



Course: “Digital Tax Education and Tax Payments”

Lessons for Teenagers (13 – 17 years old)

Lesson 4: “True Players are Taxpayers”

Instructional Scenario

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1. Course home section

1.1. Introduction

- Video:

Doc: We are heralds of good news! On what? On how teens can start and maintain their own business, of course! Let's battle the fear of taxes to be paid in the land of Economy – we'll look for tax exemptions to take the sting out of the fearful topic of income tax. All you brave teens out there, we salute you! Come on – embark upon this journey along with us. Ready?

Instruction: *Listen to Doc and then press **Next** to continue.*

1.2. Course Objectives

- estimated duration: 1 min

→ Video

Doc:

“These are the questions we are going to answer:

- ✓ What are taxes paid by entrepreneurs, and possible tax exemptions?
- ✓ How does one calculate taxes?
- ✓ How much can you earn as a teen tax consultant?

Instruction: *Listen to Doc and then press **Next** to continue.*

1.3. Trainee assistance

- the section will include a video on the lesson's interface and navigation, educational activities unfolding and controls

1.4. Course menu

- presents the structure of the module's main stages:
→ Text on screen:

These are the topics we will go through:





- Introduction
- Taxes for teen entrepreneurs
- A possible role model – Tax Consultant
- Evaluation

2. Taxes for teen entrepreneurs

2.1. Working out what I owe in taxes

Screen 1

The Story

→ Graphics:

Video: A dialogue between Doc (a character from the previous lesson) and his friend, Michael.

Doc - Hi, what's up?

Michael - 'Been working on this video blog. I'm doing reviews of roller skates.

Doc - And? Roller skates not great?

Michael - It's not that. I'm not happy with the quality of my video.

Doc - You using your phone camera? Come on, man! Spring for a new camera!

Michael - That sounds fine, but where would I get that kind of money?

Doc - From your reviews, that's where! You've been doing this for a long time. You're quite the entrepreneur, right?

Michael - Well, they've actually paid my older brother. I mean they've sent the money to his account. So I pay him too, to get my money. At the end of the day I am not left with much.

Doc - Enough is enough! You, my friend, have to get organised.

Michael - But I don't want to worry about forms and banks and paying taxes. I'll get enough of that when I'm older. And I don't know the first thing about taxes.

Doc – Come on! You should own your business today. I can help. My dad is a Tax Consultant, and my friends and I have learned quite a lot about this. Come and talk to us tomorrow. It's game night and then tax talk. It'll be exciting, okay?

Michael - I'm not convinced yet – but I'll come tomorrow. At least for games.

Instruction: *Listen to the conversation and then press **Next** to continue.*

Screen 2

Video: Doc and Michael have a short dialogue

Michael – You know... I was wondering... would it be easier if I got a job instead of being self-employed? Is there a difference in terms of taxes?

Doc – Good question. Let's see...



Then a Continue button appears on the screen, the user clicks on it and a new screen appears, containing a drop down lists exercise:

When you are **hired**, the employer has an **obligation** / **right** / **permission** to calculate, withhold and pay **taxes**/ **finances** / **salaries** and social contributions related to employees' earnings (withholding taxes).

If you are **self-employed**, you have complete responsibility to **declare** / **hide** / **ignore** your earnings and to **pay**/ **postpone** / **allow** related taxes.

- Instruction: "Select the correct answer from the drop-down lists above."

The following feedback appears after the user completes the exercise:

These differences either discourage many adolescents from setting up revenue-generating independent activities, or cause them to ignore or neglect the fiscal consequences of their activities, both of which have negative consequences.

Screen 3

Doc will be near 3 icons. The user clicks on each icon and the corresponding advantage will appear.

Self-employed - what's good about it:

- Freedom to choose how to work
- Freedom to choose work schedule
- Possibility of deducting expenses related to the activity performed

Instruction: Press on each icon to find out more information.

Screen 4

Video - Michael and his new friends talk:

Michael – Okay, I get it. But where's the catch?

Doc – Fair enough. There IS a catch. But don't despair, brave Sir Michael! The disadvantage comes with its own advantages.

Then a **Continue** button appears on the screen, the user clicks on it and a new screen appears – Doc presents the advantage and disadvantage:

| disadvantage | advantages |
|--|---|
| The entrepreneur is responsible for declaring income to the tax authority and paying the related taxes. No-one else does it for him. | - Free entrepreneurs don't have taxes and contributions stopped at source. - The amounts of money earned are gross (pre-tax), so they're higher. |

Screen 5



Michael is presented in the middle of the screen. On each side there is a picture with a white ticket:

- On the left one is written GROSS INCOME
- On the right one is written TAXABLE INCOME

The user will click on each ticket. On click, additional information appears on the screen:

| Gross income | Taxable income |
|---|---|
| Gross income means all the money earned from that activity. | Net revenue (taxable income) means the gross income has had deducted the costs of earning it. |
| Conclusion: The choice of the type of income (gross or net) as well as the rate of tax, varies from country to country. So the first step in working out how much tax is owed, is knowing how much income has been earned; tax is payable on the money left after costs have been paid. | |

- instruction: "Press on each white ticket for more information."
- → navigation: press NEXT

Screen 6

It will be a drop down list activity.

The tax regime can be implicit or simplified.

The implicit scheme means taxing the taxable income: the difference between realised / deductible / taxable income and deductible / realised / taxed expenses. In principle, all the expenses incurred in doing business are deductible. If the deductible expenses are higher than the earnings, the result is a loss / gain / tax neutrality. As a result of the loss, the taxpayer pays no tax / fine / VAT. Moreover, the tax loss is recoverable from forward profits (carried forward) or profits from previous years (carried backward). Also, the implicit schemes imply the obligation of strict accounting records and the completion of a detailed tax return.

- Instruction: "Select the correct answer from the drop-down lists above."
- navigation: press NEXT

Screen 7



The user clicks on the empty boxes.

On click, this will appear on the screen



- Instruction: "Press on each empty box for more information."

Text on screen:

The simplified regime of taxation implies taxation of realised income, which decreases by a fixed predetermined quota as a percentage of the income.





When all the empty boxes have been pressed, this conclusion appears on the screen.

Conclusion:

Taxable income is equal to 70% of the income earned.

The advantage of this method is simplicity, and the taxpayer is not bound to keeping strict records on the expenditure side.

The disadvantage is that it is impossible to deduct the actual level of expenditure incurred, which can lead to increased taxable income and, consequently, to the payment of more tax; this is a downside especially for activities involving a large volume of expenditure at the beginning (eg. equipment purchases: camcorders , media software, IT equipment, specific for vlogging activities).

→ navigation: press NEXT

Screen 8

Doc is on the left side of the screen. On the right, there is this fill in the blanks exercise (the items marked in green will be placed using drag and drop):

An attractive thing for the self-employed is the ability to **deduct** business expenses. In order to be deductible, expenditures must **contribute** to the achievement of income-generating activity, **relate** to the object of activity and **be proved** by a supporting document.

For video-blogging, deductible expenses might be:

- fees for vlogging courses;
- web hosting expenses;
- software, video and IT equipment, etc.

Deduction of expenses means reducing taxable income and **lower** tax bills. Some expenses are deducted immediately and in full, others are deducted through the amortisation process.

→ navigation: press NEXT

Screen 9

Instruction: "Drag the correct words into each empty box."

- Drag&drop activity
- Text on the screen:

Typically, expenditures that contribute to earnings over a **period of one year** are deducted by **depreciation**. Depreciation means gradually deducting the cost of an asset that contributes to **revenue** over a **long period**.

→ navigation: press NEXT

Screen 10

Video:



Michael says: Why is it important to know about depreciation?

Doc says: The value of, say, a camcorder is gradually deducted each month during its lifetime through depreciation. The cost of paid ads on other sites (for instance) is immediately and totally deducted (deduction / expensing versus capitalisation). To avoid headaches at a tax check, you'd better keep all the bills for your purchases.

→ navigation: press NEXT

Screen 11

- video:

Michael says: Can I also deduct the expense of attending a vlogging seminar?

Doc says: Yes, but you have to keep some things in mind.

Instruction: "Click on the exclamation mark to find out more information."

Even if you have spent money on a genuine need for your business, such as attending a vlogging seminar, the tax authority does not recognise its deductibility unless you present convincing supporting documents (invoices, participation certificate, etc). So you must be organised: get and keep all the documents that give you the right to deduct the amounts spent for the purpose of carrying out the business.

→ navigation: press NEXT

Screen 12

- A diagram with 3 progressive boxes.

- Text on the diagram:

1. If you earn revenue from video-blogging, consider declaring your income for tax purposes even if you are not required to do so (if the level of taxable income is below the legal threshold for declaration). For a start-up business, this generates tax losses that will lower the future taxable income that will occur as the business grows.

2. The possibility of deducting the cost of purchasing a professional video camera corroborated with carried forward / carried back in the past is a major advantage for video-blogging as a business and not as a hobby.

3. For teenagers (and not only) it is attractive to pay less tax by the purchase of a professional video camera – this can be a strong incentive to take up a job as a freelancer.

Instruction: "Press on each box to find out more information and then press Next to continue."

→ navigation: press NEXT

2.2 The light at the end of the tunnel of calculating taxes

Screen 1

Video:

DOC: You know that video-blogging involves higher spending at the beginning (because you have to buy IT and photo equipment) and the revenue comes after a longer period of time

(it takes time for the vlog to become known and the number of visitors to grow enough to generate revenue).

Screen 2

- Text on the screen:

Let's assume you have the following financial situation and that the threshold of net income requiring a declaration of earnings is EUR 800:

| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----|--|-------|--------|-------|-------|-------|-------|
| row | | col.1 | col.2. | col.3 | col4. | col.5 | col.6 |
| 1 | Revenues achieved | 0 | 0 | 800 | 2000 | 3000 | 4000 |
| 2 | Deductible expenses | 2000 | 1200 | 1000 | 1000 | 1500 | 1500 |
| 3 | Fiscal result (row 1 - row 2) | -2000 | -1200 | -200 | 1000 | 1500 | 2500 |
| 4 | Annual taxable income before tax loss | 0 | 0 | 0 | 1000 | 1500 | 2500 |
| 5 | Tax loss to be recovered | 2000 | 3200 | 3400 | 2400 | 900 | 0 |
| 6 | Final taxable income (after tax loss consideration) (row 4 - row 5 – only positive values) | 0 | 0 | 0 | 0 | 0 | 1600 |
| 7 | Tax rate | 20% | 20% | 20% | 20% | 20% | 20% |

- Instruction: Click on the years when you should pay tax.
- The right years are: 2020, 2021, and 2022;
 - If he clicks on the right years, they become green
 - If he clicks on a wrong year, the year becomes red and the user should try again
 - After the user clicks on the right years, this conclusion appears:

In 2020, 2021, 2022 you will have to pay tax, because the taxable result is higher than the threshold established by law, of EUR 800.

Navigation: press NEXT

Screen 3:

- Text on the screen:

| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----|-------------------------------|-------|--------|-------|-------|-------|-------|
| row | | col.1 | col.2. | col.3 | col4. | col.5 | col.6 |
| 1 | Revenues achieved | 0 | 0 | 800 | 2000 | 3000 | 4000 |
| 2 | Deductible expenses | 2000 | 1200 | 1000 | 1000 | 1500 | 1500 |
| 3 | Fiscal result (row 1 - row 2) | -2000 | -1200 | -200 | 1000 | 1500 | 2500 |

| | | | | | | | |
|---|--|------|------|------|------|------|------|
| 4 | Annual taxable income before tax loss | 0 | 0 | 0 | 1000 | 1500 | 2500 |
| 5 | Tax loss to be recovered | 2000 | 3200 | 3400 | 2400 | 900 | 0 |
| 6 | Final taxable income (after tax loss consideration) (row 4 - row 5 – only positive values) | 0 | 0 | 0 | 0 | 0 | 1600 |
| 7 | Tax rate | 20% | 20% | 20% | 20% | 20% | 20% |
| 8 | Tax to be paid (without considering the tax loss) (row 7 *row 4) | 0 | 0 | 0 | 200 | 300 | 500 |

- The numbers marked in blue will be highlighted and a speech bubble oriented towards them will contain this text:

We notice that when you declare income only when you have to (2020, 2021, 2022 when the taxable income is higher than the legal threshold), the taxes you will pay are EUR 200 in 2020, EUR 300 in 2021, and EUR 500 in 2022– in total EUR 1000.

Navigation: press NEXT

Screen 4

- Text on the screen:

| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----|--|-------|--------|-------|--------|-------|-------|
| row | | col.1 | col.2. | col.3 | col.4. | col.5 | col.6 |
| 1 | Revenues achieved | 0 | 0 | 800 | 2000 | 3000 | 4000 |
| 2 | Deductible expenses | 2000 | 1200 | 1000 | 1000 | 1500 | 1500 |
| 3 | Fiscal result (row 1 - row 2) | -2000 | -1200 | -200 | 1000 | 1500 | 2500 |
| 4 | Annual taxable income before tax loss | 0 | 0 | 0 | 1000 | 1500 | 2500 |
| 5 | Tax loss to be recovered | 2000 | 3200 | 3400 | 2400 | 900 | 0 |
| 6 | Final taxable income (after tax loss consideration) (row 4 - row 5 – only positive values) | 0 | 0 | 0 | 0 | 0 | 1600 |
| 7 | Tax rate | 20% | 20% | 20% | 20% | 20% | 20% |
| 8 | Tax to be paid (taking into account the tax loss) (row 7 *row 4) | 0 | 0 | 0 | 0 | 0 | 320 |

- The value 320 will be marked in blue
- On the third line the first 3 values will be marked in red and the others are marked in green and a speech bubble oriented towards them will contain this text:



If you declare your earnings from the first year of activity, you will experience tax losses in the first 3 years, which will reduce your profits over the next 3 years, so you will pay taxes of EUR 320 throughout the period.

Navigation: press NEXT

Screen 5

- Text on the screen:

| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----|--|-------|--------|-------|--------|-------|-------|
| row | | col.1 | col.2. | col.3 | col.4. | col.5 | col.6 |
| 1 | Revenues achieved | 0 | 0 | 800 | 2000 | 3000 | 4000 |
| 2 | Deductible expenses | 2000 | 1200 | 1000 | 1000 | 1500 | 1500 |
| 3 | Fiscal result (row 1 - row 2) | -2000 | -1200 | -200 | 1000 | 1500 | 2500 |
| 4 | Annual taxable income before tax loss | 0 | 0 | 0 | 1000 | 1500 | 2500 |
| 5 | Tax loss to be recovered | 2000 | 3200 | 3400 | 2400 | 900 | 0 |
| 6 | Final taxable income (after tax loss consideration) (row 4 - row 5 – only positive values) | 0 | 0 | 0 | 0 | 0 | 1600 |
| 7 | Tax rate | 20% | 20% | 20% | 20% | 20% | 20% |
| 8 | Tax to be paid (by taking into account the tax loss) (row 7*row 6) | 0 | 0 | 0 | 0 | 0 | 320 |
| 9 | Tax to be paid (without taking into account the tax los) (row 7*row 4) | 0 | 0 | 0 | 200 | 300 | 500 |

- The numbers marked in blue will be highlighted and a speech bubble oriented towards them will contain this text:

It results in a tax saving of EUR 680 (1000-320), equal to the multiplication between total tax loss (EUR 3400) and tax rate (20%).

Navigation: press NEXT

Screen 6

- Instructions: "Select the correct answers from the hidden lists above."
- Drop down list activity
- Text on the screen:





The possibility to deduct costs exists only if the tax authority appreciates that vlogging is conducted as a **business/hobby** rather than as a **hobby/ business**. This is proved in terms of criteria such as:

time and work volume invested in the activity;

- the share revenues from the respective activity in the total revenues of the taxpayer;
- **past/future** financial results and estimates for the **future/past**.
- Navigation: press NEXT

Screen 7

- On the screen will be Michael + text
- Text on the screen (will be a drag and drop activity).

Tax must be paid periodically throughout the year (typically, quarterly) based on an estimate of expected **earnings** in the current fiscal year. This is **mandatory** for the **first** year of activity (when there is no previous year that can be used as a reporting basis) and then **recommended** whenever you anticipate major changes in revenue and expenditure over the **previous** year.

In any case, at the end of the year, you will have to file the annual **tax return**, which contains the payment of the annual payment. A more accurate anticipation of revenue and expenditure will save you from surprises at the end of the year.

Navigation: press NEXT

Screen 8

- Video:
- Michael: But I know that many entrepreneurs declare lower earning revenues to pay lower taxes throughout the year, and at the end of the year they will do the adjustment, usually having to pay a big tax bill. Can't I do the same?
- Doc: Take care, it can be quite risky! First, check whether the tax authority penalises you if the difference between the estimated and the declared income is greater than a certain percentage (10%, 20%, etc). Secondly, you may not have enough cash at the time of the annual tax payment; so you might get late-payment penalties.
- Michael: Ok, thanks for the explanations!
- Navigation: press NEXT



3. A possible role model – Tax Consultant

Screen 1

- Text on the screen:

Mr. Rich, Doc's dad, has just arrived to tell Michael what his job entails. It's always fun when Doc's dad comes over. We call him Mr. Rich, Sir Fearless Tax Collector. Doc's friends have a lot of questions for him.

User clicks Continue button and a video begins:

Mr. Rich says: - Hi, boys! What's new?

Doc says: - Dad, let me introduce you to my friend Michael.

Michael says: - Nice to meet you, Mr. Rich!

Doc says: - Dad, this is perfect timing. Michael wants to know a few things about your job.

Mr. Rich says: - Are you sure? Well, tax consultancy may not seem very attractive to many of us, especially younger people.

navigation: press NEXT

Screen 2

You can do consultancy in a lot of areas, like law, finance, IT, banking, business, sales. What kind of profession do you think this is?

- a liberal profession
- a commercial profession

Single choice activity

Instruction: Select the answer you consider correct and then press **Submit**.

navigation: press NEXT

Screen 3

Instruction: "Drag the texts into each empty box."

- Drag&drop activity
- Text on the screen:



Tax consultancy is usually a liberal profession. According to the Fiscal Code, this means:

- The individual has the **freedom** to choose the place and the way of carrying out the **activity**, as well as the **working schedule**;
- The individual has the freedom to **work** for more than one **client**;
- The activity is carried out by using the **patrimony** of the individual who performs it;
- The activity is performed by the individual, using the **intellectual** capacity and / or the physical **performance** of the person, depending on the activity.

navigation: press NEXT

Screen 4

Instructions: "Select the correct answers from the hidden lists above."

- Drop down list activity
- Text on the screen:

1. The risks inherent in the activity **are** / **are not** taken by the individual performing the activity.
2. The individual **is** / **is not** part of a professional body with the role of representation, regulation, and supervision of the profession, according to the **normative** / **banking** special documents that govern the organisation and **exercise** / **non-exercise** of that profession.
3. The individual has the freedom to carry out the activity **directly** / **indirectly**, with employed personnel or through collaboration with third parties under the conditions of his/her **own** / **law**.

navigation: press NEXT

Screen 5

Video

Michael says: - What is the income of a tax consultant?

Mr Rich says: - The level of revenue is difficult to estimate, depending on each client's portfolio, the prestige and reputation built over time, the success rate in tax disputes. But one thing is certain. We all pay taxes and we all need advice on the matter, at some point.

Then user clicks Continue button and a Drag&drop activity appears:

However, in order to get a picture of the amounts traded in the field, a US statistic **identified** that on average the requested **fee** for completing a tax return is USD 261.

Please note: that's the **average** tariff. In practice, there are varying degrees of complexity. From this point, the lowest average **rate** is the one for the tax return for unemployment **benefits** (USD 63), and the highest average rate is for **corporate** tax returns.

navigation: press NEXT



Screen 6

- video

Mr. Rich says: If you are interested in a career in tax consultancy, a good start is getting an internship with a good firm.

Michael says: What are the best-known firms in the industry?

Mr. Rich says: The largest in the world recruit students in their final years at university, providing an incentive framework for professional development in tax consultancy. If you make regular visits to these firms' websites, you'll find out when they're recruiting and how to apply.

navigation: press NEXT

Screen 7

- video

Michael says: Mr. Rich, is it just these big firms who offer internships?

Mr. Rich says: No. Local firms offer internships, too, especially in collaboration with universities. Identify your local tax consultancies or firms in places you'd like to work, and submit your CV even if you don't know exactly when they're recruiting. I'll keep you up to date if I find out anything.

Michael says: Thanks. I'll get back to you if I have any doubts.

navigation: press NEXT

→ Graphics:

- image of the friends

→ Text on screen:

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

4. Evaluation

→ Text on screen:

Now let's put all that tax consultancy knowledge to the test, shall we? Have a try at these questions.

1. Tax consultancy is a profession that is usually:
 - liberal (correct answer)
 - conditioned
 - unconditioned



Quiz review:

Tax consultancy is usually a liberal profession. According to the Fiscal Code, this means:

- *The individual has the freedom to choose the place and the way of carrying out the activity, as well as the working schedule;*
- *The individual has the freedom to work for more than one client;*
- *The activity is carried out by using the patrimony of the individual who performs it;*
- *The activity is performed by the individual, using the intellectual capacity and / or the physical performance of the person, depending on the activity.*

2. The possibility to deduct expenditure exists only if the tax authority accepts that the vlogging activity is run as a:

- business** (correct answer)
- hobby
- personal project

Quiz review:

Don't forget that even if you have spent money on a genuine need for your business, the tax authority does not recognise its deductibility unless you present convincing supporting documents (invoices, participation certificate, etc). So you must be organised: get and keep all the documents that give you the right to deduct the amounts spent for the purpose of carrying out the business.

3 Tax must be paid periodically throughout the year (typically every quarter), based on an estimate of the expected revenue to be earned in the current fiscal year. This is mandatory:

- for the first year of activity** (correct answer)
- for the first quarter of the business
- for each year of activity

Quiz overview:

This is mandatory for the first year of activity (when there is no previous year that can be used as a reporting basis) and then recommended whenever you anticipate major changes in revenue and expenditure over the previous year.

4. (drag and drop activity – items in **green** are placed correctly)

| Gross income | Taxable income |
|--|--|
| Means the total revenue earned from that activity. | Refers to the gross revenue from which is deducted the expenditure made for the purpose of obtaining it is deducted. |





Quiz overview:

The choice of the type of income (gross or net) as well as the rate of tax, varies from country to country. So the first step in working out how much tax is owed, is knowing how much income has been earned; tax is payable on the money left after costs have been paid.

5. Some of the advantages of being self-employed are:

- Freedom to choose how to work
- Freedom to choose work schedule
- Possibility of deducting expenses related to the activity performed
- Freedom not to pay the tax
- The opportunities for tax evasion

Quiz overview:

If you are self-employed, you have complete responsibility to declare your earnings and to pay related taxes.

