

- 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

Taxes can be **direct** or **indirect**.

- direct tax

Direct taxes are taxes that people or corporations pay on their income or wealth. They include:

income tax – tax on a person's income

corporation tax or **corporate tax** – tax on company profit

National Insurance – another type of income tax in Britain that is used to fund pensions, unemployment benefits etc.

- indirect tax

Indirect taxes are taxes on goods or services.

- duty N-VAR

Duty is an indirect tax. Different kinds of **duty** include:

excise duty - tax levied on the manufacture of goods within a country

customs duty - tax on imported goods

stamp duty - tax on buying houses / shares

value added tax (VAT) – a consumption tax on the sale or purchase of goods and services

- levy N-COUNT
levy (levies, levying, levied) VERB

When a government **levies** a tax, it imposes or charges a tax. A **levy** is a tax.

If tax is levied directly on personal or corporate income, then it is a direct tax.

When the state government imposed a levy on soft drinks, thousands of citizens took to the streets in protest.

- tax bracket N-COUNT

A **tax bracket** refers to a range of incomes that are subject to a certain income tax rate. **Tax brackets** result in a progressive tax system.

- deduct (deducts, deducting, deducted) VERB
deduction N-COUNT

It is possible to reduce taxable income by **deducting** costs or expenses. A tax **deduction** reduces the adjusted gross income on which you are taxed.

- credit N-COUNT

A tax **credit** is a dollar-for-dollar reduction of the taxes you owe to the government. So a \$100 **credit** means you pay \$100 less in taxes. The biggest categories for **credits** include children (and childcare), education and energy efficiency.

- claim (claims, claiming, claimed) VERB
claim N-COUNT

When you **claim** a deduction or a credit you reduce your taxable income.

- write-off (writes off, writing off, written off) VERB
write off N-COUNT

A **write-off** is a deduction in the value of earnings by the amount of an expense or loss. When businesses file their income tax return, they are able **to write off** expenses incurred to run the business and subtract them from their revenue to determine their taxable income. For example, if you spent money on dinner to take out a client, a portion of that expense acts as a **write-off** against your business income because the cost of the dinner is a business-related expense.

After a series of meetings, the banks were forced to write off the company's debts.

1. Match each beginning (i.- v.) with an appropriate end (a.- e.).

- | | |
|---|---|
| i. Writing off existing student loans could cost the government as little as £10bn, | a. so long as they were so outrageous they could not possibly be worn on the street. |
| ii. Swedish law meant costumes could be deducted against tax | b. well below the £100bn figure quoted by politicians. |
| iii. Tax credits were designed to lift millions of families out of poverty, | c. as part of a cut in benefits. |
| iv. Council tax – set on average at £5 a week – has been levied on the poorest households in England since April last year, | d. We should be charging people to use the motorways instead. |
| v. Let's abolish vehicle excise duty and cut fuel tax. | e. but the system is complex and not everyone claims that to which they are entitled. |

2. Identify the kind of tax being talked about. The excerpts come from www.theguardian.com

income tax	excise duty	VAT	National Insurance	stamp duty
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- a. A measure designed to put a brake on a runaway buy-to-let market with a 3% surcharge on second homes will take effect from midnight.
- b. John McDonnell hinted that a Labour government would introduce tax rises on those paying the top rate of tax – at £150,000 and above – and that Labour’s biggest tax increases would be reserved for the richest.
- c. [The tax] is a complete mess. The old principle – that [it] was a sort of insurance that paid for your pension and healthcare, and gave you cover if you were unemployed – is a fiction. The money simply goes into the general tax pot, and if the chancellor were honest it would be labelled as a tax on pay. But that would mean telling the truth: that the basic rate of tax is not 20% but 32%.
- d. [A report has found that] HMRC [Her Majesty’s Revenue and Customs] saw more than a billion pounds in revenue lost last year in sales tax not paid by retailers outside the EU.
- e. “It [high wine duty] does stifle innovation and put up barriers,” he [Frazer Thompson, chief executive of Chapel Down wines, a British wine maker] says. “Wine has been seen as something that is easy to tax because it was for wealthy people. But wine is for everybody now. The danger we face is that people drive straight past our vineyard on their way to France to buy cheap bottles.”

3. Who do you think said what?

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|------------------------|---|
| <i>Al Capone</i> | a. "The hardest thing in the world to understand is the income tax." |
| <i>Albert Camus</i> | b. "They can't collect legal taxes from illegal money." |
| <i>Albert Einstein</i> | c. “Note, besides, that it is no more immoral to directly rob citizens than to slip indirect taxes into the price of goods that they cannot do without. |

4. Read the text and mark each statement true or false.

What is an 'Excise Tax'?

There are many forms of taxation in the United States, some collected by the federal government and others by local governments and States. One tax in particular that affects the consumption of specific goods is the excise tax – a very specific, often very targeted tax that you pay sometimes without realizing it.

Excise tax differs from sales tax in two fundamental ways. First, it is only on specific goods. Whereas sales tax applies to just about everything you buy (usually with specific exceptions such as unprepared food and clothing), excise taxes are applied to specific goods. The most common examples are luxury goods or those that have been linked to specific health issues like cigarettes, alcohol and tanning salons.

Second, sales tax is a percentage of the sale price. So if you buy a Mercedes S Class, you will pay more sales tax than if you bought a Toyota Corolla. The percentage of tax applied is set by the local government and 45 States in the United States have such a sales tax. Excise tax on the other hand is a flat tax applied before the purchase price for specific items, some of them by states and some by the Federal Government.

<https://www.accuratetax.com/blog/what-is-excise-tax/>

- a. In the United States of America, excise tax can be levied by both State and Federal governments.
- b. All State governments levy a sales tax.
- c. Consumers pay excise tax on all goods that they buy.
- d. Consumers pay sales tax on all goods that they buy.
- e. Excise tax is a direct tax.
- f. Consumers probably do not know that they pay excise tax when they buy a packet of cigarettes.
- g. Consumers pay the same amount of excise tax when they buy an expensive 1 litre bottle of Kentucky whisky as when they buy a cheap 1 litre bottle of Tennessee whisky.
- h. The sales tax rate on a good depends on how much it is sold for.