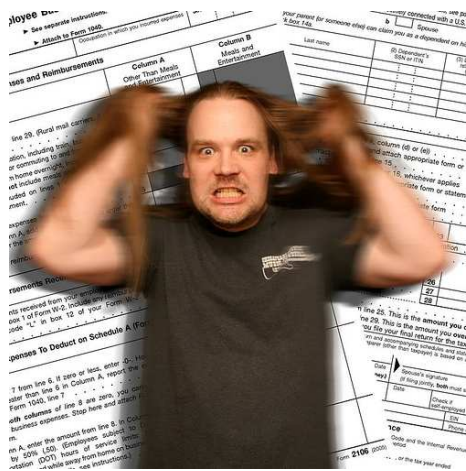


# lingua business

1<sup>st</sup> May 2007

## Tax Return

Paul Gibson



Well, it's that time of year again! Everyone around the world takes a look back at their paychecks from last year to figure out how much money they owe the government or how much money they are expecting to receive from the revenue service.

If you are an average citizen, your tax bracket probably oscillates between €18,000 and €30,000. Each specific income group normally has to pay a certain percentage of their earnings for the year to the government in concept of income tax.

This year, you did not buy a house yet, so you may have been renting out one of those 10 x 10 mini-apartments the Ministry of Housing and Urban Development designed. You may have had to pay a pretty penny for that small apartment too. The good news? You can claim these payments as a deduction on your tax form. In most countries, the quantity of money you can deduct on your taxes is limited depending on the category. Examples of expenses that are usually deductible are tuition costs

(education), mortgage payments, rent or even car payments.

To determine the amount of money you have to pay, you normally have to determine your “taxable amount” or “tax base,” which is any wages, salaries, etc. Then you look at the table to see which percentage you have to apply. This will give the total amount of taxes you owe. If you can claim any deductions, you use those to cover the taxable amount. If you are lucky and those tax deductions exceed the payable amount, you get a refund for the difference!

A lot of people nowadays like to file their taxes early because they know they are going to get a tax return (refund)!

So why do we pay taxes in the first place? Theoretically speaking, taxes cover expenses such as public transportation, infrastructure and here in Spain, medical expenses.

There is an old saying in English: “There are only two things that are certain in this life. Death and taxes.” No matter who you are, how much you make, or even if you don't have a job, you still pay taxes.

Everywhere you look there are taxes. Real estate (property) taxes, sales tax or VAT on anything you buy, even taxes for energy, communications and travel. All of this begs the question... who created taxes?

The philosophical answer might be, well taxes are really shared expenses. Ever since humanity decided to use “money” they really shared expenses as well. But a look at who created “taxes” as we know them today from a business standpoint... as a percentage of our salary or a fraction of the cost of a product is harder to find.