Course: "Digital Tax Education and Tax Payments"

Microlearning Clips

Clip 11: "*Value added tax - VAT*"

Clip Scenario

Contents

1. Introduction

1.1. Introducing the character

→ the character will appear on the screen

→ the proposed name is 2QT (too cute)

→ the character is an extra-terrestrial fashion designer

→ comes from a distant planet

→ got tired of only designing robes and jackets (his kind don't have legs)

→ astonished by the shoes earthlings wear

→ has an idea to blend his knowledge of rocket propelled clothing design with the art of shoe making so he can create something unique, which can't be done on his planet

→ choses the EU for the fashion tradition and decides to set up shop here

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

     o 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 puzzled (can't get his alien head around it):

         ▪ **2QT**: But if I set up a business, I think I'll have to **pay VAT**.

         ▪ I want to **know more** about VAT!

2. The evolution of VAT

2QT is on the screen looking at a group of people eating in a small restaurant. There are some people waiting in line for a place at a table. This will show the concept of 'consumption'. The animation will show how added value is created in the consumption chain and based on that, the animation will explain the philosophy of taxing the added value.

The people will eat food that looks better, finer every time they go out and the restaurant will grow from a little one with just one waiter to a big and luxurious one with a lot of staff and a famous chef.

     → 2QT: Wow! The restaurant has gone through many **changes**!

     → As a result of the high demand, they **invested** in their staff and in their kitchen.

> → The restaurant **added value** to the original supplies, so they can sell the meal for more that it costs them to make it.
>
> → They can add more **value** if the food is **fancier**, the restaurant is more **attractive** and if the waiters are more **attentive**.
>
> → 2QT: So that's why the food looks so good!

→ closes the story.

3. How VAT is paid and collected

2QT on the screen with spectacles and calculator is providing graphic representations and examples for calculating and collecting the VAT. The animation will present the next example.

The screen will be split in two. In the left side – 2QT at his desk. In the right side- buildings which represent a provider, a factory of electronic components, a smartwatch manufacturing company and a retailer(2 building at a time). An icon on the right side up of the screen of the State Budget.

An animation illustrating the process of VAT paid and VAT received will appear.

> → 2QT: A factory of electronic components purchases material from a provider. The provider charges the factory €1 plus VAT of 10 eurocents. After that, he pays the 10% VAT to the State Budget.
>
> → 2QT: The factory of electronic components adds value through its manufacturing process of creating the components. That it sells to a smartwatch manufacturing company for €2 plus VAT of 20 eurocents. Half of the VAT is paid by the factory to the State Budget and the other half goes back to the factory for the previously paid VAT.
>
> → 2QT: The smartwatch manufacturing company produces smartwatches with the components bought and after that, sells to a retailer for €3 plus VAT of 30 eurocents. 10 eurocents of this VAT go to the State Budget and the other 20 eurocents go back to the smartwatch company for the previously paid VAT.
>
> → 2QT: The retailer makes a sale to a customer for €5 plus VAT of 50 eurocents. 20 eurocents of this VAT go to the State Budget.
>
> → 2QT: **For every item bought, the consumer pays VAT and the buyers earlier in the chain of production receive reimbursements for previous VAT taxes paid**.

→ closes the story.

4. VAT and the EU budget

On the screen the EU map will appear with the names of the countries and the VAT % they charge (it is mentioned in the next table). 2QT will be in the right corner, up.

Austria	20%
Belgium	21%
Bulgaria	20%
Cyprus	19%
Czech Republic	21%
Croatia	25%
Denmark	25%
Germany	19%
Estonia	20%
Greece	24%
Spain	21%
Finland	24%
France	20%
Ireland	23%
Italy	22%
Latvia	21%
Lithuania	21%
Luxemburg	17%
Hungary	27%
Malta	18%
Netherlands	21%
Poland	23%
Portugal	23%
Romania	19%
Slovenia	22%
Slovakia	20%
Sweden	25%
United Kingdom	20%

- message on the screen

  → 2QT: So, **what is the EU's role in collecting taxes**?

  → The EU does not have a direct role in collecting taxes or establishing tax rates. The amount of tax you pay is set and collected **by the countries**, not at European level.

  → 2QT: But what is the **EU contribution**?

- message on the screen

  → The role of the EU is to ensure that **taxes are fair and helpful** to everyone. They do this by:

  → • promoting **growth** and **job creation**

  → • ensuring the **free movement of goods, services and capital** across the EU single market

  → • Ensuring that businesses in a country **do not have an unfair advantage over competitors** in another country

  → • **Combating discrimination** against consumers, workers or businesses in other EU countries.

Map of EU countries with a plane above it.
Animation - The plane goes from point A to point B. The next screen is inside a store full of products from different European countries.

  → In the single **European market**, goods and services can be **freely marketed outside national borders**.

  → Therefore, **minimum rates for VAT** and **excise duties** have been set and rules have been laid down for their application. If they wish, governments are free to apply higher rates.

A map of EU countries with piggybanks on each country. Above each piggybank is a coin (animation of the coin dropping from above into the piggybank).

  → 2QT: What about the **EU budget**?

  → The EU budget is mainly funded (99%) from **its own resources**. Annual revenue must cover all annual expenditure.

An animation – all piggybanks merge into a big one, representing the EU VAT.

  → A source of revenue for the EU budget is **VAT**, meaning that a percentage of VAT collected by the countries is transferred to the European Union.

  → 2QT: How is this EU budget **administrated**?

→ **Less economically developed** countries receive h**igher amounts from the EU budget** than they contribute, and this will continue throughout the next budget period (2014-2020).

2QT is clapping, very happy!

- closes the story.