

▶ Unit 3

# Income Tax for Employees

## Lesson Plan





## 1.0 Learning Outcome

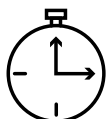
To understand how income is taxed in Ireland and to be able to complete basic Income Tax calculations.



## 2.0 Learning Intentions

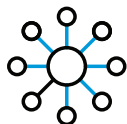
At the end of this lesson I will be able to:

- |    |  |
|----|--|
| 1. | Explain the different types of income earned by individuals and businesses |
| 2. | Differentiate between direct and indirect taxes                            |
| 3. | Distinguish between taxable and non-taxable income                         |
| 4. | Outline the concept of tax rate bands and tax credits                      |
| 5. | Explain how the PAYE system operates                                       |
| 6. | Complete basic Income Tax calculations                                     |



## 3.0 Duration

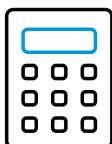
2 x 1hr classes



## 4.0 Links

### Literacy Links

Income, Wage, Salary, Bonus, Commission, Tips, Profit, Dividend, Social welfare benefits, Direct tax, Indirect tax, Taxable income, Non-taxable income, Income Tax, PAYE system, PPSN, RPN, Statutory deductions, Non-statutory deductions, Emergency tax, Tax credits



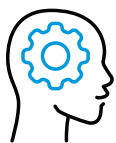
### Numeracy Links

Tax rates, Addition, Subtraction, Percentages, Multiplication, Division



### Cross-Curricular Links

Business, Computer Science, Economics, Home Economics, Maths, Society



### TY Skills

Being personally effective, Communicating, Critical and creative thinking, Information processing, Working with others



## 5.0 Resources

The resources required for this lesson are:

1.	Whiteboard, Projector, PC / laptop with an internet connection
2.	Lesson Plan
3.	PowerPoint Presentation
4.	Student Activity Worksheet 1
5.	Student Activity Worksheet 2 & Solutions
6.	Gross Tax Calculations Worksheet
7.	Gross Tax Calculations Worksheets Solutions
8.	Net Tax Calculations Worksheet
9.	Net Tax Calculations Worksheets Solutions
10.	Tax Bands, Tax Credits, Tax Basis and USC handout
11.	Myth Buster handout
12.	Quiz Worksheet & Solutions
13.	Kahoot! Quiz Upload Spreadsheet & Solutions
14.	Student Learning Journal

## 6.0 Lesson Introduction

The **teacher** briefly **outlines the learning intentions** on **PowerPoint Slide 2** to highlight the topics to be covered during the lesson. A copy of **Unit 3: Student Activity Worksheets 1 and 2** are **distributed** to all students. In addition, students receive **Unit 3: Gross Tax Calculations Worksheet** and **Unit 3: Net Tax Calculations Worksheet**.

## 6.1 Retrieval Practice

### Activity 1

The **teacher** displays **PowerPoint slide 3** showing a **retrieval practice activity** for the **students** to complete individually. This is a **brain dump activity**, where students **using** the **prompts** provided, **record** as much **information** as they can recall **from Unit 2**. Students can be given up to **five minutes to record** the information on **Unit 3: Student Activity Worksheet 1, Activity 1**, which can then be **discussed** as a **whole class group**.

Prompt	Suggested Responses
<b>Sin and Pigouvian Taxes</b>	<ul style="list-style-type: none"><li>• Taxes levied on items that are harmful to society</li><li>• Sin taxes include: Alcohol Tax, Tobacco Products Tax, Sugar Sweetened Drinks Tax (SSDT)</li><li>• The revenue collected from Sin taxes is used for general government expenditure</li><li>• Pigouvian taxes include: Plastic Bag Levy, Carbon Tax</li><li>• The revenue collected from Pigouvian taxes is used for specific projects to reduce the negative impact of the item taxed</li></ul>
<b>Dáil Éireann and Seanad Éireann</b>	<p><b>Dáil Éireann</b></p> <ul style="list-style-type: none"><li>• 160 TDs elected by the public</li><li>• Cabinet consists of the Taoiseach, Tánaiste and Ministers</li></ul> <p><b>Seanad Éireann</b></p> <ul style="list-style-type: none"><li>• 60 Senators – debate legislation proposed by Dáil Éireann</li></ul>
<b>Stakeholders that influence tax laws</b>	<ul style="list-style-type: none"><li>• Interest groups, e.g. Ibec, ICTU, IFA</li><li>• European Union</li><li>• Revenue Commissioners</li><li>• Department of Finance</li></ul>
<b>Stages of a Bill</b>	<ul style="list-style-type: none"><li>• A Bill is a proposed law</li><li>• 5 stages of a Bill comprising of: First Stage, Second Stage, Third Stage (Committee Stage), Fourth Stage (Report Stage), Final Stage</li><li>• Bill must pass through both Dáil Éireann and Seanad Éireann before it is sent to the President of Ireland to be signed into law</li></ul>

## 7.0 Income – Definition and Types Received by Individuals and Organisations

### Activity 2

The **teacher** shows **PowerPoint slide 4** to **students** who then use **Think-Pair-Share** to discuss a **definition** of **income** and the **individuals** and **organisations that can receive income**. **Students record** this information on **Unit 3: Student Activity Worksheet 1, Activity 2 (i)**.

The **teacher shows** some **common definitions for income**, as well as **individuals** and **organisations that can receive income** on **PowerPoint slides 5 and 6**.

**Students** continue this activity by **brainstorming** the **types of income** that can be **received** by both **individuals** and **businesses**. These are **recorded** on **Unit 3: Student Activity Worksheet 1, Activity 2(ii)**. As the students **share** these **suggestions** with the class, the **teacher** can **record** these on **PowerPoint slide 7**.

### 7.1 Income Types

The **teacher** goes through **definitions of twelve different types of income** received by individuals and organisations on **PowerPoint slides 8-10**. This ensures that all **students understand** some **common types** of income received by individuals and organisations.

## 8.0 Direct and Indirect Taxes

The **teacher asks** students if they know **the difference between direct and indirect taxes**. Some students may remember these terms from Junior Cycle Business Studies. The teacher can show the **explanations** for these different forms of taxes on **PowerPoint slide 11**. **If time permits, students** can be asked to **define** each of the **taxes** referenced on this slide to **revise** content from **Unit 1**.

## 9.0 Taxable and Non-Taxable Income

The **teacher introduces** the concept of **Income Tax** and **explains** the difference between taxable and **non-taxable income** for Income Tax purposes on **PowerPoint slides 12-15**.

### Activity 3

**Individually / in pairs, students conduct online research** to answer four **questions** related to **non-taxable income** shown on **PowerPoint slide 16**. **Students record** this information on **Unit 3: Student Activity Worksheet 1, Activity 3**.

### Activity 4

**Students individually identify** whether the eight types of **income** shown on **PowerPoint slides 17-18** are categorised as **taxable** or **non-taxable income**. **Students record** this information on **Unit 3: Student Activity Worksheet 1, Activity 4**.

## 10.0 PAYE System

The **teacher** outlines that the Unit will **focus** on the **PAYE system** for collection of **Schedule E Employment Income**. The teacher introduces **Lucy** as a **TY student** starting her first job and the steps, she as an employee, her employer and the Revenue Commissioners undertake to **register** her on the **PAYE system**. This information is provided on **PowerPoint slides 19-21**.

The **teacher** asks if students are aware of the **term PPSN** and if the students know **how to obtain** this unique reference number. A definition for PPSN is shown on **PowerPoint slide 21**.

The **teacher** also outlines how the **Revenue Commissioner's information is updated** when Lucy leaves her current job and begins **working for a new employer**. The information is sent to Revenue using the employer's payroll system. This **process** is described on **PowerPoint slides 22-23**.

## 11.0 Sample Payslip for Lucy

**PowerPoint slide 24** highlights that **Lucy does not know how to read a payslip**. The teacher asks students if there are **risks of not being able to read a payslip**.

**Student suggestions** could include:

• Lucy may accidentally not pay enough tax
• Lucy may accidentally pay too much tax
• Lucy may not be paid the correct rate for basic pay or for overtime

**Students examine a basic payslip for Lucy on PowerPoint slide 25.**

A **class discussion** could include the following questions:

• What is basic pay? How is it calculated?
• What is overtime? Why is the overtime rate higher than her basic pay rate?
• What are Income Tax, PRSI and USC?

### 11.1 Statutory and Non-Statutory Deductions

If **students** have **access** to the **internet**, they could **research** the difference between **statutory** and **non-statutory deductions**. Alternatively, the teacher **asks students** if they **know the difference** between the two terms. The teacher shows the **definitions** and **examples** on **PowerPoint slide 26**.

## 12.0 Basics of Taxation when Using the PAYE System

**Teacher explains** the **tax basis** that is used for the **PAYE system** shown on **PowerPoint slide 28**.

A class discussion could take place regarding emergency tax with questions such as:

• Do you know what the term Emergency Tax means?
• Have you experienced Emergency Tax while working?
• Why do you think the Revenue Commissioners imposes Emergency Tax?



## 13.0 Tax Rate Bands

The **teacher asks** students if they are aware of the **current Income Tax rate bands**. Students may know the standard rate of 20% and the marginal rate of 40%. The **teacher explains** the concept of the **Standard Rate Cut-Off Point** and examines **two examples** of how this applies to Lucy and Ben on **PowerPoint slides 29-32**.

The **teacher shows** the **annual, monthly, fortnightly, and weekly Standard Rate Cut-Off Point** for a **single person** on **PowerPoint slide 33**. A brief **explanation** of how these bands are calculated is important to prepare students for the upcoming **Gross Tax** and **Net Tax** calculations.



### Extension Task

#### 13.1

Students could watch the **video** (2m 10s) that provides a **summary** of **taxable** and **non-taxable income, registering on the PAYE system** for the first time and **tax rate bands**. This video features on **PowerPoint slide 34**.

## 13.1 Income Tax Calculations (Gross Tax)

The **teacher** distributes **Unit 3: Tax Bands, Tax Credits, Tax Basis, and USC** handout and goes through **four sample Income Tax calculations** on **PowerPoint slides 35-38**. **Students record** the **solutions** to these questions in **templates** provided on **Unit 3: Gross Tax Worksheet**. These sample questions show students how to **calculate gross tax** for a range of different personal circumstances.

**Students** complete the **additional Gross Tax Calculations on Unit 3: Gross Tax Calculations Worksheet**. These can be completed **in class** or assigned for **homework**. **Solutions** for these questions can be found in the **document** titled **Unit 3: Gross Tax Calculations Worksheet Solutions**.



## 14.0 Tax Credits

The **teacher asks** students if they **recognise** the term **tax credits** – some students may remember the term from Junior Cycle Business Studies. Teacher **explains** the **purpose of tax credits** and provides some common **examples** on **PowerPoint slides 39-40**.

### Activity 5

On **PowerPoint slides 41-42**, students **identify** which **tax credits** each person is entitled to receive. Students can **record** their answers on **Unit 3: Student Activity Worksheet 1, Activity 5**. Answers can be **corrected** as a whole **class group**.

### Solutions

Name	Tax Credits
Sam	Single Person Tax Credit, Employee PAYE Tax Credit
Hassan	Married Person Tax Credit (one spouse with income), Employee PAYE Tax Credit
Nikolas	Widowed Person without dependent child(ren) Tax Credit, Employee PAYE Tax Credit
Anna	Civil Partner Tax Credit (one spouse with income), Employee PAYE Tax Credit

## 15.0 Income Tax Calculations (Net Tax)

The **teacher** goes through **two examples** of calculating **net tax** on **PowerPoint slides 43-44**. These samples questions are based on sample questions 1 and 4 from the earlier calculations for gross tax. **Students record** the **solutions** to these questions in the **templates** provided on **Unit 3: Net Tax Calculations Worksheet**.



### Extension Task

#### 15.1

**Students** could watch the **video** (3m 15s) that provides a **summary** of **tax credits and tax basis**. This video features on **PowerPoint slide 45**.

**Students** complete the **additional Net Tax Calculations on Unit 3: Net Tax Calculations Worksheet**. These can be completed **in class** or assigned for **homework**. Solutions to these questions can be found in the **document** titled **Unit 3: Net Tax Calculations Worksheet Solutions**.

## 16.0 Revision Activity

Individually students complete **Student Activity Worksheet 2** to revise the content covered in Unit 3.



### Extension Tasks

#### 16.1 Myth Buster

Students read the **statements** and **explanations** for common myths that relate to Income Tax in Ireland.

#### 16.2 Word Cloud

As a **revision exercise**, students could **explain** each of the **key terms** that appear in the **Word Cloud** on **PowerPoint slide 46**.

#### 16.3 Quiz

Teacher can **upload Unit 3: Income Tax for Employees Excel spreadsheet** to their own **Kahoot!** account [instructions can be found [here](#)] and **students can complete the online quiz**. If internet / device access is unavailable, a **worksheet version of the quiz** could be distributed to students for completion.

## 17.0 Learners' Journal

Teacher distributes **learning journal template** and **students complete** the learning journal associated with this Unit.