

MATERIAL

Search for 'HMRC Junior Tax Facts' on www.tes.com (You'll need to create a free account.)

Video on Youtube:

https://www.youtube.com/watch?list=PL8EcnheDt1zjoRLU0I8WEKqgNzdR3w2xI&time_continue=1&v=Un9W8U0VRpY

Report of experiences <https://www.accountingweb.co.uk/tax/hmrc-policy/school-report-how-to-deliver-a-lesson-in-tax>

LESSON PLAN FOR AFTERNOON

1:15-2:15

- **Intro [5mins]** – think about how to explain role at an appropriate level
- **Intro to the course – [10mins]** Total taxes collected £605bn (for 2017-18 – print out on paper)
- **Video [6mins]** (NB you are supposed to pause for questions in the middle but I'd be inclined not to if the kids are concentrating)
- **Exercise 1 – What to taxes pay for? 15mins** – per HMRC Tax Facts Pack
- **Exercise 2- Tax priorities 15mins** - per HMRC Tax Facts Pack + more detailed figures

BREAK – 15mins

14:30- Close 15:20

What taxes do the children pay?

- **VAT –Snowballs and Jaffa cakes** – whole class exercise
- **Q&A (tax in general, what you do)**– brace yourself! We had a Q&A about my job because their class teacher encouraged parents to come in and talk about their work. Your teacher may have done similar or different themes with kids that you can support.

To bring:

- Sufficient copies of the Town Plan map
- Jaffa cakes (bring all food in original wrapping)
- Snowballs (around me only stocked by Iceland!!)
- Plates/napkins

To check

- Allergies/health issues around bringing food in
- School policies on safeguarding.

Cake, Biscuit or Sweet?

Work Session – Tunnocks Snowballs

In 2014 a Judge was asked to decide whether or not a treat called a Snowball was an item of confectionery (i.e. a sweet) or a cake.

If it was an item of confectionery (such as sweets and chocolate) then it would be subject to VAT at 20%.

If it was a cake, then it would not be any VAT (weirdly because you charge VAT at 0%).

The people that make snowballs (two companies – Tunnocks and Lees) want the snowball to be classed as a cake because then it would be less expensive, and people could afford to buy more of them.

If each snowball is sold for 20p before any VAT added then if VAT applied this adding an extra 20% onto the price (can let the class calculate if feeling brave) would mean each snowball cost an extra 4p!

4p on a single snowball is not a lot but because there are a lot of snowballs made each year the total amount of VAT in question was worth an £800,000 VAT due if held to be sweets – so very big figure because Tunnocks and Lees make a lot of snowballs.

NB Everyone agreed that it was not a biscuit!

What did the judge look at to decide if cake or sweet?

The judge looked at the following factors:

Factor (prompts to use to start the discussion with class)	Cake or sweet?	Held in the court
How does it taste?	Cakes and biscuits are both sweet but cakes are very sweet as generally more sugar	Yes - tests very sweet
What sort of texture does it have?	Sweets – more solid, cakes are less solid	Held to be very fragile – more cake like
Do I need to eat it off a plate?	Cakes need plates, you can eat sweets with your fingers	Yes – very messy to eat, the judge found coconut falling off everywhere Judge got messy fingers – like eating a vanilla slice
How big are they?	Bigger than a traditional boiled sweet, but smaller than a slice of a whole cake.	Considered similar size to other cakes like a cupcake, or French fancy

		Couldn't eat in a single bite (NB This is not a challenge for the kids to disprove!!)
Where would you look for it in the supermarket – with the sweets/chocolates or with the cakes?	Didn't think would sit with the chocolates or sweets.	Largely with the cakes/biscuit aisle
What are they made of?	Sweets are tend to be more sugar based while a cake would be expected to have flour, eggs and sugar	Snowballs do not have an flour in them
How are they made?	Cakes tend to be baked and sweets are boiled	In this case the snowball is boiled (not baked) so this is a bit sweet like
When would you eat one?		The Judge thought she'd like it sitting down with a cup of tea – like a cake. Not really suitable for eating while walking around in the street.
Do they keep well?	Sweets can be left out and keep well – cakes go dry and hard if left out	The snowball goes dry like a cake after a few hours
If you put it with other cakes would it look like a cake?	Compared to a tart, tea cakes etc	Yes, it looked like a cake on a plate of cakes
What does the packaging look like?		Packaged in a cake tray or separately wrapped

Are there other things we would think about that the judge didn't consider?

After a discussion – hold a vote and see what the class thinks.

On balance judge though that there were sufficient factors to be held a cake

Repeat the same exercise with a jaffa cake.

Options – could summarise the factors on the board (we opted for a discussion as a small class)

References

Printed PDF of case here <https://www.bailii.org/uk/cases/UKFTT/TC/2014/TC03754.pdf>

What else has VAT on it that you might buy?

[Reference in case needed!]

VAT at 20%	No VAT (VAT at 0%)
<p>Sweets</p> <ul style="list-style-type: none"> • Pastilles • Gums • Lollipops • candy floss • sherbet • chewing gum • bubble gum • Turkish delight • Marshmallow • fondants and similar confectionery 	<p>Cakes including</p> <ul style="list-style-type: none"> • sponge cakes • pastries • eclairs • meringues • flapjacks • lebkuchen • Marshmallow teacakes - with a crumb biscuit or cake base topped with a dome of marshmallow coated in either chocolate, sugar strands or coconut • Scottish snowballs a dome of marshmallow coated with chocolate or coconut, aerated and boiled (not baked), they have a short shelf life and harden rapidly when removed from the packet • Edible cake decorations • Cakes including sponges, fruit cakes, meringues, commemorative cakes such as a wedding, anniversary or birthday cakes
<p>Chocolates, bars of chocolate including those containing nuts, fruit, toffee, or any other ingredients, diabetic chocolate, liqueur chocolates and similar sweets</p>	
<p>Biscuits coated with chocolate</p> <ul style="list-style-type: none"> - Kitkats etc - Shortbread biscuits partly or wholly chocolate-covered - Gingerbread men decorated with chocolate unless this amounts to no more than a couple of dots for eyes - 	<p>Biscuits coated with icing, caramel or some other product different in taste and appearance from chocolate</p> <p>Gingerbread slabs</p>
<p>Cereal bars, whether or not coated with chocolate, with the exception of bars which qualify as cakes</p>	

Technical bits

[VAT Notice 70/114](#)

HMRC Figures for 2017-18

More detailed figures for exercise 2 - figures in bold

When discussing what we would prioritise and how the class would do it, could then compare to how we actually spend money and talk about (for example) spending 20% of taxes on health.

Tax summary description	Public Sector Expenditure (£bn)	%
Welfare	174.4	23.8
Health	145.8	19.9
State Pensions	93.8	12.8
Education	87.8	12.0
National Debt Interest	44.5	6.1
Defence	38.7	5.3
Public Order & Safety	31.6	4.3
Transport	31.2	4.3
Business & Industry	21.4	2.9
Government Administration	15.2	2.1
Environment	11.4	1.6
Culture (e.g. sports, libraries, museums)	11.8	1.6
Housing and utilities (e.g. street lights)	12.1	1.6
Overseas Aid	8.6	1.2
UK Contributions to EU budget	5.4	0.7

