

Wages.

When you have a job, all of your earnings and deductions are listed on your payslip.

First, there's basic pay.

This might be a fixed salary based on working a set number of hours, or it might change if your hours are different each week or month.

Any extra earnings like bonuses, overtime or commission are added to make up your gross pay - the total amount you earn before any deductions.

Deductions include pension payments, income tax and national insurance.

Then, any other payments like student loans.

This leaves your net pay - the amount you actually receive in your bank account.

Car salesman Arjun earns £24,000 a year.

You divide by 12 to find his basic pay - £2,000 a month.

He gets £50 commission for every car he sells.

He sold ten cars this month, adding £500 to his pay.

His gross pay is £2,500.

Arjun pays £125 into his pension.

His income tax is around £240, and his National Insurance is around £84.

That leaves Arjun with NET pay of £2,051.

The money he actually takes home.

Remember, gross pay minus deductions equals net pay.

That's the money you really get to keep.