

Your Tax

INTERACTIVE TAX AND YOU

Years 7-10

Fact sheet



It's surprising how many everyday things are affected by the tax system. Tax has a huge impact on our society.

INCOME TAX

In Australia, anyone earning over \$18,200 in a financial year pays income tax. This money is used by the Australian Government to fund a wide range of services throughout the community. Let's take a closer look at how some of this income tax revenue has been spent.

Your older brother has driven from interstate to visit you. Along the way he noticed how major roadworks have been completed along what used to be a series of notorious blackspot locations, making the journey much safer. Your brother also benefited from several new bypasses, allowing him to skip small country towns and the seventeen sets of traffic lights that used to hold him up!

All of these improvements were subsidised by income tax collected throughout Australia, producing a safer, faster and more fuel-efficient journey for your brother.

Tax from business

Tax from businesses such as your shoe store forms an important part of Australia's taxation revenue. Let's explore how some of the tax from business is being used to help your community.

Meet Rosie, a single mum with two young children. Rosie's son has breathing difficulties and needs constant medical care, meaning Rosie can't work as much as she needs to. Up until recently the family could only afford to live in a small two bedroom flat. However today they are moving into a brand-new three bedroom townhouse, provided through the city's public housing initiative.

Additional funding for this initiative was sourced from government revenue. The business taxes collected nationally contribute to this revenue, which is then redistributed by the Australian government to pay for public services. This additional funding allowed more houses to be built, providing Rosie and her young family with a roof over their heads.

Family assistance

Family assistance programs throughout Australia are funded in part through taxation revenue. Let's take a look at how these services will help you and your new family. Congratulations! It's a girl!

You've chosen to start a family, and to help you on your way the local health clinic and parenting group contacts you to ask about your immediate needs and offer their support.

The local area nurse makes a house call, inspecting your new nursery and offering advice on everything from feeding schedules to bathing techniques for your little girl. The nurse also makes an appointment for you to have your baby immunised against deadly diseases such as diphtheria, whooping cough, polio and pneumococcal disease – all free of charge thanks to the National Immunisation Program.

Further study

Pursuing further study is an amazingly worthwhile decision, but life as a student can be tough! Luckily a portion of Australia's taxation revenue is used to assist students and universities, making the decision to study more affordable.

Shaun, your study buddy, worked hard at high school and was awarded a Commonwealth supported place at university. That means that he has to pay part of the cost of his education while the Australian Government pays for the rest. But Shaun also qualified for a student loan that allows him to defer the cost of the university fees. The Australian Government pays the fees on his behalf, and then he repays the government through the tax system once he graduates and starts earning a wage. Shaun also has a yearly travel concession pass that is subsidised by tax revenue.

Even with the help it's not easy, but at least a student has a chance to fulfil his/her dream.

Stamp duty and rates

Many people are surprised by the range of important local services that are funded through stamp duty and rates. Let's explore some of the more interesting uses of this tax revenue.

Your local council has just opened a new skate park and recreational hall near your new house. It's a great place to meet friends and play sport, and your nephew and his mates love the half-pipe! The park is maintained by a local ranger, who ensures all of the equipment is in good order, the benches are clean and the lighting works at night.

All of these services are funded through your local council, using income collected from property rates. The state government has also contributed some of the stamp duty it collects with each property sale.

GOVERNMENT GOODS AND SERVICES

Let's look at some ways that government collects and distributes tax revenue.

Further study

The Australian Government assists students in a number of ways:

- ▶ student loans that can be repaid over time through the tax system
- ▶ subsidised places at university for Australian citizens, reducing the cost of further study
- ▶ subsidised travel costs for students.

Getting a job

When you start a new job, the income tax paid by employees throughout Australia helps to pay for a wide range of national, state and local services, such as:

- ▶ roads and highways
- ▶ hospitals and healthcare
- ▶ parks and recreation facilities.

Starting a family

The Australian Government provides a range of benefits that you may be eligible for when you start a family. Some examples are:

- ▶ paid maternity leave
- ▶ baby bonus
- ▶ special tax deductions for families
- ▶ health clinics and community services
- ▶ immunisation.

Starting your own business

The Australian Government provides a wide range of assistance to help new businesses, such as information available on the ATO website, personal assistance visits and small business seminars.

Buying a house

Property purchases are both subject to tax and subsidised by tax revenue. Houses are subject to taxes such as stamp duty, but they can also be subsidised through tax-funded initiatives such as the First Home Owner Grant.

Retirement

The government provides an age pension. However, for some people, this pension may not be enough to support the lifestyle they desire. In the future, most Australians will rely on their superannuation ("super") to pay for their retirement. Super is money set aside over your lifetime to provide for your retirement. For most people, contributing to super begins when you start work and your employer contributes to super for you. You can also build your super with your own contributions to take advantage of super's favourable tax treatment. If you take an interest in your super when you're young, you will have a better chance to save for the things you most like to do when you retire.

Australians also benefit from tax because a portion of Australia's tax revenue funds:

Water — providing agencies responsible for water services and utilities

Energy — services and utilities such as electricity. For example, subsidises for the fossil fuel industry to bring down the cost of electricity for the general public.

Parks — public facilities such as sports grounds, parks and recreation centres.

Emergency services — fire brigade, police and ambulance services and other services.

Healthcare — helping citizens meet the cost of healthcare, including funding hospitals, clinics, ambulances and medication.

Roads — building, maintaining and improving our extensive network of roads, highways and freeways.

Transport — assisting various members of our community (students, certain public servants, politicians, senior citizens and people with disabilities) to cover the cost of public transport.

These are just a few of the many more ways that tax revenue is distributed for the benefit of all citizens in Australia.

Your Tax

TASK 1 INTERACTIVE TAX IN YOUR LIFE TODAY

Worksheet

YOU WILL:

- ▶ test your new knowledge about income tax and how it affects you

YOU WILL NEED:

- ▶ *Fact sheet: Interactive - Tax and you*

TAX IN YOUR LIFE TODAY

Whether you know it or not, tax is already affecting many aspects of your life, providing goods, services and infrastructure that you probably use every day. Tax is collected in various ways. Some things incur tax, allowing the government to collect money or revenue. The collected revenue is then used by the government to subsidise (partially pay for) certain goods, services and public infrastructure.

IDENTIFY THE TAX INCURRED ON EVERYDAY ITEMS

1. **Examine** the items in the bedroom.



2. **Consider** which things in the bedroom may be affected by taxation. For each item, decide whether it:

- ▶ has incurred tax — you paid tax on it when you purchased the item
- ▶ was subsidised by tax revenue — the cost of the item was partly paid for by the government
- ▶ was not affected by taxation.

3. Refer to your notes from the *Your tax* module if needed.

Item	Incurred tax	Subsidised by tax	Not affected by tax
1. Internet access			
2. Travel card			
3. Ventolin inhaler			
4. Hockey stick and local sports facilities			
5. Glass of water			
6. Electricity			
7. Your house			
8. Income pay slip			
9. Audio system			
10. T-shirt			
11. Collectable toy			
12. Apple			
13. World Vision sponsor child			

4. Use the answer sheet to check your answers.

MAKE PREDICTIONS

5. **Predict** what future impacts you think the tax system will have on you personally:

When you leave school _____

Beyond that _____



TASK 2 INTERACTIVE TAX IN YOUR LIFE TOMORROW

Worksheet

YOU WILL:

- ▶ predict some choices you will make in the years ahead
- ▶ identify how tax will affect you and the people you know in the years ahead
- ▶ analyse our rights and responsibilities in relation to tax
- ▶ argue the benefits of tax

YOU WILL NEED:

- ▶ *Fact sheet: Interactive - Tax and you*
- ▶ *Answer sheet: Interactive - Tax in your life tomorrow*

SAY HELLO YOU TO YOUR FUTURE

1. **Consider** your possible futures: Soon you'll leave school. Predict some big decisions that may lie ahead. Then, create and label a futures timeline (similar to the one below) that shows some of the possible big stages in your adult life.
2. **Consider:** Did you consider study, getting a job and maybe further study later on? Perhaps you hope to start a family, buy a home, travel the world, or launch your own business. In all these stages, you will pay tax in some form. Importantly, tax will be returned to you in the form of services for individuals, the community and the nation.
3. **Associate** life stages to tax rights and responsibilities: As you start a new life stage, you will have rights and responsibilities in relation to tax. Identify the correct answer to these scenarios? You can check your answers using the answer sheet.
 - 3.1 How will the decision to do **further study** change your relationship with tax?
 - I can apply for a student loan to help fund my studies.
 - I should apply for an Australian business number (ABN) to quote when I buy my textbooks.
 - I will need to lodge a form with the ATO to get back the goods and services tax (GST) on my course fees.
 - I will have to start paying company tax.
 - 3.2 How will the decision to **get a job** change your relationship with tax?
 - I will have to start lodging business activity statements (BAS).
 - I will have to lodge a tax file number (TFN) declaration form.
 - I will have to start paying fringe benefits tax (FBT).
 - I need to keep receipts for all my lunches so I can claim a tax deduction.
 - 3.3 How will the decision to **start a family** change your relationship with tax?
 - I need to see a financial planner to set up a family trust.
 - I need to register with the ATO to claim back the GST on my childcare fees.
 - I may be able to claim certain tax offsets in my income tax return.
 - I will have to start lodging business activity statements (BAS).
 - 3.4 How will the decision to **start your own business** change your relationship with tax?
 - I will need to lodge a business plan and a budget with the ATO.
 - I won't have to pay tax at all.
 - I will have to apply for an ABN.
 - I will need to set up a new Facebook account.
 - 3.5 How will the decision to **buy a house** change your relationship with tax?
 - I will pay stamp duty on the house purchase.
 - I will begin to pay rates for local services.
 - I will need to register an ABN for the house.
 - Because it's my home, I will get a refund of the GST paid when it was built.

3.6 How will **retirement** change your relationship with tax?

- I can rely on the government age pension to pay for all the things I want to do when I retire.
- If I take control of my super when I'm young, this will assist me in ensuring that I have the money I need when I retire.
- I don't need to think about super until I'm a lot older.
- I don't need to worry about super because my employer will look after me.

CREATE A PERSUASIVE TEXT ON THE BENEFITS OF TAX

Your task is to create a **persuasive text** about the benefits of tax. A persuasive text argues a point of view.

4. **Reflect:** There are many points of view about paying tax, such as how much tax we pay, how we are taxed, and what tax revenue is spent on. Share with your peers your experience of the benefits of tax.
5. **Develop a point of view** about tax: What would you say if asked, "What are the benefits of paying tax?" or "Is a GST fair?"
To create a persuasive text about the benefits of tax, you must start with a clear question. It may be, "What are the benefits of paying tax?", which is general. Or you may wish to explore a specific type of tax, such as "Is GST fair?"

Write your question here: _____

6. **Study** the structure of a persuasive text: A persuasive text presents a point of view, and then lists a number of reasons to justify the point of view. Each reason must be supported by evidence (facts, examples), which may include some personal relevant observations or experiences. The reasons and their supporting evidence form an argument. A good persuasive text considers others' points of view and counters them. A persuasive text finishes with a summary of the author's point of view and the main argument/s.
7. **Study** the *persuasive text template* below. Later, this can guide your writing.

Persuasive text			
<p>Topic sentence (the question; or the question as a statement) attention-grabbing</p> <p>Your point of view Persuasive and emotive language e.g. I believe...; it's hard to imagine...</p>			
<p>Point (reason) Evidence (supporting fact, real life example, personal experience) Explanation Link to the question Persuasive and emotive language e.g. I believe...; it's hard to imagine...</p>	Paragraph 1	Paragraph 2	Paragraph 3
<p>Counter-argument Argue what someone might oppose you on</p>			
<p>Summing up Summarise three main reasons (brief) Closing statement or a call to action</p>			

8. **Complete a cost-benefit analysis.** It is important that points of view are informed by an analysis of the facts. To present an argument about the benefits of tax, you must collect evidence. Recording your research allows you to analyse information for advantages and disadvantages, and this will help develop your point of view to make an argument.

Use the *Tax in your life tomorrow* fact sheet and the cost-benefit analysis table below to locate and record information that can inform your point of view.

- ✓✓ Strong reason to pay tax
- ✓ Sound reason to pay tax
- × Not a reason to pay tax

Facts	Advantages	Disadvantages	Reasons that may inform an argument
Example: There are many forms of tax we have to pay		✓	We pay too many taxes
Example: Throughout our lives we will use many government goods and services	✓✓		We receive a lot for paying tax

9. **Decide:** What is your point of view when asked, “_____?” [insert your question]

(Having analysed the evidence, your point of view may differ to your class mates.)

10. **Develop a persuasive text:** Now, you are ready to create a structured argument that presents your point of view about the benefits of tax. Refer to the persuasive text template (step 7) to guide the structure and language of your writing.