



Instructions: No answer bank: show your working for the money maths. Number the steps in order, answer the case study questions, explain the key terms, then write full-sentence answers and plan the extended answer.

1. Money maths (show your working)

Question	Working and answer
£45 + 20% VAT =	
€45 + 22% IVA =	
UK price £30 incl. 20% VAT: price before VAT	
Italy price €61 incl. 22% IVA: price before IVA	
VAT inside a £18 UK price (20%)	

Did you know?

- UK VAT began at 10% in 1973; the standard rate has been 20% since January 2011.
- Italy's IVA standard rate rose to 22% in 2013.
- The EU requires member states to have a standard VAT rate of at least 15%.
- VAT is charged at each step of production, but businesses reclaim VAT on their costs, so the final customer pays it.

Background

Taxes are money that people and businesses pay to the government. The government uses it for public services everyone shares: schools, hospitals, roads, police, fire services, parks, libraries and help for people who need it. Without taxes, each family would have to pay privately for all these things.

2. Steps in order

Number the steps 1 to 6 (1 = first).

1	Pay: Taxes are collected, including VAT on purchases
2	Spend: Money pays for schools, hospitals and roads
3	Collect: Tax offices collect the money
4	Benefit: Everyone uses the public services
5	Earn: People earn money and businesses make sales
6	Decide: Government and Parliament decide how to spend it

4. Key terms

Key term	What does it mean? Give an example.
Tax	
VAT	
IVA	
Income tax	
Public services	

3. Case study

Tayo sells a bracelet in the UK for £6 and one in Italy for €6. A grown-up explains that a VAT-registered business must include VAT in these prices.

Case study: VAT inside a price

1. How much of the £6 is VAT at 20%?

2. How much of the €6 is IVA at 22%?

3. Why do the answers differ?

5. Think it through

1. Explain two reasons why VAT rates are lower on some items.

2. Explain one consequence of a rise in VAT.

6. Longer answers (full sentences)

1. Show how to add VAT at 20% and 22% to €80.

2. Why is dividing by 1.2 (not taking 20% off) the way to find a pre-VAT price?

3. Compare income tax and VAT.

4. Explain in your own words: How would you add 20% VAT to a £10 price, and 22% IVA to a €10 price?

7. Extended answer

Extended answer: 'VAT is a fair tax because everyone pays the same rate.' How far do you agree?

Plan: introduction · point for (example) · point against (example) · conclusion with your judgement.
