

# Jargon buster (an A-Z of easy-to-understand glossary)

In this A-Z of easy-to-understand glossary we aim to explain the meaning of tax terminology.

[A-C](#)

[D-F](#)

[G-I](#)

[J-L](#)

[M-O](#)

[P-R](#)

[S-U](#)

[V-Z](#)

## A-C

- **Appeal** – An appeal is how you object to or dispute a government decision. Government departments' decisions are not always right. If you think that a decision about your tax, tax credits or other benefits is wrong, you might be able to 'appeal' that decision.
- **Blind person's allowance** – This is a special allowance that blind people or people with very poor eyesight can claim on top of their personal allowance. If you are eligible for it, you might be able to earn extra income before paying income tax. If you are certified blind and are on a local authority register, or if you live in Scotland or Northern Ireland and are unable to perform any work for which eyesight is essential, you can claim blind person's allowance.
- **Civil partners** – Civil partners are two people of the same sex who live together in a relationship similar to marriage. They form a civil partnership when they legally register their partnership in front of witnesses.
- **Class 2 contributions** – These are a type of National Insurance contribution paid by people who are self-employed. It is a fixed weekly amount.
- **Class 4 contributions** – These are another type of National Insurance contribution paid by people who are self-employed. The amount depends on the taxable profit of your business.
- **Coding notice** – A coding notice is a letter which tells you what your tax code is and how it has been worked out. It is important you check to make sure it is right otherwise you might pay too much or too little tax. You should get help if you cannot understand your coding notices.
- **Compliance checks** – This means HM Revenue & Customs want to ask you questions about information or forms you have sent in such as a tax return or tax credits claim.
- **Council tax** – Council tax is the local tax in England, Scotland and Wales. You pay it to your local council, and they use it to provide local services. In Northern Ireland you will pay rates instead of council tax.

## D-F

- **Department for Social Development** – This is the government department that is responsible for most state benefits in Northern Ireland.

- **DWP** – The Department of Work and Pensions (DWP) is the government department that is responsible for most state benefits in England, Scotland and Wales.
- **Domicile** – Your place of domicile depends on a number of things like your family history and your longer-term plans. If you and your parents came from another country and you still think of that other country as your natural home, you will probably have a foreign or non-UK domicile.
- **Earnings** – Earnings are money or income in return for the work you do or profits from your business. Earnings can include other things like your employer allowing you to use a car for your private use, providing you with accommodation or paying for your meals.
- **Employee** – An employee is someone who works for somebody else (called an employer). An employer will often ask an employee to sign a contract of employment – a document that records the terms they will work on (for example: working hours, how much you will be paid, what happens if you are ill). There does not have to be a written contract for you to be legally counted as an employee.
- **Employer** – An employer is a person or business that has to give work to someone and pay them for it under a contract of employment. The employer directs and controls the work that the employee does. You can be an employer even if you are self-employed, if you pay other people to do work for you.

## G–I

- **GOV.UK** – This is the main website for most of the UK government departments and includes information on benefits, student loans and tax.
- **Government Gateway** – This is a central place where you can register to use online Government services.
- **HMRC** – HM Revenue & Customs (HMRC) are the part of the government that deals with tax, National Insurance contributions, working tax credit, child tax credit and child benefit.
- **Income** – Income is money you get, for example from work you do or from interest on savings.
- **Income tax** – Income tax is tax that you pay on most types of income.
- **Independent tribunal** – An independent Tribunal is a group of people who look at appeal cases. In a tax context, they will look at your case if you are not happy with a decision about your tax or state benefits.
- **Investments** – These are things you buy because you think they might be profitable and earn you money in the future. Investments can include property, shares, savings in a bank account and paintings.

## J–L

- **Jobcentre Plus** – Jobcentre Plus is part of the Department of Work and Pensions (DWP). They are responsible for some state benefits, including Jobseeker's Allowance, Employment and Support Allowance and Universal Credit. In Northern Ireland these benefits are dealt with by the Jobs and Benefits Office.
- **Land & Property services** – Land & Property Services is the department responsible for collecting rates in Northern Ireland.
- **Local authorities** – Local authorities (also known as councils) are responsible for the services in the area where you live. They also collect council tax.
- **Local taxes** – Local taxes are taxes you pay to your Local Authority or Land & Property Services (in Northern Ireland). They pay for local services in your community.

## M–O

- **Mandatory reconsideration** – The first stage of the appeal process for decisions on tax credits made on or after 6 April 2014. The mandatory reconsideration process asks HMRC to reconsider their original decision.
- **National Insurance contributions** – You pay National Insurance contributions to HM Revenue & Customs if you are aged 16 and over, and you are an employee or self-employed. You can also pay

voluntary contributions. The contributions build up your entitlement to state benefits. You usually stop paying contributions once you reach State Pension age.

- **National Insurance number** – Your National Insurance Number is your personal reference number for the whole UK system of National Insurance and state benefits. This number ensures the National Insurance contributions you pay are noted on your record with HM Revenue & Customs.
- **National Living Wage**- This is a premium on the National Minimum Wage for employees aged 25 and over.
- **National Minimum Wage** – The National Minimum Wage sets the minimum hourly rates that employers must pay their employees in the UK. HM Revenue & Customs enforce the rules.

## P–R

- **Parental settlement** – this is when your income is taxed as if it belongs to your parents (or step-parents) and not you. This occurs if you are under 18 years old, not married or in a civil partnership and your parents (or step-parents) have given you funds that produce an annual income of over £100.
- **Pay As You Earn** – This is a system of collecting and paying income tax and National Insurance contributions. If you are an employee, your employer deducts income tax and National Insurance contributions from your income, and pays them to HM Revenue & Customs for you.
- **Payslip** – A payslip is a statement that contains details of your pay and any tax and National Insurance contributions deducted. Your employer might give you a paper payslip or send it to you electronically.
- **Pension age** – This is the age at which you can claim your pension. Find out when you will reach state pension age using the calculator on [GOV.UK](http://GOV.UK).
- **Personal allowance** – Most people who live in the UK can claim a personal allowance. This is the amount of income you can have each tax year before having to pay income tax.
- **Personal tax account**- this is an on-line system operated by HM Revenue & Customs on the GOV.UK website. It allows you to manage some of your tax affairs online.
- **Rates** – Rates are a local tax in Northern Ireland, which you pay to Land & Property Services. Councils use your rates to provide local services.
- **Residence** – The Statutory Residence Test took effect from 6 April 2013. What country you are resident in for tax purposes partly depends on the number of days you spend there. To decide your residence position, you must follow the Statutory Residence Test.

## S–U

- **Salary** – Your salary is the regular payment of your wages from an employer. Your salary might include items other than just money. For example, your employer might also pay for private medical insurance, accommodation for you or other things which have value.
- **Scottish income tax**- From 6 April 2017 the Scottish Parliament has had the power to set its own bands and rates of income tax for Scottish taxpayers on non-savings income. This income tax is collected and administrated by HM Revenue & Customs.
- **Self assessment** – This is the system for giving details of your income and gains to HM Revenue & Customs. It involves completing tax returns.
- **Self-employed** – If you set up your own business and take responsibility for its success or failure, you might be self-employed.
- **State benefits** – State benefits are paid by the UK Government to people who meet certain conditions, for example people with children, or people with a low income.
- **Student loans** – These are loans from the Student Loan Company, a Government-owned organisation that provides loans and grants to students at Universities and colleges in the UK.
- **Tax** – Tax is money paid to the Government to pay for services and to run the state. HM Revenue & Customs collect most taxes, but some taxes (such as tax on vehicles) are collected by other bodies. There are also local taxes for the area where you live.
- **Tax-free** – If something is tax-free, it means you do not need to pay any tax on it. Something which is tax-free might also be described as 'exempt from tax', 'not taxable' or 'non-taxable'.

- **Tax residence status** – Your tax residence status is one factor in deciding whether or not you have to pay UK tax on your income and gains.
- **Tax return** – If you are within self assessment, you have to complete a tax return every year to tell HM Revenue & Customs about your income and gains. You can also claim allowances and reliefs. Some people have to complete a tax return even if their tax is simple, for example, the self-employed and people who receive foreign income.
- **Tax year** – The tax year is from 6 April in one year to the following 5 April. You might see the tax year written as '2018/2019 tax year'. This means 6 April 2018 to 5 April 2019.
- **Textphone** – A textphone is something that can be used by people with hearing difficulties. A textphone, sometimes called a Minicom, is similar to a standard telephone. It plugs into your telephone socket at home, and has a keyboard and display that lets you type and read conversations.
- **Text relay** – Text relay (previously called typetalk) is a service that allows textphone users to contact people who are using a standard telephone. It does this by using a 'relay assistant' who changes type to talk and talk to type.
- **Universal Credit** – Universal Credit is a new single benefit run by the Department of Work and Pensions (DWP) which combines benefits for in and out of work support, housing, and childcare costs, with additional payments for people who have disabilities or caring responsibilities. It is currently being rolled-out to different geographical areas.

## V–Z

- **VAT** – Value Added Tax is a tax on expenditure that is charged by registered traders. If turnover in a 12-month period is more than £85,000, the trader will most likely be obliged to register for and charge VAT on their invoices.
- **Verify** – Verify is the government's new gateway to using online digital services, it can be used to make claims for example for the marriage allowance and tax refunds.
- **Wages** – Wages are the money your employer pays you in return for the work you do for them. Wages can also include other things, such as your employer giving you something other than cash that has a value or benefit to you.