HM Revenue & Customs

TAX facts

Delivery Guide

Understanding the tax system, for students aged 14–17



Background

Tax Facts is an interactive lesson designed to help young people understand the tax system and the role tax plays when in employment.

The lesson has been created for students aged **14–17** to support them as they start to prepare for the world of employment, including any part time or holiday work from the age of 16.

They will learn all about the tax system, different kinds of taxes and the implications of not paying tax. They will also learn how tax is collected when starting your own business or through PAYE with an employer.

The Tax Facts lesson plan includes guidance on how to use the videos alongside the activities.

The lesson objectives support various aspects of the curriculum related to planning for future life and work and being responsible citizens. You can find more details in the curriculum links section of this teacher guide.

If you are looking for resources for students aged **8–13**, please refer to our **Junior Tax Facts** lesson pack, introducing children to the subject of taxation.

Working with an HMRC Ambassador

If you have arranged for a HMRC Ambassador to deliver the session to your students, this will either be a face-to-face visit to your classroom or a remote, virtual lesson.

HMRC Ambassadors are provided with guidance so that they can ensure students make the most out of the session and achieve their learning objectives. Ambassadors are provided with a lesson plan which has been adapted to include prompts and conversation starters.

We ask that you are present throughout the session. It would be helpful if you could assist with activity timings and support the Ambassador with pair and group work. You will find key moments for introductions and a Q&A opportunity marked in your lesson plan within this teacher guide.

For in-school visits, please ensure that all students have a copy of the lesson materials and that the Ambassador can access and present the slide deck and videos.

For remote sessions, please ensure that students have the lesson materials and the classroom is set-up for a virtual presentation.

If your lessons are longer than 45 minutes, please let the Ambassador know so that they can allow more time at the end for the Q&A.

Your Ambassador will be in touch to organise a suitable time that works within your school's schedule and find out about your school s Safeguarding policy. HMRC Ambassadors will request feedback from you and the students at the end of the session to support the Tax Facts team with any developments for this programme.

If you have any questions about your visit or would like to feed back on the Tax Facts programme, please send an email to: hmrc.taxeducation@hmrc.gov.uk

Resources

1 x Delivery Guide (including lesson plan, learning objectives, curriculum links, and glossary).
1 x Lesson PowerPoint Presentation.
1 x Class Activity Sheet.
1 x Follow-up Activity Sheet (can be used for homework).

Lesson Overview

Starter (6 mins)

Students come up with their own definition of tax and then guess the amount of money collected by the government each year.

Play Video 1: What is tax?

Activity one (5 mins)

Students go through a series of True and False questions about the tax system based on the video. Explanations provided for each answer.

Play Video 2: What is HMRC?

Activity two (5 mins)

Students work in pairs in a quickfire round to see how much they can recall from the video around the work that HMRC does. Pairs feed back to the class.

Play Video 3: The hidden economy.

Activity three (12 mins)

Students work in small groups to discuss the implications of not paying taxes for the following aspects: economy, society and individual. This is followed by a short class discussion.

Play Video 4:
Part one - Starting work.
Part two - Working for yourself.

Activity four (10 mins)

Class divided into two groups: those wanting to start their own business and those starting a new job with an employer. Each group makes a list of things to prepare for based on video 4.

Plenary (6 mins)

3, 2, 1 activity. Students give their answers to assess their learning from the lesson.



Videos

The Tax Facts lesson includes four short videos.

Each video is embedded in the correct place within the lesson slide deck. There is guidance in the lesson plan on how these videos relate to each activity and when they should be played. The video scripts can be found below.

Video 1: What is tax? (2m 44s)

"You might not have heard of His Majesty's Revenue and Customs, or 'HMRC' as we're usually called, but you'll have been affected by what we do. This is because our work has an impact on every single person and business in the UK.

Each year, we collect more than £850 billion in taxes. The government uses this money to save and improve the lives of people in the UK in different ways. Taxes are used to fund the health service, fight crime and defend our country. They are also used to build schools and colleges, tackle poverty and to pay benefits to people who need them.

You probably will have paid Value Added Tax, which is usually called VAT and is sometimes pronounced 'vat'. VAT is a tax that is added to the cost of many different goods and services, and is charged as a percentage of the original price, normally 20%.

Say, for example, you buy a bar of chocolate for £1.20. The chocolate bar has originally been priced at £1, and then 20% of this, or 20 pence in this case, is added on as tax. This makes the total price you pay £1.20.

HMRC collects VAT directly from the business, so you don't need to do anything. Businesses also pay other taxes like Corporation Tax, which is taken from their profits.

Once you earn over a certain amount, you'll start paying Income Tax, which goes towards funding public services. You'll also start making something called a National Insurance contribution. This means that you'll pay tax to build up the benefits that will help you later on in life, like your State Pension.

If you work for someone, they'll collect the tax and National Insurance you owe directly from your earnings. You'll see all of this clearly on your payslip. If you work for yourself, called being 'self-employed', you'll need to fill out a form so we can work out how much tax you owe.

It's important that self-employed people keep their records safe and organised. Don't worry about this though, there are lots of tips and resources on GOV.UK to help you know what to do."



Video 2: What is HMRC? (2m 23s)

"His Majesty's Revenue and Customs, or HMRC, works with and for the UK's nations to ensure that tax rules apply everywhere, and that people from all over the UK receive the benefits they' e entitled to. We're made up of lots of different people, from accountants to lawyers and tax experts, to project managers and many more. Everyone at HMRC cares about helping people, families and public services get the fin ncial support they need.

Although we're mainly known for running the UK's tax system, we do much more too. For example, we make sure that employers pay their staff a National Minimum Wage, that student loans are collected from workers who have studied at university, and that it's easier to do business overseas.

Some people aren't aware of the different ways that taxes benefit our count y. The Plastic Packaging Tax and the Landfil Tax are both examples of taxes we collect to encourage recycling and help protect the environment.

Some of our most significant work helps improve the lives of families and children.

Our work is important and affects everyone, from students to single parents, and from people just starting work to owners of multinational corporations. Perhaps you haven't heard of HMRC before, but you can be sure that we'll cross paths in the future."



Video 3: The hidden economy (2m 39s)

"Do you believe in ghosts? We certainly do and they're causing quite a problem for us here at HRMC!

'Ghosts' and 'moonlighters' are what we call people who contribute to the UK's 'hidden economy'.

Ghosts are people who keep all of their income hidden from HMRC. Moonlighters pay tax on some but not all of their earnings. This means they pay less tax overall than they should.

Ghosts and moonlighters hold on to billions of pounds every year that should go towards the vital services we all rely on. It's because they keep their earnings out of sight that we describe what they do as the hidden economy.

We know that some people may slip into the hidden economy without meaning to. For example, if they don't realise what started out as a hobby, like selling clothes on the internet, has now become a business on which they should pay tax. Other people will deliberately evade their obligations so they can keep hold of the money they owe.

HMRC can help these people with education and publicity campaigns so they better understand what they need to pay. We also have teams of top investigators to search out people who evade tax. When they're caught, they must pay back all the missing tax, plus interest, and any financial penalties.

You could be starting your first job soon, so you need to know what to look out fo . This is important even if it's a Saturday or holiday job.

If your new boss doesn't ask you to complete any paperwork or for your National Insurance number when you start work, then you should be suspicious. You should also watch out for if they pay you in cash or don't give you a pay slip.

You don't want to start off your working life in the shadows around ghosts and moonlighters. When it comes to your career, be smart, protect yourself and avoid falling into the hidden economy.

Remember that HMRC has all the information and support you need on GOV.UK to ensure you understand what you're paying and why."



Video 4 part one: Starting work (2m 20s)

"Just before your 16th birthday you should receive your National Insurance, or 'NI', number in a letter from HMRC. This number isn't proof of your identity, but it's unique to you and it stays the same throughout your life.

It's important because it links to the National Insurance contributions that are collected from your pay when you start working. These contributions entitle you to certain benefits, like the State Pension you'll receive in several decades' time.

You'll also need it when you use different government services. For example, when applying for a provisional driving licence from the DVLA and when you apply for a student loan. You'll also need it when you register to vote.

Each tax year you're allowed to earn a certain amount of money without having to pay tax. This is called a Personal Allowance, and HMRC will tell you what this is with a tax code. Your employer will use this code to work out the tax you may need to pay on your earnings.

You can keep track of your tax and National Insurance payments through the HMRC app. Here you can view secure online records to monitor payments and refunds, tell us about any changes to your personal details, and check your NI number if you've lost it. You can also download your NI number to your phone's wallet. As soon as you start working, you'll be able to access the HMRC app and online account.

At the end of the tax year on the 5th of April, HMRC will automatically add up all your earnings to calculate your tax. We will then let you know if you need to pay more or if you are due a refund.

You don't need to be worried about this. When you're employed by someone else, HMRC does a lot of the work for you to calculate and collect your tax. This is called Pay As you Earn, or PAYE. But don't forget that we offer extra advice and support on GOV.UK."



Video 4 part two: Working for yourself (3m 13s)

"If you start your own business, you'll have to tell HMRC. Before you do that it's important to ask yourself if you really are a business. Sometimes this can be a tricky question, so let's look at some examples.

Becky loves dogs. Occasionally she offers to take her neighbour's dog for a walk and is given £10. She's doing a nice thing, but she's not in business. Let's say she decides she's going to really earn some money from this, so she creates a social media account and posts her rates. She also buys toys to keep the dogs entertained. Now she has a business!

The same goes for Freddie, an influencer and content creator who reviews gadgets he receives as gifts. And Jas, who's set up an online crafting business and just got her first customer. They're all in business, which means they need to let us know. HMRC can help Becky, Freddie and Jas with all the information they need to set up their own business and support them with their taxes.

If you're starting your own business, you'll be classed as self-employed which means that tax works a little differently. There are three 'Rs' new business owners need to remember.

The first 'R' is registe . You can do this by visiting the GOV.UK website and searching for 'working for yourself'.

The second 'R' is for records. You'll need to keep an accurate record of all the money you make, called income, and all the money you spend to run your business, called expenditure. You'll need to keep evidence for up to six years of everything your business buys and sells. Evidence can be things like invoices and receipts – remember to keep them in a safe place!

The last 'R' is returns. Once you're self-employed, you'll pay your Income Tax through a system called Self Assessment. Every year you need to complete your Self Assessment tax return before the tax year ends. You need to do this to avoid missing the deadline and risk paying a penalty.

There are some other things new business owners need to be aware of. One is Value Added Tax or VAT. You might need to pay VAT if the amount of money your business makes reaches a certain level. In this case you'll need to tell HMRC.

Remember that HMRC is here to help. We offer lots of advice to small businesses, including online guides, YouTube videos and social media alerts."



Lesson plan

The following guidance is based on a 60 minute lesson.

Learning objectives

By the end of the lesson, students should be able to understand:

- the tax system and the social implications surrounding the government collecting tax
- the work HMRC does and the important role it plays within society
- the role tax plays when in employment.

Starter

6 mins

In an HMRC Ambassador-led session, the Ambassador will briefly introduce themselves with their first name but avoid revealing where they work at this stage. They will then go straight to the appropriate starter activity:



Ask students to come up with their own definition of 'tax'.

Use prompts to support students to come up with their own definitions.

Suggested prompts:
money, collected, government, compulsory, everyone pays, legal requirement, different kinds.

Ask a volunteer to share their definition.

Show **slide 3** for a definition of tax.

Ask students to guess the amount of tax money collected yearly by HMRC for the government.

Reveal **slide 4** with the correct number of over £600 billion. (£608 billion in 2021).

Display **slide 5** with the learning objectives.

Introduce Video 1: What is tax? (2m 44s)

Tell students that this short video explains some of the different kinds of taxes that individuals and businesses pay. Let students know they will need to listen carefully and be prepared to answer some True or False questions after the video.

You will find this video on slide 6.

Activity one: True or false? 5 mins

After playing Video 1, start from **slide 7** and go through the true or false questions about tax based on Video 1.

Go through the answers by clicking through the slides to reveal them.
Use the slide notes for explanations after each answer.

Introduce Video 2: What is HMRC? (2m 23s)

Explain to students that this short video talks about the role of HMRC when it comes to taxes and some important aspects of their work that are less well known. Let them know that in the next activity they will work in pairs and have only 60 seconds to see how much they can recall about HMRC's work.

You will find this video on slide 16

Activity two: Quickfire round: all about HMRC 5 mins

After playing Video 2, give students 60 seconds with the person next to them to see how much they can recall from the video.

Display **slide 17.**

Ask students to raise their hands to give their answers.

Their answers might include:

- Employ people from many different professions.
- Work with and for the different nations of the UK to ensure that tax rules apply everywhere.
- Make sure that employers pay their staff a National Minimum Wage.
- Ensure student loans are collected from people who have been to university and are now working.
- Collect taxes that help the environment.

Introduce Video 3: The hidden economy (2m 39s)

Explain to students that in this short video they will find out what we mean by a hidde economy and the work HMRC is doing to tackle this issue. Let them know that in the next activity they will be working in groups to discuss the implications of not paying tax on three aspects: the economy, society and the individual.

You will find this video on slide 18

Activity three: The impact of unpaid tax

12 mins

Leave **slide 19** on display.

Divide the class into small groups.

Explain that groups have 6 mins to discuss what they think the implications are of not paying tax for these three aspects:

- **The economy.**
- **Society** (people as a collective).
- **Individual** (each person like themselves or their parent paying tax).



Allow 6 minutes for a class discussion following the task.

The points to bring out include:

Impact on the economy

- The government has less money to pay for essential services.
- Additional taxes may need to be raised from an honest, tax-paying majority, to cover the lost income from people who don't pay tax.
- Extra money has to be spent chasing the people who evade paying tax and taking them to court.
- The UK's economy is not as strong as it could be.

Impact on society

- The honest people who pay their tax may feel the system is unfair.
- If some businesses pay tax and others don't, it may give the dishonest business an unfair advantage for example they may be able to sell things more cheaply than the honest, tax-paying business.

Impact on the individual

- There are penalties for people who don't pay their taxes, including fines and, in seriou cases, prison.
- Negative publicity — for example, stories in the newspaper can affect the reputation of the individual who has not paid and also act as a deterrent to others.

Introduce Video 4: Starting work and working for yourself (5m 33s)

Explain to students that this video has two parts. The first section covers what you need to know about tax when you start work and the second section covers what this involves if you're starting your own business.

You will find this video on slide 20

Activity four: Taking responsibility

 10 mins

Display **slide 21.**

Divide the class into two equal sized groups.

Explain that one group is preparing to start their own business and the other group is preparing to start a new job with an employer.

Ask students to work with the person next to them - within their group - to make a list of things they should do and need to think about.

Answers might include:

For the group about to start a new job:

- Check your employer has your personal details they will need to send to HMRC, including your national insurance number.
- Keep payslips safe and check them carefully for National Insurance contributions.
- Find out what your tax code and personal allowance is.
- Sign into your Personal Tax Account online or download the HMRC app.
- Keep an eye on tax refunds and payments.
- Look at what is going toward your State Pension.
- Tell HMRC and employer about any changes to your personal details, like a change of address.

For the group starting their own business:

- Register with HMRC.
- Start keeping records of any expenses and all money they make (for up to 6 years).
- Keep evidence of all receipts (HMRC may ask for them).
- Check if you're liable for VAT.
- Look up on GOV.UK to see how the Self Assessment tax return works. This will need to be filled out every yea .

Divide the board into two columns to write up feedback from students in each group.

Plenary

 6 mins

Ambassador led session:
Q&A opportunity with questions prompts provided in their guide.

Teacher led session:

Display **slide 22.**
Allow students a few minutes to write down their answers on the class activity sheet.

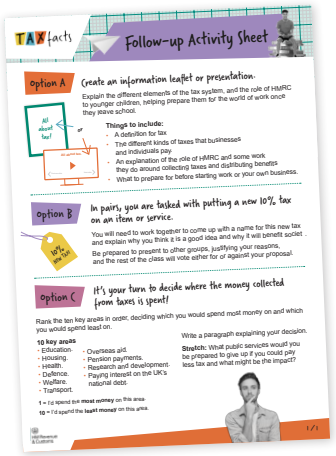
THREE different kinds of taxes.
TWO things HMRC does.
ONE fact they found interesting from the videos.

Ask for volunteers to share their answers.

Suggested follow-up activities

Please note that HMRC Ambassadors will not set homework. These creative follow-up activities will help consolidate learning from the session. Teachers may decide to use these in a follow-up lesson or ask students to do the task at home.

45 mins



Please see full details on the follow-up activity sheet in your pack.

Below is an overview of each task that you may choose to assign to students as a homework activity or follow-up task in the classroom.

option A

Students create an information leaflet or presentation explaining the different elements of the tax system, and the role of HMRC to younger children. This would be to help prepare children for the world of work once they leave school.

option B

Students create a new 10% tax on an item or service. Students will then present to the other groups, justifying their reasons, and the class will vote either for or against each proposal.

option C

Students rank ten key areas in order, deciding which areas they would spend most money on and which they would spend least on if they were in charge of deciding what happens to money collected by taxes.

They rank the list from 1-10.

1 = I'd spend the **most** money on this area → **10** = I'd spend the **least** money on this area.

10 key areas:
education, housing, health, defence, welfare, transport, overseas aid, pension payments, research and development, and paying interest on the UK's national debt.

They then write a few sentences to explain their decision.

Stretch question:
What public services would you be prepared to give up if you could pay less tax and what might be the impact?



Glossary of terms

Child Benefit payments	Money paid by the government to support parents or other people who are responsible for bringing up a child, teenagers and, in some cases, young adults.
Chancellor of the Exchequer (also referred to as The Chancellor or CX)	The government's chief financial minister who is responsible for raising revenue through taxation or borrowing and for controlling public spending. They have overall responsibility for the work of HM Treasury, the UK's finance ministr .
Ghosts	People who keep all of their income hidden from HMRC.
Hidden economy	Income that is earned on which tax should be paid, but isn't — often work will be paid for in cash (cash in hand). If this is an intentional attempt to hide the activity from HMRC it is known as evading tax or tax evasion.
HMRC	His Majesty's Revenue & Customs. The UK's tax, payments and customs authority — that means HMRC: • collects the money that pays for the UK's public services • helps families and individuals by paying them the benefits they're entitled to • supports international trade before and at the border.
Income Tax	A tax you pay on your income, whether you are employed by someone else (who pay it for you through PAYE) or self-employed (that you pay directly to HMRC through your Self Assessment return).
Landfill Tax	An environmental tax that aims to reduce the amount of waste that is sent to landfill sites
National Insurance	Payments that you and your employer make to the government through your working life that provide you with certain benefits, including your state pension
National Minimum Wage	The least amount of money you must be paid an hour, by law.
Moonlighters	People who pay tax on some of their income but keep the rest hidden to pay less tax than they should.
PAYE	Pay as You Earn. The system HMRC uses to collect Income Tax and National Insurance contributions from employees via their employers.
Personal Allowance	The amount you can earn before you have to pay Income Tax.

Plastic Packaging Tax	A tax to incentivise the use of recycled plastic instead of virgin (i.e. new) plastic in plastic packaging.
Profit	The amount of money that's left over from the money a business has earned, after it has paid all its costs, for example wages, materials, rent, tax. (Selling price – business costs = profit)
Tax	Money that you have to pay to the government so that it can pay for the UK's public services such as education, health and defence.
Taxation	A system by which the government collects money from people and spends on the UK's public services such as education, health and defence.
Tax code	A set of numbers and letters used by HMRC to show the amount of tax you should pay, depending on their income and personal situation.
State Pension	A regular payment most people can claim when they reach State Pension age. Not everyone gets the same amount. How much you get depends on your National Insurance record.
VAT / V.A.T.	Value Added Tax. A tax that is added to the sale of certain goods and services.



Curriculum links

Tax Facts supports a number of aspects of the curriculum.

England

KS4 (ages 14–16) **KS5** (ages 17–18)

PSHE

Living in the Wider World – Financial Choices

- I understand how to effectively make financial decision
- I can recognise and manage the range of influences on my financial decision
- I understand and can manage salary deductions including taxation, national insurance and pensions

The Gatsby Benchmarks

Good Career Guidance

- Learning from career and labour market information
- Encounters with Employers and Employees

Citizenship (KS4)

- I understand the different ways in which a citizen can contribute to the improvement of his or her community
- I can explain how public money is raised and spent

Scotland

Senior Phase (ages 14–17)

Curriculum for Excellence

Planning for Choices and Changes

- I am developing the skills and attributes which I will need for learning, life and work
- I am gaining understanding of the relevance of my current learning to future opportunities

Skills for Learning, Skills for Life and Skills for Work

- I am developing core employability skills, and the ability to transfer these to different contexts, in particular the world of work

Developing the Young Workforce (DYW)

- I am provided with opportunities to engage in profiling that supports learning and the development of skills for work and future career choices
- I am developing an understanding of enterprise, entrepreneurship, and self-employment as a career opportunity

Wales

KS4 (ages 14–16) **KS5** (ages 17–18)

PSE

- I am preparing for Lifelong Learning
- I am developing the practical skills necessary for everyday life
- I am learning about the importance of planning for my financial future

Careers and Work-Related Experiences

- I am learning about and developing the skills to work towards careers and work pathways
- I am provided with opportunities to benefit from links with business and/or employers

Northern Ireland

KS4 (ages 14–16) **KS5** (ages 17–18)

Personal Development

- I am provided with an opportunity to explore self-employment and identify relevant sources of support
- I am developing a personal career plan based on relevant information and guidance

Careers Education, Information, Advice & Guidance

- I can make use of appropriate information, advice and guidance to inform career management
- I can identify and practise the skills and attributes which make one enterprising
- I am learning about a culture of flexible employment and lifelong learning