



**Chartered
Institute of
Taxation.**

**Low Incomes
Tax Reform
Group.**

A voice for the unrepresented

APPG on Financial Education for Young People
Inquiry into the barriers facing schools as they deliver financial education
Comments from the Chartered Institute of Taxation, the Low Incomes Tax Reform Group
and the Association of Taxation Technicians

1 Introduction: financial education – the need to educate people about tax

- 1.1 Together, the Chartered Institute of Taxation (CIOT), its Low Incomes Tax Reform Group (LITRG) and the Association of Taxation Technicians (ATT) agree that general financial education for children is essential. However, we wish to emphasise as part of this teaching the importance of introducing a basic understanding of tax throughout the education system.¹

¹ The National Curriculum for secondary schools says that Citizenship teaching should aim ‘to ensure that all pupils... are equipped with the skills... to enable them to manage their money on a day-to-day basis, and plan for future financial needs’. Understanding the tax consequences of financial decisions is essential to get the best out of day-to-day decisions and future financial planning. See <https://www.gov.uk/government/publications/national-curriculum-in-england-secondary-curriculum> (page 82 of the PDF).

- 1.2 The inquiry asks no specific questions relating to tax, but we wish to stress that learning about tax is a key part of financial education. Paying tax and national insurance contributions¹ are part of life and it is essential that people understand both why we pay them and gain an understanding that citizens have tax obligations.
- 1.3 Whilst the tax system is extremely complex, it is relatively easy to introduce some of the key concepts to children of school age, starting with a basic foundation at primary level. These foundations can be built upon as the child progresses through the education system, sufficient to provide a basic understanding of how the tax system works. This will help overcome the problem, evidenced below, of young people’s inadequate grasp of tax.
- 1.4 LITRG (in terms of unrepresented taxpayers) and CIOT/ATT members (when acting as agents to help paying members of the public) see far too many cases in which tax problems could perhaps have been avoided if those concerned had had a better understanding of tax. People need to understand that at present, the tax system is largely designed such that individuals have the primary responsibility for their own tax affairs. The consequences that flow from lack of knowledge of this point and the tax system generally can include tax debt and penalties – which can in turn impact on people’s general wellbeing. Such difficulties can also undermine faith and trust in the tax system – something which HMRC is aiming to improve², but may struggle to do so without people having a basic understanding of tax.
- 1.5 We outline at section 2 below evidence that people have insufficient knowledge of the tax system and that the knowledge gap is greater amongst younger people.
- 1.6 We then go on in sections 3 to 6 to address the inquiry’s questions and in particular outlining how, in our experience, teachers can be supported in delivering tax education in schools.

2 Evidence of lack of tax knowledge

- 2.1 There is plenty of research confirming people’s lack of tax knowledge. For example, HMRC research suggests that 54 per cent of people³ who have earned income from the sharing economy (which includes those working in the ‘gig economy’) do not realise it is taxable.

¹ Where we refer to the tax system in this paper, the term is intended to include both tax and national insurance.

² HMRC, HM Treasury publication, 21 July 2020, ‘Building a trusted, modern tax administration system’: <https://www.gov.uk/government/publications/tax-administration-strategy/building-a-trusted-modern-tax-administration-system>

³ HMRC report 453, 5 May 2017, ‘Research on the Sharing Economy’: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/658728/HMRC_Report_453_Sharing_Economy.pdf

- 2.2 Further examples can be seen in a 2019 Deloitte LLP report¹ which found that 76% of people surveyed felt that tax should feature more often in schools. It also noted that there is a greater gap in younger people’s knowledge than in older age groups. When asked a series of everyday personal tax questions, out of a possible score of 30, the average respondent scored 10.6, but those between 18 and 24 scored just 6.9.
- 2.3 In relation to devolved taxes, the CIOT has also carried out three surveys of the Scottish public, using the Diffley Partnership, to understand levels of awareness and understanding of the devolved tax system (in 2018, 2019 and March 2021). The 2021 poll found that one third of those surveyed were unaware that the Scottish Parliament had made changes to the tax system since 2015. When asked whether Scots need better information on how taxes are decided in Scotland, 83 per cent of respondents said they did.² The Scottish Government has attempted to start addressing this issue – for example, with a short animated video on Scottish taxes.³

3 Questions 1 to 3 – Financial education – who plays a role

1. What role if any do you think schools should play in the delivery of financial education?

2. If you think schools should play a role, please reflect on why you think this is important

3. If you don’t think schools should play a role, please reflect on which audiences you consider should

- 3.1 We take these questions together.
- 3.2 We believe it is vital to educate children about tax in school. We realise, however, that there are barriers to doing so, which we discuss further below in answer to questions 6 to 9.
- 3.3 We have already reflected in section 2 above why tax education is an essential part of overall financial education.
- 3.4 In terms of tax education generally, the CIOT, ATT and LITRG play a role. For instance, the LITRG website, www.litrg.org.uk, provides detailed resources for low-income, unrepresented

¹ ‘The Tax Education Gap: Is it Time to Talk?’, September 2019, Deloitte LLP. A summary of key findings and the full report are available at: <https://www2.deloitte.com/uk/en/pages/tax/articles/tax-education-gap.html>

² See CIOT press release, 7 April 2021: <https://www.tax.org.uk/one-third-of-scots-unaware-of-holyrood-s-tax-changes-as-tax-and-accountancy-bodies-call-for-increased-awareness-of-devolved-taxes-in-new-parliament>

³ As explained and linked to in this LITRG article: <https://www.litrg.org.uk/latest-news/news/220407-scottish-government-launches-tax-animation>

taxpayers to find out about tax. Furthermore, CIOT, ATT and LITRG representatives support the provision of accurate information on tax in the public domain – for example, by liaising with journalists on articles and making other media appearances.

- 3.5 HMRC also have a role to play in tax education and indeed, they do provide some materials for use in schools,¹ as well as producing educational content for a wider audience.² HMRC's Tax Facts materials for schools are currently being reviewed and refreshed.³ We have welcomed and promoted⁴ these in the past as a fun way for children to gain a basic understanding of tax.

4 Challenges and barriers schools face

4. Thinking about the delivery of financial education in secondary schools, please share reflections on any challenges and barriers that these schools and their teachers face

5. Thinking about the delivery of financial education in primary schools, please share reflections on any challenges and barriers that these schools and their teachers face

- 4.1 We are not aware of any significant difference in barriers between primary and secondary schools, so we take these two questions together, commenting on what we see as the main barrier to teaching tax in schools generally.
- 4.2 As discussed in section 3 above, there are educational materials already available. Our experience is, however, that teachers may themselves lack confidence with tax matters and that schools may therefore be reluctant to 'go it alone' in using these materials in class.
- 4.3 Tax does not appear anywhere in the National Curriculum⁵ in its own right. A passing reference only is made in one of a list of topics in the subject of 'Citizenship' where, at Key stage 4, it is noted that students should be taught about 'how public money is raised and

¹ Published by 'tes': <https://www.tes.com/teaching-resources/shop/HMRCTaxEducation>.

² Eg, see <https://www.youtube.com/user/HMRCgovuk/videos> and <https://www.gov.uk/government/collections/hmrc-webinars-email-alerts-and-videos>

³ As discussed at HMRC's Individuals Stakeholder Forum, 13 April 2022, see: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1073566/HMRC_Individuals_Stakeholder_Forum_minutes_13_April_2022.odt

⁴ See for example LITRG's article, 30 March 2020, 'Looking for home-schooling ideas? Try tax!': <https://www.litrg.org.uk/latest-news/news/200330-looking-home-schooling-ideas-try-tax> and ATT resources page <https://www.att.org.uk/hmrCs-junior-tax-facts> and our article 'School report: How to deliver a lesson in Tax' <https://www.accountingweb.co.uk/tax/hmrc-policy/school-report-how-to-deliver-a-lesson-in-tax>.

⁵ <https://www.gov.uk/government/collections/national-curriculum>

spent'. Until tax is given more prominence within the National Curriculum, it is hard to see how schools will commit the necessary resources to educate their students on this important matter.

5 Solutions to the challenges and barriers

6. In what ways could secondary schools be better supported to overcome the challenges and barriers identified?

7. In what ways could primary schools be better supported to overcome the challenges and barriers identified?

- 5.1 Again, we take these questions together, as when it comes to teachers' potential lack of confidence in teaching tax as a topic, we are not aware of any difference between primary and secondary level education.
- 5.2 To help support teachers and provide them with confidence when delivering tax lessons, CIOT, ATT and LITRG staff members and volunteers have visited some schools, using both our own materials and those produced by HMRC.
- 5.3 We have found this to work extremely well and therefore suggest that the key to developing tax (and wider financial education) in the classroom is to look at bringing in experts in these areas to support teachers.
- 5.4 This activity is currently very much 'ad hoc', but it could be rolled out on a national basis. To do this, a co-ordinating strategy is needed – matching potential volunteers from the tax and other financial professions to schools to help deliver sessions. The professional bodies could promote such a scheme to their members, to develop a bank of willing volunteers for schools to call upon – perhaps in a similar way to the NHS volunteer responders scheme set up to help with those in need during the pandemic.¹
- 5.5 Indeed, as many tax professionals have successfully managed to work from home/remotely during the pandemic, such a scheme may be even more possible now than in the past. Volunteers need not in fact be local to the schools they are supporting, with technology enabling subject matter experts to help through virtual attendance in the classroom.

8. Are there any primary or secondary schools that face unique challenges and barriers to delivering financial education? (For example by region /Indices of Multiple Deprivation decile)

9. If yes, please reflect on what these unique challenges and barriers are and what solutions could address them

¹ See <https://nhsvolunteerresponders.org.uk/>

5.6 We do not have any direct evidence of particular issues. However, LITRG receive some 2,000 queries a year from visitors to our website, asking questions about the tax system. This provides us with some anecdotal evidence of particular areas of difficulty.

5.7 For example, we know that migrants to the UK are faced with challenges such as having to deal with an unfamiliar tax system. This may have a generational impact, in that their children may be entirely reliant on the education system to provide them with knowledge of how the UK tax system works and what their obligations will be when they enter the world of work.

6 Other support for the delivery of financial education

10. Please share any other policy mechanisms that would better support schools to deliver high quality financial education among both primary and secondary aged children?

6.1 As discussed above, it is welcome that HMRC see tax education as part of their remit and that they provide materials for use in schools. However, in order to successfully deliver this education, support for teachers is needed. As a matter of wider government policy, it would be beneficial for departments to join together to devise and implement a volunteer system (as we suggest at 5.4-5.5 above).

11. Please share any other support/interventions that would better support schools to deliver high quality financial education among both primary and secondary aged children?

6.2 We have no further suggestions to make.

7 About Us

7.1 Chartered Institute of Taxation (CIOT)

7.1.1 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.¹

7.2 Low Incomes Tax Reform Group (LITRG)

7.2.1 LITRG is an initiative of the Chartered Institute of Taxation to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes.

¹ <https://ciotmktgprodeun.azureedge.net/about-us>

Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.¹

7.3 ***Association of Taxation Technicians (ATT)***

- 7.3.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.²

CIOT/LITRG/ATT

9 June 2022

¹ <https://www.litrg.org.uk/about-us>

² <https://www.att.org.uk/about-us>