



Chartered  
Institute of  
Taxation.

# Tax Myths Busted



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# Tax Myths Busted

Do you pay tax when you buy a house?



## Tax Myths Busted

Yes.

This is called Stamp Duty Land Tax. This ranges from 0–19% of the purchase price of the house.

You pay 0% up to £125,000 but, if you are buying a property as a second home, you can pay as much as 19%.



# Tax Myths Busted

Do you pay tax  
when you sell a  
house?



# Tax Myths Busted

Yes.

This is called Capital Gains Tax. This is a tax paid on the profit made from the sale. The percentage of tax paid can vary according to the total of your other income. However, if it is your only or main home, then there is no tax to pay as there is an exemption for a Principal Private Residence.



## Tax Myths Busted

Do you pay tax  
on biscuits and  
cakes?



## Tax Myths Busted

Yes and no.

You pay VAT (Value Added Tax) of 20% on biscuits which are chocolate covered. You pay zero tax on cake.

Is a Jaffa cake a biscuit or a cake?



# Tax Myths Busted

Do you pay tax on sugary drinks, sweets, chocolates, and ice cream?



## Tax Myths Busted

Yes - you pay a sugar tax on packaged fizzy drinks and other sweetened soft drinks.

Chocolates, sweets, and ice-creams have a different tax - Value Added Tax (VAT) - applied.



## Tax Myths Busted

Do you pay tax if you own a car?



## Tax Myths Busted

Yes.

You pay Vehicle Tax on all cars and motorcycles on the road. The amount depends on the age, CO2 emissions and fuel type, and for older cars the engine capacity.



# Tax Myths Busted

Do you pay tax  
on a beard?



## Tax Myths Busted

No.

Historically yes. In 1535, King Henry VIII, who had a beard, passed legislation which introduced a tax on men's beards. This was abolished in 1772.



# Tax Myths Busted

Do you pay tax  
on soap?



## Tax Myths Busted

No.

Historically yes. In 1712, England introduced the Soap Tax. It was considered a luxury item which the poor could not afford. This was abolished in 1838.



# Tax Myths Busted

Do you pay tax  
on hats?



## Tax Myths Busted

No.

Historically yes. In 1784, England introduced a tax on hats. To avoid the tax, hat-makers stopped calling their creations “hats”. The tax was abolished in 1811.



## Tax Myths Busted

Do you pay tax  
on children's  
clothes?



## Tax Myths Busted

No.

You pay zero VAT on children's clothes and shoes, because there is no tax on clothes for under 14s.



## Tax Myths Busted

Can you spot which of these excuses for not submitting a tax return is true or false?

- My dog ate the post again.
- My hamster ate the post.
- I was up a mountain in Wales and couldn't find a post box or get an internet signal.
- I've been cruising round the world in my yacht and only picking up post when I'm on dry land.
- My mother-in-law is a witch and put a curse on me.



# Tax Myths Busted

All true.

These are amongst the top 10 most bizarre excuses for not submitting a tax return.



# Tax Myths Busted

Do you pay a Cowardice tax?



## Tax Myths Busted

No.

Historically yes. From around 1100, English medieval knights could opt out of fighting a war by paying a Cowardice Tax.

This evolved into a general tax on knights' land. The tax was abolished by the 14th century.



## Tax Myths Busted

Do gingerbread men pay tax?



## Tax Myths Busted

No – but you might have to pay tax if you buy one.

VAT (Value Added Tax) is charged at 20% if a gingerbread man has chocolate trousers. However, if it has no chocolate on it, or just chocolate eyes, no VAT is charged.



## Tax Myths Busted

Do I have to pay tax if I sell my old clothes online?



## Tax Myths Busted

No.

Provided you are just selling your own clothes you shouldn't have tax to pay. However, if you're buying clothes or making them with a view to then selling them online for a profit you may have tax to pay.



# Tax Myths Busted

Does everyone  
pay tax?



## Tax Myths Busted

Yes.

We often associate paying tax with making money through a job or business. However, there are other taxes such as VAT (Value Added Tax) which apply if you buy things. If you've so much as bought a chocolate bar or fizzy drink, then you've paid tax.



# Tax Myths Busted

Is tax all about maths?



## Tax Myths Busted

No.

To study for the ATT qualification and work in tax you will need a reasonable standard of maths. However, there is much more to tax than numbers. If you like problem solving and creative thinking then a career in tax might be for you.



## Tax Myths Busted

How many different taxes does the UK have?



## Tax Myths Busted

More than 30. The UK has a wide range of taxes – from well-known ones like income tax and VAT to more obscure taxes like those on plastic packaging and landfill.



# Tax Myths Busted

When I die will there be tax to pay?



## Tax Myths Busted

Yes.

This is called Inheritance Tax and 40% is paid on the total value of everything that you owned over £325,000. There are exemptions though, the main one being there is no inheritance tax to pay on things you leave to your spouse or civil partner.



# Tax Myths Busted

Do you pay tax  
on windows?



## Tax Myths Busted

No.

Historically yes. From 1696 until 1851 there was a buildings tax based on the number of windows there were in a property. This led property owners to start bricking up some of their windows to avoid paying the tax!



# Tax Myths Busted

Does the UK collect more or less tax than other countries?



# Tax Myths Busted

Both less and more.

The United Kingdom's tax take, which is calculated as a percentage of GDP, fluctuates each year.

It can be lower than that of some countries and higher than that of others.

GDP stands for Gross Domestic Product and is the value of all the goods and services produced in a year.



# Tax Myths Busted

Do you pay tax  
on things you  
own abroad?



## Tax Myths Busted

Yes.

Technically it depends, but if you were born and live here in the UK, then you will have to pay tax on all your worldwide income, and any gains you make on selling assets, regardless of where they are situated. Some countries make agreements with each other to make sure that you don't pay tax on the same thing twice!



## Tax Myths Busted

Do I pay tax on work clothes provided by my employer?



## Tax Myths Busted

No.

If your employer provides you with a uniform or certain type of protective clothing, then you do not have to pay tax on it. If you have to pay for them yourself then you can claim a tax deduction against your income.