Penny Explains

Key Stage 4 · Years 10 and 11 | Work, pay and tax | About 45 minutes



Income tax and National Insurance

Where does the money go between your pay and your pocket?

Name _____ Class _____ Date _____ Score: / 44

I can...

- [ ] I can explain the Personal Allowance and the 20% and 40% income tax bands.
- [ ] I can calculate income tax and National Insurance on a yearly salary.
- [ ] I can tell gross pay from net pay and say what taxes pay for.

Key words

Gross pay: pay before anything is taken off.
Net pay is what reaches your bank account.
Personal Allowance: what you can earn in a tax year before paying income tax.
National Insurance (NI): a deduction from pay that builds your right to the State Pension.
PAYE: Pay As You Earn: your employer takes tax and NI off your pay.

1 Tax talk

3 points

Circle one letter for each question.

a) Which words mean your pay after tax and National Insurance are taken off?

(A) Gross pay (B) Net pay (C) Basic pay (D) Overtime

b) Most employees pay tax through PAYE. What does that mean?

(A) You get one tax bill each January
(B) Tax is only charged on overtime
(C) Tax comes off before you are paid
(D) You pay tax when you buy things

c) Zara earns £30,000 a year. Which part of her pay is taxed at 20%?

(A) All £30,000
(B) The first £12,570
(C) The £17,430 above £12,570
(D) None of it

2 Kai and Zara's tax year

11 points

Kai and Zara left school together. Five years on, Kai is a junior chef and Zara is a lab technician. Use the 2026 to 2027 rates to fill in the gaps.

Income tax: 0% on the first £12,570, then 20% up to £50,270, then 40%.
National Insurance: 0% on the first £12,570, then 8% up to £50,270, then 2%.



Penny says: Between £12,570 and £50,270, 28p of every extra pound goes in tax and NI (20p + 8p). You keep the other 72p.

	Kai (junior chef)	Zara (lab technician)
Gross salary for the year	£20,000	£30,000

Earnings above £12,570	£7,430		_____
Income tax (20% of the row above)		_____	_____
National Insurance (8% of the same amount)		_____	_____
Total deductions		_____	_____
Net pay for the year		_____	_____

a) Zara's gross salary is £10,000 more than Kai's. How much more does she take home in a year? 2 marks

3 Dev and the 40% band

Challenge · 4 points

Zara's older brother Dev is a senior engineer earning **£60,000**. Some of his pay falls in the 40% band. Use the rates from activity 2.

a) Work out Dev's income tax for the year. Start by finding how much of his pay falls in each band.

Working

Answer: _____

b) Work out Dev's National Insurance (8% on the first amount, 2% on the second). Then find his net pay for the year.

Working

Answer: _____

4 Read Zara's payslip

6 points

Use the document to answer the questions.

Brightwell Labs Ltd · Payslip	**Paid 30 June 2026**
Payments and deductions	**This month**
Basic pay (gross)	£2,500.00
Income tax (PAYE)	–£290.50
National Insurance	–£116.20
Net pay	**£ ?**
Employee: Zara Hussain · Tax code: 1257L · Paid monthly by bank transfer	

a) How much is taken off Zara's pay in total this month? 1 mark

b) Work out the missing net pay. 2 marks

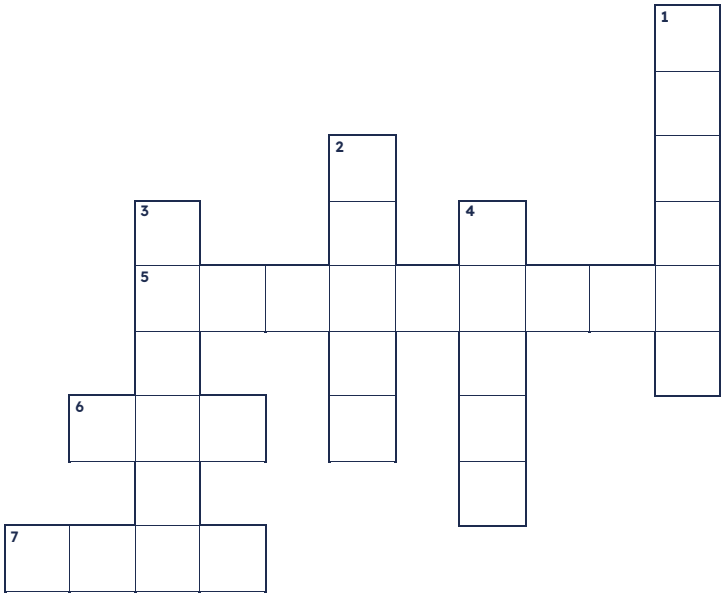
c) **Multiply the monthly income tax by 12. Does it match the yearly tax in your table?** 2 marks

d) **The tax code 1257L tells the employer how much pay is tax-free. Which yearly amount does 1257 stand for?** 1 mark

5 Tax crossword

7 points

Use the clues to fill in the grid.



Across

5. The Personal ___ is the £12,570 you can earn tax-free (9)

6. Money collected by the government to pay for public services (3)

7. Tax taken from your pay before you get it (initials) (4)

Down

1. The ___ rate of income tax is 40% (6)

2. Pay before any deductions (5)

3. Pay for a year's work (6)

4. The ___ rate of income tax is 20% (5)

6 What do taxes pay for?

9 points

Tax and National Insurance pay for things we all share. Write each one in the right box.

A takeaway pizza | State schools | Police and fire services | The State Pension | A phone contract | A music streaming subscription | Road repairs | A gym membership | NHS hospitals

Paid for mainly by taxes	Paid for by the person who uses it

7 The pay rise myth: what would you do?

4 points

Read the story, then answer the questions.



Rosa is Kai's head chef. She earns **£50,000** a year and has been offered a promotion paying **£52,000**. A friend warns her: **"Don't take it! You'll go into the 40% tax band and end up with less money."**

a) **Only earnings above £50,270 are taxed at 40%. How much of Rosa's new salary is that?** 1 mark

b) **What would you say to Rosa's friend, and why? Would you take the promotion?** 3 marks

8 Before you go

One thing I learned today	One question I still have	How sure do I feel?
		Not yet · Getting there · Got it

Take it home

Ask someone at home if you can look at a payslip together, or find a sample one online. Can you spot the **gross pay**, the **tax code**, the **income tax**, the **National Insurance** and the **net pay**?

© Penny Explains · pennyexplains.com · Free to print and copy for teaching.

2026 to 2027 rates. Education, not financial advice.