

Course: “Digital Tax Education and Tax Payments”

Lessons for Teenagers (13 – 17 years old)

Lesson 1: “Taxes: what’s in it for me?”

Instructional Scenario

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1. Course home section

1.1. Introduction

→ Video – Alex talks:

“Hi! It’s great you decided to join us! We’re gonna have an interesting discussion about taxes.

Come on, don’t pull that face! Maybe one day soon, you may have this great idea and decide to make money from it as an entrepreneur. Or maybe you’ll get that summer job you want. And one of the first things you will need to set straight is how to deal with taxes.

It’s fun to make your own money! And taxes won’t take the fun out of it! If you understand their logic.”

1.2. Course Objectives

→ Text on the screen:

“These are the questions we are going to answer:

- ✓ *What is a tax? How can I single it out?*
- ✓ *What are taxes used for?*
- ✓ *What sort of taxes are there? What do they mean?*
- ✓ *What is the impact of taxes on my life?”*

→ press NEXT >

1.3. Trainee assistance

- the section will include a video tutorial describing:
 - o the lesson’s interface and navigation controls
 - o other facilities in the lesson (e.g. Glossary)
 - o help and guidance.
- the tutorial will be identical for all the four lessons in the course.

1.4. Course menu

→ Text on screen:



These are the topics we will go through:

- *Course home section*
- *What is this creature they call “tax”?*
- *Characteristics of Taxes*
- *Making sense of taxes*
- *What if we didn’t pay tax?*
- *Evaluation*

2. What is this creature they call “tax”?

- estimated duration: 10 mins

2.1. The Story

→ Video – Alex presents the 6 teenagers

“Let me introduce my friends...”

Meet the girls!

Dove, the greatest street dancer ever (at least she thinks so and has the moves to prove it).

Nova, who is sooo cool that even ice shivers when they meet.

And Clue, the down-to-earth, analytical type, who almost sounds like Mom!

Now the dudes! Champ is a jock, enough said.

Jedi is the flying skateboarder type... who ultimately has to land somehow. He got us all hooked on the ramps.

All, apart from Doc who used Physics to demonstrate that we are nuts to do it. That’s Doc, the brains of the whole operation!

This my crew, and I just love hanging out with them. You would too!”

→ navigation: press NEXT

→ video

→ Graphics: images of a skateboarding ramp and a street dance stage

Alex: *Now... the thing about hanging out is that you need a place to do it. And we kinda don’t have one...*

It would be great to have a ramp or two, maybe a rail, somewhere close to home. And a small stage for those wicked freestyle dance moves! Nothing fancy, basic stuff. We could set them up in the small park in front of Jedi’s house. Maybe some of the collected taxes could be invested in such things.

Yeah right! Dream on, dude!”

→ navigation: press NEXT



→ video

Alex: And just when we thought that it was just a dream, Doc came with this crazy idea!

Doc: You know, I've been playing with some numbers and it's amazing how little money we need to set those ramps you rave about. Not that I encourage you to do it, but it's doable...

Dove: We can all chip in and also do the stage! We all have our secret stashes... The important thing is to bring together the sum we need!"

Alex: It sounded crazy, but if Doc got the math right, it wasn't a fortune! The budget covered the supplies and some money for a welder and a carpenter. Cool!

→ navigation: press NEXT

→ Text on screen:

So, we had to make a plan. Doc was managing the process, with an academic rigour.

The part with the ramps was easier. Skateboarders are a friendly folk. People sent us plans, lists of materials, DIY advice.

But we were struggling with the money related stuff. To calculate how much we needed to build the park, to size up the contributions, to figure out from whom we could get the contributions first and how soon afterwards the others could pay, to estimate how much money we needed to keep the park working later on... It was a nightmare!

→ navigation: press Continue

→ user clicks on Continue button and this video begins:

Alex: "To get some 'professional' support for this project of ours, we asked Doc to talk to his father. He is an accountant, and a pretty good one. Doc explained the plan to him and his father's answer left him speechless:

Doc: We'll collect contributions from all of us to fund something we need. And we won't mind if others use it also.

Doc senior: That's interesting! It sounds a lot like collecting taxes and using them to fund public infrastructure. Are you, by any chance, planning to run for Finance Minister soon?

→ Graphics:

- image of Docs father

→ drop down list activity

→ Text on screen:

How are taxes related to skate board ramp?

*As Doc's father put it, "taxes" actually provide the money communities use in order to pay for the things that **all/a part of** the community needs. Like new sport courts throughout the city, a cool promenade downtown for hanging out or, why not, a state of the art skate park.*

*These are expensive investments and taxes provide a way to collect the money from **everybody/some members** in the community, according to how much they **can afford/want** to pay.*

→ navigation: press NEXT



→ Graphics:

- image Doc puzzled

2.1.1. Multiple response activity

So, can you nail this connection between taxes and a skating park? What's your explanation?

- ☐ *the state collects tax in order to gather the funds needed to pay for things we all use*
- ☐ *taxes make it possible for the state to ensure a minimum comfort for everyone, no matter their wealth*
- ☐ *since everybody pays tax, it's like we're doing it to help each other and the society as a whole.*

→ Indication: "Tick any answers you consider correct."

→ Feedback for any answer ticked:

Taxes are a representation of solidarity, based on our common responsibilities and interests. People contribute for the wellbeing of the whole society.

→ navigation: press NEXT

3. Characteristics of Taxes

3.1. A common contribution

→ Graphics:

- a petrol station shop

→ Fill in activity (selecting the correct word from a drop-down list)

→ Text on screen:

Taxes are a certainty of modern life.

They are paid by individuals regardless of sex, age, nationality, race and profession. Taxes exist on all continents, and are paid by everybody.

Everybody/Not everybody pays tax, even/excepting those who don't earn money or don't own property. To understand that, all it takes is a visit to the local petrol station.

Every time we buy petrol, we pay a special tax called Excise/VAT which is part of the petrol price. Every time we buy a candy bar, we pay Value Added Tax or VAT which is incorporated in the price of the product.

So, taxes are part of our lives, whether we are aware of them or not!

→ navigation: press NEXT

→ Graphics:

- image with Euro banknotes

→ Fill in activity (selecting the correct word from a drop-down list)

→ Text on screen:



So what can we say about tax?

Taxes make **a** / **no** difference among individuals. They are paid by **a select few** / **everyone**. No matter the age, nationality, race, sex or profession, **some of** / **all** the people pay tax.

- Indication: "Fill in the sentences selecting the correct word from the drop-down list."
- navigation: press NEXT

3.2. Meeting the public needs

- Video:

Alex: *Everybody has necessities. These necessities vary a lot from one individual to another.*

Our necessities can be categorized into private and public necessities. We satisfy our Private necessities buying and consuming services and goods which mainly serve ourselves. Like a new pair of trainers. Or that car I dream of.

Public necessities are more difficult to satisfy. Everybody has them, so these services and goods are consumed by a lot of people. And they can't run out on us.

Think of the public lighting – we all enjoy it, and if it stopped, it would dramatically affect our life (just imagine that all your evenings out will be in complete darkness).

- navigation: press NEXT

- Graphics:

- image with Jedi and skateboard

- Single choice activity

- Text on screen:

Alex: *Let's think of our friend, Jedi. The old skateboard is a mess and he really needs a new one for his tricks. What sort of necessity is this?*

- **Private necessity**
 - **Public necessity**
- Indication: *Tick the correct answer.*
- navigation: press NEXT

Alex: *A new skateboard is cool, but it's just furniture if you have nowhere to ride it. Jedi and all the other skateboarders need skateboard parks. What sort of necessity is this one?*

- **Private necessity**
 - **Public necessity**
- Indication: *Tick the correct answer.*
- navigation: press NEXT



- Multiple choice activity
- Text on screen:

Now, no one asks us to pay for public lighting every time it comes on. We don't pay when we enter a public park. Still, these things don't come for free. They need to be produced, delivered, built, managed and someone has to cover the costs.

Who covers the costs? Everybody. How? Through money from taxes.

So why are taxes instituted and collected by the state?

- *to cover as many individual necessities as possible*
- *to provide for both the private and the public necessities of the citizen*
- *to fund the delivery of public goods and services which cater for public necessities.*
- Indication: "Tick the correct answer."
- navigation: press NEXT

3.3. Taxes as a form of social solidarity

- Video:

Alex: *Another reason why people pay taxes is social solidarity.*

People are different, just like my friends. The resources we are able to produce or have at our disposal are different.

As a consequence, our personal wealth varies from one individual to another. But these differences should not prevent any of us from enjoying decent living conditions.

That's where the state can step in. The state collects taxes and then redistributes the money through public services and goods in order to provide a decent living standard for everyone.

- navigation: press NEXT

- Graphics: for each type of tax will be a suggestive icon
- It will be a drag and drop activity – the user will have to match each type of tax with the appropriate definition
- Text on screen:

Alex: *And since the wealth is not equally distributed among individuals in a society, neither should taxes be. So, let's analyse some examples of taxation systems and decide which of them is best suited to ensure this solidarity we talked about.*

- **fixed sum tax:** *everybody pays the same sum of money, no matter what they own or produce*



- **proportional tax:** everybody pays the same percentage as taxes no matter what they own or produce
- **progressive tax:** the percentage people have to pay for tax increases as their income or overall wealth increases
- **regressive tax:** the percentage people have to pay for tax decreases as their income or overall wealth increases.

→ Matching with drag and drop activity

→ Text on screen:

Alex: Here are some examples for the 4 taxation systems we presented. Let's try to match them with the system they fit into.

no matter if you earn 1,000 or 10,000 Euro, you have to pay 100 Euro as tax – **fixed tax**

no matter if you earn 1,000 or 10,000 Euro, you have to pay 15% of your income as tax – **regressive tax**

you pay 10% in tax for the first 1,000 Euro you earn, then 20% for the next 4,000 Euro, and 30% for the next 5,000 Euro – **progressive tax**

you pay 20% in tax for the first 1,000 Euro you earn, then 15% for the next 4,000 Euro you earn and 10% for the next 5,000 Euro earned – **proportional tax**

Indication: "Drag in each empty box the appropriate word. The words dragged incorrectly will return to their initial places."

- navigation: press NEXT

→ Multiple choice activity

→ Text on screen:

In your opinion which type of tax scheme is most useful to ensure social solidarity?

- **fixed sum tax:** a lump tax paid by every taxpayer, no matter what or how much they own or produce
- **proportional tax:** the same percentage of tax is paid by all taxpayers, regardless of their income
- **progressive tax:** the proportion of tax owed rises as the taxpayer's income increases
- **regressive tax:** taxpayers with lower incomes pay a higher amount from their income compared to high-income earners.

→ Indication: "Tick the correct answer."

→ Feedback:

Progressive tax is a very good way to ensure that everybody pays according to their actual potential.

Asking for smaller taxes from people with smaller wages ensures that everybody can contribute to cover a portion of the public services they need, yet still have the resources to cover their primary necessities.

→ navigation: press NEXT

→ Graphics:

- perfume and a loaf of bread (animation with the different tax levels)
- picture of Nova upset

→ Video

Alex: *Another way to ensure social solidarity is to differentiate the tax levels for the goods and services we consume.*

Luxury goods are usually taxed higher (and sometimes have extra taxes attached, like Excise). Nova complains about it every time she goes shopping.

Bare necessity goods are taxed less, which makes them more affordable for everyone.

→ navigation: press NEXT

4. Making sense of taxes

4.1. Definition of taxes

→ Graphics:

- abstract representation of taxes

→ Video:

Alex: *We can define Tax as a compulsory payment made to the state, which doesn't have a direct and immediate benefit for the payer, but in turn is used to satisfy the public necessities.*

→ Then the user clicks Continue and this multiple response activity appears:

Based on the definition, what are the key characteristics of a tax?

- ☐ *it is an optional payment, you can choose not to pay it*
- ☒ *it is paid to the state institutions, no one else*
- ☐ *it will give the payer an immediate benefit for the money*
- ☒ *it funds public necessities which benefit everybody, not just the payer*

→ Indication: "Tick the correct answers."

→ navigation: press NEXT

4.2. Types of taxes



- There will be a drag and drop exercise – the user will match each type of tax with the appropriate description
- Text on screen:

At present there are various types of taxes.

*Based on **what the state taxes**, you may come across:*

income tax - a tax imposed on individuals based on the sums of money they earn as income

property tax – is charged on the value of a property, be it a building, land or any other similar asset

consumption tax – taxes the money spent on goods and services we consume.

In the right upper corner it will be a button “?”. By clicking on it a popup with the following content will open:

- Graphics: 4 medallions with Doc’s head with a Spartan helmet, Doc with a Roman Laurel wreath, Doc with a medieval hat with feathers, Doc smiling; each medallion is placed alongside paragraphs 2, 3, 4, 5
- Text on screen:

Taxes have evolved alongside the society.

Imagine that in ancient times, the very wealthy were taxed, but mainly in time of war. Also, the large fortunes were taxed to fund public goods or works, such as supporting a theatre festival, a school, or paying for a ship in the state’s fleet.

In the Roman Empire, after 170 BC, roman citizens no longer had to pay tax. The Empire had conquered rich territories. Taxes were required from the inhabitants of the new roman colonies, and the state could fund its expenses this way.

In the Middle Ages, most people had little say about how taxes were decided or spent. In Medieval England, everybody over the age of fifteen had to pay the tax. Large families found it especially difficult to raise the money. For many, the only way they could pay the tax was by selling their possessions.

Taxes today are based on the idea of financing those services and goods which make everybody’s life better. They take into account every taxpayer’s ability to contribute. Tax money is accounted for and the way it is spent is transparent.

- navigation: press NEXT

- Graphics:

- the 3 tax types with definitions and an empty cassette alongside each definition

- Drag and drop activity:

Now let’s see if I got it right... We have these three examples of taxes. In what category do they fit?

Value Added Tax paid for a smartphone I bought

The tax Doc’s dad pays on his salary



The tax my folks pay every year for our house.

→ Indication: “Drag each tax example in the corresponding box.”

→ navigation: press NEXT

→ there will be 2 categories: National tax and Local tax

→ the user will have to sort the characteristics for each type of tax

National tax

- *is collected by national fiscal authorities*
- *goes in the state budget to be used for covering major public investment which benefit the whole country (like motorways and public universities)*
- *for example: income taxes, consumption taxes*

Local tax

- *is collected by your local authorities*
- *it is used to cover local public necessities, the kind of things needed by a community (local roads, public works, schools are funded through local tax, depending on the regulations in each Member State)*
- *for example, the property tax (like the tax on a house in certain town)*

At the end, this conclusion appears:

The specific way in which national and local taxes are organized varies from one Member State to the other and depends on its legislation.

→ Single choice activity:

→ Text on screen:

It you think of it, what sort of funds could be used to build the skateboard park we dream about?

☐ *National tax funds*

☒ *Local tax funds*

→ Indication: “Tick the correct answer.”

→ navigation: press NEXT

→ video

Alex: *Another way to categorize taxes is in Direct and Indirect Taxes.*

Direct taxes are those taxes for which the fiscal contribution is attributed to a certain taxpayer, according to their wealth or income and to the taxation levels in the national tax legislation.



Indirect taxes are those taxes for which the fiscal obligation is not attributed to a certain, identifiable taxpayer. Taxpayers still pay the tax, but it is included in the price of goods or services.

→ navigation: press NEXT

→ Graphics: Doc in front of a computer

→ Text on screen:

Let's presume Doc gets a summer job in his father's tax consultancy company. After his first month in the company, he receives a salary slip. The salary slip indicates that Doc owes the state Euro 150 as income tax. What sort of tax is income tax?

☒ Direct tax

☐ Indirect tax

→ Indication: *Tick the correct answer.*

→ Graphics: Doc with a shopping bag

→ Text on screen:

What if Doc goes shopping? He looks on the receipt and sees he paid VAT for everything he bought. Every customer pays VAT, it's not a tax that is addressed to a certain person.

What sort of tax is VAT?

☐ Direct tax

☒ Indirect tax

→ Indication: *Tick the correct answer.*

5. What if we didn't pay tax?

5.1. Reasons to pay taxes

→ Video

→ Graphics:

- a desolate town in ruins
- Doc and his dad stand among the ruins
- Discussion between Doc and his dad:

Doc: *Dad, you make enough money. We can afford to pay for everything we need. We don't need the state or the city to support us. So why do you pay tax?*

Dad: *Someone said "Taxation is the price which civilized communities pay for the opportunity of remaining civilized."*

Doc: *What do you mean?*



Dad: When you leave home, I trust that outside it's safe enough for you to have fun and come back safe. Taxes pay for police, for judges and courts, for emergency services and all the rest.

Doc: Yep, but ...

Dad: You went to the hospital after you first skateboard trick, right? Jedi took you. They took great care of you and next morning you were back in full effect.

Doc: It's their job...

Dad: ...for which we pay them with tax money. Taxes make our city a better place to leave in. For me, that's a very good reason to pay taxes!

→ navigation: press NEXT

→ single choice activity

Someone may be tempted to think that not having enough money to cover public necessities won't hurt them. What do you think?

- ☐ It's not my problem
- ☒ It's everybody's problem

→ navigation: press NEXT

slideshow:

slide 1

It's a chain reaction:

Imagine the authorities can't collect enough tax money.

They need to cut public expenditure. No further investment is made in public infrastructure. The holes in the streets can wait, you better take care with those skates!

slide 2

Got a nasty bruise from a fall? Too bad, the local hospital is low on supplies and staff. You'll have to wait for hours to receive any assistance. It's not that the medics don't care, they are simply overwhelmed with work. And in the meantime, go buy some bandages and disinfectant. The hospital doesn't have any!



slide 3

Ups, a fire broke out in the emergency room. Better run, pal! Since their funds were cut, the firefighters only use half of the vehicles. The other half are broken down or don't have fuel. It will be a good 60 minutes until they get here.

slide 4

Out in the street again. Difficult to walk back home on these dark streets. Two of your friends got mugged the other week. The police just don't have the resources to cover every street. Calling the emergency number won't help you. A good set of legs might!

slide 5

Next day in school is hell! Dirty classrooms, almost no teachers, nothing gets done right! The sports court looks like a war scene! Sorry, no money for that!

slide 6

*Taxes are everyone's responsibility. Because they make life better for all of us. Even those who pay little or almost no tax at all, like me and my friends. And **you**...*

→ navigation: press NEXT

→ text on the screen:

But making sure that taxes are paid is not our problem, right? After all, it's the authorities' who need to deal with it, right?

It is their problem and they have a very direct way of solving it. Specialized public servants have the duty to recuperate the money owed and not paid as tax.

→ single choice activity

And guess from where will the authorities get the money to pay for these tax professionals?

- ☐ *tax money already collected*
- ☐ *these specialists work for free*

→ navigation: press NEXT

Feedback:

You guessed it, my friend! They will also be paid from the limited tax money they managed to gather. So, there's even less money to spend on public investments.



But this is where you and I have such an important role! Your taxes, my taxes and our friends' taxes are the solution for basic necessities which relate to health, education, security, transportation and other services our community needs.

I am committed to support the public infrastructure, hospital supplies, firefighters' vehicles, police resources. And I'm pretty sure that you will be too. And not only you, but also the people you will influence, right?

→ navigation: press NEXT

→ text on the screen:

Well done, friend!

Now let's go back to what you were dreaming about when we started our talk? The place where you could hang out with a ramp of two, a rail, a small stage for those dance moves?

Isn't it the greatest thing that all this happened because of responsible citizens? It happened because of the collected taxes! And what is more, you got to be an active part of it! This will be your legacy to those who come after you!

Now go tell everybody about this!

→ navigation: press NEXT

→ Video

Alex: It was nice meeting you! Hope you enjoyed our time together! Looking forward to talking to you about other interesting subjects related to tax!"

→ navigation: press NEXT

6. Evaluation

1. *Why are taxes instituted and collected by the state?*
 - *to cover as many individual necessities as possible*
 - *to provide for both the private and the public necessities of the citizen*
 - *to fund the delivery of public goods and services which cater for public necessities.*

Quiz Review:

Public necessities are more difficult to satisfy. Everybody has them, so these services and goods are consumed by a lot of people.



Taxes instituted and collected by the state will fund the delivery of such public necessities.

2. *A Tax is an immediate payment made to the state, with an immediate benefit for the payer, used to satisfy the public necessities. Is this definition correct?*
- ☐ Yes
 - ☒ No

Quiz Review:

We can define tax as a compulsory payment made to the state, which **doesn't have a direct and immediate benefit** for the payer, but in turn is used to satisfy the public necessities.

3. *Direct taxes are those taxes for which the fiscal contribution is attributed to a certain taxpayer, according to their wealth or income and to the taxation levels in the national tax legislation.*
- ☒ True
 - ☐ False

Quiz Review:

For example, let's say that you got a summer job and you receive the salary slip. This indicates that you owe the state Euro 100 as income tax. This is a direct tax.

4. *Which of the following 4 taxation systems is best suited to ensure social solidarity?*
- ☐ fixed sum tax: everybody pays the same sum of money, no matter what they own or produce
 - ☐ proportional tax: everybody pays the same percentage as taxes no matter what they own or produce
 - ☒ progressive tax: the percentage people have to pay for tax increases as their income or overall wealth increases
 - ☐ regressive tax: the percentage people have to pay for tax decreases as their income or overall wealth increases

Quiz Review:

*Progressive tax is a very good way to ensure that everybody pays **according to their actual potential**.*

Asking for smaller taxes from people with smaller wages ensures that everybody can contribute to cover a portion of the public services they need, yet still have the resources to cover their primary necessities.



5. *Consumption tax is charged on the value of a property, be it a building, land or any other similar asset*

- ☐ True
- ☒ False

Quiz Review:

Consumption tax - taxes the money spent on goods and services we consume.

6. *The tax you will pay for the profits from your future successful business is:*

- ☐ Consumption tax
- ☐ Property tax
- ☒ Income tax

Quiz Review:

Income tax - a tax imposed on individuals or entities based on the sums of money they earn as income or profits

