



**Chartered
Institute of
Taxation.**

**Low Incomes
Tax Reform
Group.**

A voice for the unrepresented

APPG on Financial Education for Young People
Rapid inquiry on Primary-School aged Financial Education
Comments from the Chartered Institute of Taxation, the Low Incomes Tax Reform Group
and the Association of Taxation Technicians

1 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) wish to highlight the importance of introducing a basic understanding of tax throughout the education system.
- 1.2 The inquiry makes no specific mention of tax. 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 young children. These foundations can be built upon as the child progresses

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

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 Question 5 of the Inquiry asks: What do you see as the key risks if financial education is not provided at primary school age? In this respect, 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. The consequences that flow from this lack of knowledge are potentially tax debt and penalties. Such difficulties in turn could undermine faith and trust in the tax system – something which HMRC is aiming to improve¹, 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 section 3 to outline 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 people² who have earned income from the sharing economy (which includes those working in the 'gig economy') do not realise it is taxable.
- 2.2 Further examples can be seen in a 2019 Deloitte LLP report³ 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

¹ 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>

² 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

³ '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>

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.¹

3 Tax educational materials available from HMRC

- 3.1 Question 4 of the Inquiry asks: What can be done to support an increase in provision to primary school aged children?
- 3.2 First, it is important to note that there are materials available to teachers to introduce tax in the classroom. HMRC have produced two tax educational modules – ‘Tax Facts’² and ‘Junior Tax Facts’³, the latter of which is aimed at primary age children. We have welcomed and promoted⁴ these in the past as a fun way for children to gain a basic understanding of tax.
- 3.3 Our experience is, however, that teachers may themselves lack confidence with tax matters and that schools may be reluctant to ‘go it alone’ in using the HMRC materials in class.
- 3.4 To help support teachers, CIOT, ATT and LITRG staff members and volunteers have therefore (pre-pandemic) been into some schools – using at times both our own materials and those produced by HMRC – to help deliver lessons on tax. We have found this to work 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 into the classrooms to support teachers.
- 3.5 We think it would therefore be helpful to have a strategy in place to co-ordinate this – 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

¹ 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>

² Published by ‘tes’: <https://www.tes.com/teaching-resource/hmrc-tax-facts-12109552>

³ Published by ‘tes’: <https://www.tes.com/teaching-resource/hmrc-junior-tax-facts-12106669>

⁴ See for example LITRG’s article, 30 March 2020, ‘Looking for home-schooling ideas? Try tax!’: <https://www.litr.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>.

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

4 About Us

4.1 *Chartered Institute of Taxation (CIOT)*

- 4.1.1 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.²

4.2 *Low Incomes Tax Reform Group (LITRG)*

- 4.2.1 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. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.³

4.3 *Association of Taxation Technicians (ATT)*

- 4.3.1 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.⁴

CIOT/LITRG/ATT

8 June 2021

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

² <https://ciotmktgprodeun.azureedge.net/about-us>

³ <https://www.litrg.org.uk/about-us>

⁴ <https://www.att.org.uk/about-us>