

Bands for Calculations Worksheet

ANSWERS

This exercise will cover the following:

- Tax bands (2 Questions in total)

Exercise Name: Tax Bands Worksheet

The exercise begins:

Question 1:

Ms Patel earns £92083 per annum

Using the following information, calculate the income tax they must pay.

Personal Allowance £7420

Income Tax Rates & Taxable Bands:

Basic Rate of tax (20%) £0 - £32000

Higher Rate of tax (40%) £32000 - £150000

Additional Tax rate (50%) over £150000

ANSWER:

Let's calculate Ms Patel's income tax step by step.

Step 1: Calculate Taxable Income

Annual Income is £92,083

Personal Allowance is £7,420 @ 0%

Zero percentage (Zero tax in this band)

Taxable Income is $£92,083 - £7,420 = £84,663$

Balance of Taxable Income proceeding into the percentage bands is therefore £84,663

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Step 2: Apply Tax Bands

Basic Rate (20%)

Applies to the first £32,000 of taxable income: $£32,000 \times 0.20 = \text{£6,400}$

Taxable income balance from previous Zero percent personal allowance band above leaves us £84,663 less the amount taxed in this Basic Rate band of £32,000 leaves us a balance for the next band. Therefore: $£84,663 - £32,000 = £52,663$ to be taken forward into the next band of Higher Rate.

We know the annual earnings arrives into the Higher Rate and does not go any further into the Additional Tax Rate.

Higher Rate (40%)

Applies to the remaining income above from above being £52,663

In other words, $£84,663 - £32,000 = £52,663$ balance into this band

$$£52,663 \times 0.40 = \text{£21,065.20}$$

No balance of taxable income remains from this band. All taxable income calculated.

Step 3: Total Income Tax Payable

Total Tax is amount from the Basic Rate (20%) band being : £6,400 plus amount from the Higher Rate (40%) band being £21,065.20

$£6,400 + £21,065.20 = £27,465.20$

So, the answer is: Ms Patel must pay a total of **£27,465.20** in income tax for the year.

The process of working through bands can be applied to any circumstances of splitting across bands. It is the same concept for the use of bands.

Try another one...

Question 2 on next page:

