**Key Ideas:**

* PAYG Taxation
	+ Employee works for and is paid by employer
	+ Employer calculates the tax that the employee should pay on this income
	+ Employer sends the money to the Tax Office
	+ Wages - paid per hour worked
* At the end of the year
	+ if you have paid too much, you will get a refund
	+ If you have not paid enough, you will get a tax bill
* $Taxable Income=Gross income -Deductions$
	+ Deductions - Expenses you’ve incurred to earn your income
		- E.g. a builder needs a hammer
		but a math teacher doesn’t
* $Effective Rate of Tax= \frac{Tax Paid}{Gross income}$

Watch until 1:45
[How does income tax work? | Everyday Money | ABC Australia](https://youtu.be/b7fm8yVcihs)







**Example 1**

A first year teacher earns $75,726 and has $2,300 of deductions.
Find:

1. Their taxable income
2. The tax bracket they fall in
3. Their tax payable
4. How much they should pay each week so they don't have a tax debt at the end of the year

1. $Taxable income=Gross income -Deductions=\$75,726-\$2,300=\$72,426$
2. They fall in the third tax bracket, the $\$45,001-\$135,000$ bracket
3. $Tax payable=\left(Taxable Income -45,000\right)×0.3+4,288=\$12,515.8$
4. $12,515.8÷52=\$240.69$