



**Theme: An introduction to taxation & pay**  
**Based on tax year 2020/2021**

**Year Group: 10/11**

	Activities	Resources	Duration
<b>Introduction</b>	<p>Lesson overview to explain:  <i>An introduction to the concept of taxation and the impact that compulsory deductions of Income Tax and National Insurance have on our earnings.</i>  <i>By the end of this lesson students will be able to:</i></p> <ul style="list-style-type: none"> <li>➤ <i>Identify some of the public services which are funded by income tax and national insurance contributions.</i></li> <li>➤ <i>Recognise that there are bandings and thresholds for Income Tax and National Insurance calculations.</i></li> <li>➤ <i>Explain the main areas and pay elements on a payslip.</i></li> </ul> <p>The big question:  <i>How much would you receive in your bank account every month if you earned £24,000 in one year?</i>  <i>Write the amount you believe would be paid into your bank account on your whiteboard.</i>            Review answers but correct figure will be revealed later.</p>		10 mins
<b>Development</b>	<p><u>Exposition</u></p> <ul style="list-style-type: none"> <li>• Decipher the 9 and 4 letter words (set a time limit)                Answers: Insurance &amp; Earn.</li> <li>• Q&amp;A: What is taxation? See answers below.</li> <li>• Q&amp;A: Who pays tax?</li> <li>• Example of £24,000 salary for income tax calculation.</li> <li>• HMRC Video : Starting your first job.  <a href="https://www.youtube.com/watch?v=QA94wNeIXyE">https://www.youtube.com/watch?v=QA94wNeIXyE</a>                Ask questions to check understanding.</li> <li>• Q&amp;A: What is National Insurance?</li> <li>• Q&amp;A: How much National Insurance will I pay?</li> <li>• Payslip Worksheet for each student to complete.</li> </ul>	<p>PowerPoint</p> <p>You Tube Video</p> <p>Payslip Worksheet</p>	<p>15 mins</p> <p>15 mins</p> <p>15 mins</p>
<b>Conclusion</b>	<p>Summary of learning:            Re-visit the big question: <i>How much would you receive in your bank account every month if you earned £24,000 in one year?</i>            Compare the earlier answer on their whiteboards with new knowledge of deductions.</p>		5 mins
<b>Duration</b>			1 hour

# Outline Lesson Plan

## Answers – What is taxation?

Using the PowerPoint slide as a prompt ask students to work out what each photo represents.

A: Education; Army and Navy; Roads; Government; Public transport; Police; Prisons.

Some may respond with NHS and benefits which are funded by National Insurance contributions, acknowledge their answer and make the distinction later when covering NI.

## Answers - Who pays tax?

Personal allowance for 2020/2021 is £12,500. (This changes from year to year so by the time they are working full time, this will have changed.)

Optional:

This information may be best suited to Year 11s.

Band	Taxable income	Rate
Personal Allowance	Up to £12,500	0%
Basic rate	£12,501 - £50,000	20%
Higher rate	£50,001 to £150,000	40%
Additional rate over	£150,001	45%

Interesting fact: You do not get a personal allowance on taxable income over £125,000.

## Answers – What is National Insurance?

A system of compulsory payments by employees and employers to provide state assistance for people who are sick, unemployed, or retired. You pay National Insurance contributions to qualify for certain benefits including the State Pension. You pay National Insurance if you're 16 or over and an employee earning above £183 a week. Just like income tax, you do not start to pay NI until you earn above a certain level. Self-employed people start paying NICs when they make a profit of £6,475 p.a.

National Insurance is used to pay for the NHS, State Pension and benefits such as Universal Credit. The photos refer to the Job Centre, disability payments, State Pension at government retirement age and hospitals for NHS.

National Insurance number should arrive just before 16th birthday in letter format as cards no longer issued.

Your number is personal to you and will stay with you for your whole working and retired life!

## Answers – How much National Insurance will I pay?

Explain that NI is calculated on a weekly basis. You can earn up to £183 per week before National Insurance is deducted from your salary. On a salary of £24,000 pa the weekly amount deducted for an employee for National Insurance is £33.42 per week and works out at £144.82 per month. This is how it is calculated in this example of £24,000 pa income. This salary equates to £461.53 per week. The amount you earn between £183 and £962 is charged at 12%. In this case, that amount is £278.54 (£461.53 - £183). 12% of £278.54 works out at £33.42 NI per week.

Additional information if required: You are charged NI at 2% on weekly earnings over £962. Just like income tax, these thresholds can change every year.