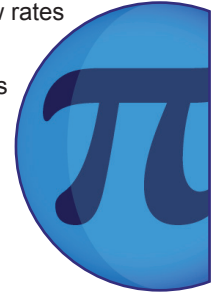




# Percentages: Tax Breaks

## Key Learning Content

This film explains the mechanics of income tax: how almost all countries in the world collect it, and how rates are often progressive, meaning that the more income you earn, the greater percentage of it you pay in tax. Examples of rates in different countries are given. The film ends by explaining the possible benefits of paying more income tax, in terms of higher spending on health, education and other social services.



No specific knowledge of percentages is necessary prior to watching the film. Familiarity with economic theory would be helpful.

### Core Outcomes

#### Learning Points

- Be able to use and apply number in everyday personal, domestic or community life.
- Be able to understand how income tax is typically collected in most countries of the world.
- Be able to understand what is meant by a progressive tax system.

#### Suggested Activities

- Convert percentage tax rates to fractions or decimal multipliers.
- Calculate the tax collected on different levels of income under different tax systems.
- Design alternative tax rates to collect a specified total amount of tax, given information about income distributions.

### Extension Outcomes

#### Learning Points

- Be able to understand that income tax is just one of several forms of taxation in modern economies.
- Be able to understand that taxation is a component of fiscal policy, and understand the difference between fiscal and monetary policy.

#### Suggested Activities

- Calculate average tax rates at different levels of income, given different tax rates for different income bands.
- Research different forms of tax levied, and the relative amounts of revenue raised by each type.
- Research monetary policy and identify different types of monetary policy measures.



Income tax is charged as a percentage of money earned.

## Related Films

To use before the lesson plan:

### Percentages: Feeding the Nutcracker

This film introduces the idea of a percentage of a number, as well as using basic probability relationships between an event and its complement.

To use after the lesson plan:

### Could You Owe More Than America?

This film shows how many small repeated percentage changes can amount to a very large debt.

### Fractional Reserve Banking

This film gives an introduction to the economics of bank borrowing and lending.

## Guide Lesson Plan

### Introduction

Ask students how much they expect (or want) to earn when they finish their education. Convert to a monthly salary rate then ask them how much of this monthly salary they would expect to take home to spend as they like. Collate and compare estimates.

### Show Film

### Percentages: Tax Breaks

### Main Activity

#### Foundation

Give students details of the income tax rates for their country. Then ask them to convert percentage tax rates to fractions or decimal multipliers. Then specify different levels of income and get students to use the information they have to work out the total tax paid on this income.

#### Advanced

Give students access to National Accounts and identify the total tax revenue raised annually by government. Work out what percentage of this comes from income taxes, and identify other major sources. Research the arguments for and against different types of taxation.

## Extension Activity

### Foundation

Tell students the total amount of income tax revenue raised by government annually. Then provide details of income levels by decile. Get students to come up with alternative rates of income tax for different levels of income in order to raise the same amount of revenue. Ask them which system of income tax rates they prefer, and why.

### Advanced

Explain that tax rates are part of fiscal policy, which is set by government. Fiscal policy contrasts with monetary policy, which is concerned with the overall supply of money in the economy. Get students to research monetary policy and identify the levers that governments and central banks are able to use within it.

## Optional Extra

The film explains that income taxes are used in most countries to pay for education, health and other social services. Get students to research the share of government expenditure that goes on these and other services.



Income tax varies greatly across the world, from 0% in the United Arab Emirates to 52% in the Netherlands.