



Course: “Digital Tax Education and Tax Payments”

Microlearning Clips

Clip 7: “What kinds of taxes are there?”

Clip Scenario

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## 1. Introduction

### 1.1. What kinds of taxes are there?

→ the character 2QT will appear on the screen

2QT: Hello. My name is 2QT. I am an intergalactic fashion designer. I design rocket-propelled clothes.

2QT: I came to planet Earth because I am fascinated by your shoes. I have a great idea. I can design rocket-propelled shoes!

2QT: Europeans love shoes. I will make my shoes in the European Union!

→ starts getting information on the subject and comes across the idea of “paying taxes”

- can’t get his alien head around it, needs to investigate further

→ taxes - a look at what humans do about taxation

- 2QT’s thoughts are displayed as text on the screen.

2QT: But if I set up a business, I’ll have to pay taxes.

**Voice: Do you know what the main kinds of taxes are?**

## 2. The main kinds of tax

### 2.1. The main types of taxes in force in Member States


- A screen split into three images. The first one is for direct tax, the second one is indirect tax and the third is customs tax.
- All the images are animated.
- Screen zooms on each screen (image).
- Direct tax - (Animation) A call centre operator working at his desk (With a visible flipping calendar in scene). Time passes.
- The call centre operator receives his monthly salary: a pile of money from which he sets aside money for paying taxes.
  
- 2QT appears in the scene.
  - 2QT: Why did you put aside that money?
  - Tom, the writer: Every month I have to **pay my taxes** to my country’s tax authorities. This is called **direct tax**.



- Indirect tax - (Animation) A man fills up his tank at the gas station. The price at the pump is 30 euros.
- Animation – The pile of money (notes) is split between the actual cost of the fuel and the excise duty and VAT. On the pump is written:

Gas: 20 EURO
Tax: 10 EURO
<b>Total: 30 EURO</b>

- 2QT appears in the scene.
  - 2QT: Can you explain why the price of the fuel is split like that?
  - Tom, the writer: On top of the cost of the gas is the tax. Part of the €10 tax is called **excise duty**, and part of it is **VAT (value added tax)** which are both indirect taxes on the fuel.
  - 2QT: What is indirect tax?
  - Tom, the writer: It's complicated. **Indirect taxes** are **paid** to the government **by each business** that helps produce the goods (here, the fuel), but it is passed on to the next business in the chain, until **the consumer pays it as part of the price**.
  - 2QT: Hmm. I think I get it. That's hard to understand.
  - Tom, the writer: It is the consumer – the person who uses the fuel in their car – who ends up paying all the tax by paying more for the product. An indirect tax is shifted along the line from one taxpayer to another.
- Customs duty - (Animation) A young man at a desk with a computer.
- He buys online a smartphone from a store in the USA for 160 euros (on the PC screen appears:

USA Smartphones store
 160 EUR + Tax – BUY NOW

- The courier arrives and gives him the package. Zoom in on the invoice - On the invoice the price is 200 euros.
- 2QT appears in the scene.
  - 2QT: Why are you paying so much more?
  - Tom, the writer : I bought the smartphone from a **country outside the EU**, so I have to pay **customs duty** as well as **VAT**.
  - 2QT: What is customs duty?



- Tom, the writer : **Customs duty** or import duty is a special **tax on imports** from outside the EU. It adds to **State revenue**, and it helps protect this country's businesses so they don't lose out to businesses outside the EU who can sell stuff cheaper.

## 2.2. Can you explain these taxes a bit more?

- (Animation) The image is split in two. The title above it – Direct tax.
- First image - a mechanic fixes a car – above the text – Payroll tax. Second – an office full of people working – Corporate tax.
- 2QT and Gabrielle, professor of economics, enter the screen.
  - Text on screen: Direct Taxes
  - Gabrielle: **Payroll tax** is the **income tax** and **social security taxes** that come out of the money you earn from your job.
  - 2QT: Hmm. Can you tell me more?
  - Gabrielle, the professor of economics: Yes, of course. The mechanic **pays income tax depending on his salary**. There are two kinds of taxation – flat and progressive.
  - Gabrielle: In Italy and Poland, for example, they have **progressive taxation**. In countries like Hungary and Romania, they have **flat taxation**.
  - 2QT: What about **corporate taxation**?
  - Gabrielle, the professor of economics: **Corporate tax** is paid on **profits** they make on sales, after paying all their costs.
  - Gabrielle, the professor of economics: You are learning all the right words! **All companies must pay corporate tax**, as well as other taxes like **property, environment, capital gains**, etc, which are set by each country.
- (Animation) The image is split in two. The title above it: Indirect tax.
- First image - a map of Europe, with countries coloured differently – above is the text: VAT. Second – two cars, one that runs on diesel and the other one – electrical, both in a gas station – Excise duty.
- Zoom in on the first animation – VAT.
- (Animation) The map of Europe with 28 countries. There are three colours (blue, orange and purple). A legend next it. Blue means VAT between 17-19%. Orange – 20-25% and purple – over 25%.
- 2QT and Gabrielle, professor of economics, enter the screen.
  - 2QT: What is VAT?
  - Gabrielle, the professor of economics: In the European Union, **VAT**, or **Value Added Tax**, is a tax we all pay **when we buy things**.
  - Businesses pay VAT as they **make products**, when they **buy materials** or supplies from other businesses.
  - They **add value to the product**, maybe by painting it, or fitting something to it, or packaging it.



- Then the businesses increase the prices of their products to cover the cost of the added value and the tax.
- When the product is eventually sold to the **people** who use it – they **pay VAT indirectly** as part of the price.
- A woman wearing traditional clothes pops out of the map from Romania. Next to her – Romanian Athenaeum (blue colour).
  - In my country, we have a **VAT rate of 19%**.
- A man wearing traditional clothes pops out of the map from Italy. Next to him – The Colosseum (orange colour).
  - In my country, we have a **VAT rate of 22%**.
- A man wearing traditional clothes pops out of the map from Sweden. Next to him – Stockholm City Hall (purple colour).
  - In my country, we have a **VAT rate of 25%**.
- 2QT is mesmerized.
  - **2QT: EU countries all have different tax rates!**
- Zoom in on the second animation – Excise duty.
- (Animation) The first car uses diesel and the other one, electricity. The process is animated. At the end, both bills zoom in. Even though they use different fuels, they both include excise duty. The price is fuel + excise duty + VAT.
- 2QT and Gabrielle, professor of economics, enter the screen.
  - **2QT: What is this excise duty?**
  - Gabrielle, the professor of economics: **Excise duty is an indirect tax charged on the manufacture of particular goods, such as fuel, tobacco and alcohol.**
- Zoom out on the screen with direct vs. indirect taxes
  - **2QT: What is the difference between direct and indirect taxes?**
  - Gabrielle, the professor of economics: Direct taxes are applied to **wealth or income** or other event with a **direct ability to pay** whereas indirect taxes are applied to **different uses of wealth or income**, usually **consumption**.
  - **2QT: Now I see the difference. Thank you for explaining, but I still have more questions!**
- (Animation) Inside the customs office. A customs agent is talking to a man. He came to pick up his package. The package's value, on the invoice, is 9 euros. He collects the package and leaves.
- (Animation) A woman comes to pick up her parcel. The customs agent hands her the invoice. The value of the parcel is 145 euros. She gives the agent the 145 euros plus VAT.



- (Animation) A man comes to pick up his package. It's a very big one. The value of the parcel is 1,250 euros. He gives the agent that money plus VAT and customs duties.
  
- 2QT and Gabrielle, professor of economics, enter the screen.
  - 2QT: These parcels all came from **outside the EU**. Why did they all pay **different amounts for taxes**?
  - Gabrielle, the professor of economics: Did you notice that the parcels had different values? **The amount paid in taxes depends on the value of each parcel.**
  - For a parcel that values 150 Euros the taxation level will be higher than for one that values less than 10 Euros.
  - 2QT: OK. I'll pay attention when I buy something from a country outside the EU.

### 3. Final Screen

- 2QT smiling and being happy
  - 2QT: **Which taxes does your family pay?**
  - 2QT: **Do you know what the VAT rate is in your country?**
  - 2QT: **Have your parents ever ordered something and pay the customs taxes?**
  
- closes the story.

