbox"/> | <input type="checkbox"/> |
| vi. Corporate income tax refers to tax levied on the income of a corporation.                               | <input type="checkbox"/> | <input type="checkbox"/> |