Foundation Programme in Literacy, Numeracy and Skills

Financial Literacy

{ELECTIVE}

Grade 9

Direct and Indirect Tax

MAURITIUS INSTITUTE OF EDUCATION under the aegis of

MINISTRY OF EDUCATION AND HUMAN RESOURCE

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Lesson 14 | Direct Tax and Indirect Tax

A Direct Tax and Indirect Tax

B Competencies

- Main Competency
  - Managing Personal Finance

- Sub- Competencies:
  - 1. Demonstrate an understanding of direct tax and indirect tax.
  - 2. Recognise different type of taxes.

C Learning Outcomes

By the end of the lesson students should be able to:

- define direct tax.
- give examples of direct taxes.
- define indirect tax.
- give examples of indirect taxes.
- distinguish between direct taxes and indirect taxes.

D Resources and materials

- Marker
- Whiteboard
- Pens
- Paper

E Implementation guidelines

Introduction

- Conduct a discussion on what students know about direct taxes.
- Write down keywords from their responses on the board.
- Provide a clear definition of direct tax including examples.

Lesson 14 | Direct Tax and Indirect Tax

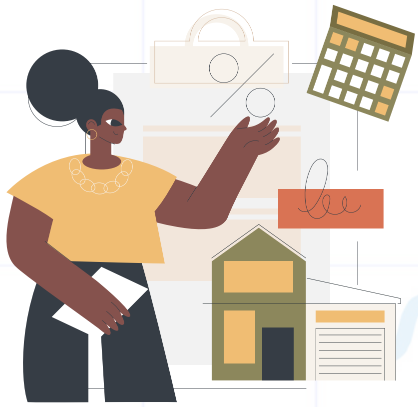
“A direct tax is a tax that is paid directly to the government by the person or organisation on whom it is imposed.”
Example: Income tax and corporate tax are direct taxes because they are paid directly by individuals or companies to the government.

Direct Tax

Income tax:
An amount of money that people pay from their earnings.

Corporate tax:
An amount of money that companies pay when they make a profit.

Property tax:
An amount of money paid on land or buildings by an individual or a business.



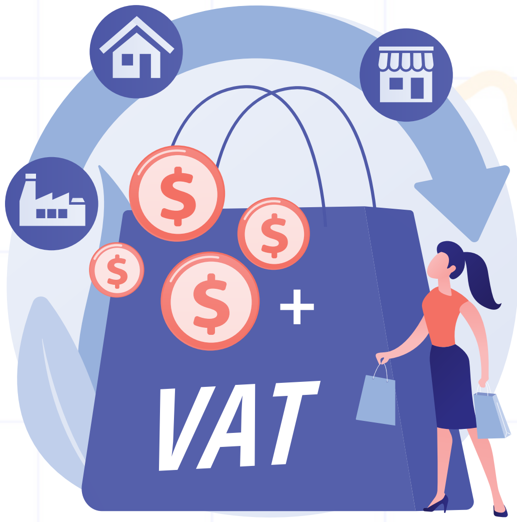
Lesson 14 | Direct Tax and Indirect Tax

2. Discussion on Indirect taxes
Definition of Indirect Tax: "An indirect tax is a tax that is imposed on goods and services."

Examples of Indirect Taxes:

Indirect Tax

VAT (Value Added Tax):
It is a consumption tax levied on the value added to goods and services at each stage of production or distribution.



Customs Duty:
It is a tax imposed on goods when they are imported or exported across countries.

Lesson 14 | Direct Tax and Indirect Tax

Indirect Tax

Exercise Duty:
A tax on special items like alcohol, cigarettes, soft drinks, and cars.

Passenger Fee (Airport Tax):
Is a charge levied on travellers for the use of airport facilities and services.

Lesson 14 | Direct Tax and Indirect Tax

3. Distinguish between Direct tax and Indirect tax.

Types of Tax

Direct Tax
is paid directly to the government by a person or business (e.g. income tax).

Indirect Tax
is paid when buying goods or services (e.g. VAT on a chocolate bar).

Direct Tax

Examples of Direct Tax:
- **Income tax**
- **Corporate tax**
- **Property tax**

Indirect Tax

Examples of Indirect Tax:
- **VAT**
- **Customs Duty**
- **Exercise Duty**
- **Passenger Fee**

Activity 1 & 2 : Direct & Indirect tax

Activity 1: Direct tax and Indirect tax

Activity 2: Research work on VAT
Aim: To assess the understanding of direct and indirect taxation.

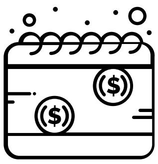
Instructions to Educators:

- Distribute the tax example cards randomly to students (one per student or group).
- One at a time, students come up and post their card into the envelope/box they believe is correct **(Direct or Indirect)**.
- Review each answer as a class and **discuss why** each tax is direct or indirect.

Income Tax
Money people pay from their earnings.

Custom duty on imported goods
A tax charged on goods when they are imported.

Property Tax
Paid by the owner on land or buildings.

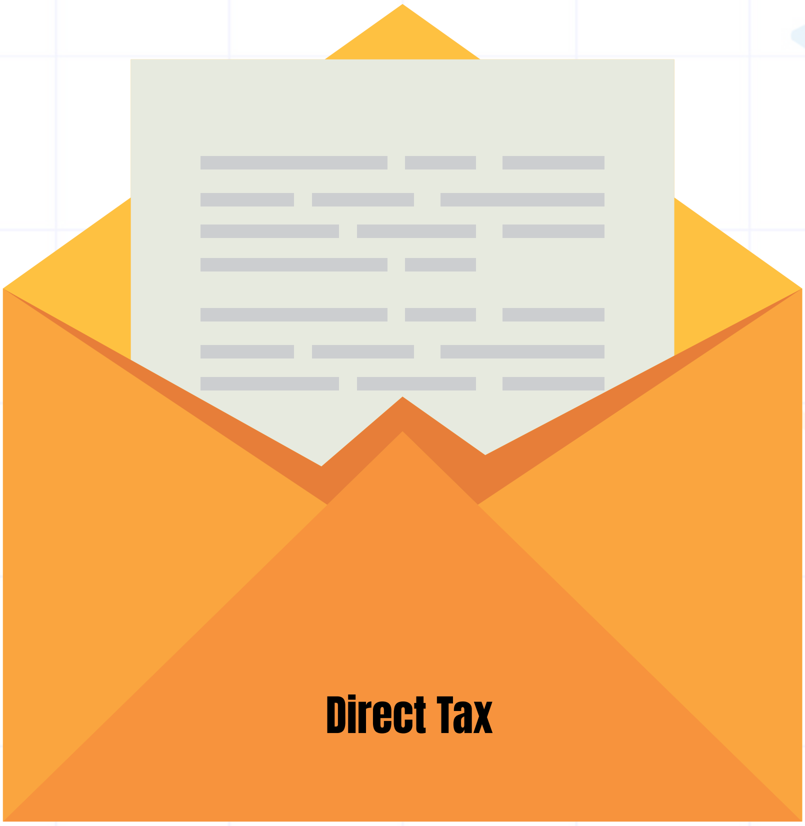


VAT on groceries
A tax added to the price of goods and services.

Corporate Tax
Companies pay corporate tax when they make profits.

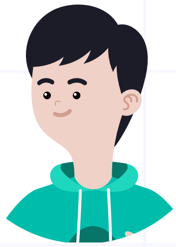
Tax added on a movie ticket.

Activity 1 & 2 : Direct & Indirect tax



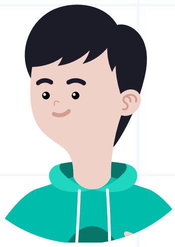
Activity 2 | Research Activity

Activity 2: Research Activity
Read the conversation between Nidhi and her friend Larson to refresh your understanding of tax.



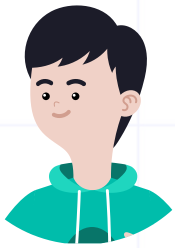
Hello Nidhi.
Can you tell me how much you pay for your bread?

Hello Larson.
The price of the bread is **Rs 10** and I pay the cashier **Rs 10.**



I bought a video game costing **Rs 50.**
But The Cashier asked me to pay her **Rs 55.**
I do not understand why the cashier charged me Rs 5 extra.

That extra money is for **Tax.**



Tax??
What is tax and why you do not pay tax for the bread?

Tax is the extra money we pay to the government when we buy certain goods and services. The government uses it to help pay for schools, roads, and hospitals. Some items are charged for tax whereas there are certain items that do not pay tax.

For example **Bread** is a basic food that people need every day, so the government doesn't charge tax on it, but video game is not a need, so tax is added to its price.

Activity 2 | Research Work

Research Work:

You are required to identify two goods and two services on which VAT is imposed in Mauritius. Use the space provided to show the two goods and services identified.

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