

TAX EVASION:

It's My Business Too!

TEACHER'S GUIDE

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Learning and evaluation

SITUATION

GENERAL INFORMATION

Title: Tax Evasion: It's My Business Too!

Author: Revenu Québec

Year: Secondary cycle 2

Subject area: Social sciences

Length: 3 hours and 30 minutes

Program: Financial education

OVERVIEW

The Québec and federal tax systems are based on self-assessment, the principle by which taxpayers are responsible for reporting their income and paying any tax they owe. Although the vast majority of taxpayers willingly fulfill their obligations in this regard, some, be it accidentally or on purpose, do not.¹

Opening discussions will introduce students to the various forms of tax evasion. Students will then consider a number of hypothetical situations to reflect on the possible consequences of tax evasion.

Lastly, they will put together their own tax evasion awareness campaign.

1. REVENU QUÉBEC. *Rapport annuel de gestion 2021-2022*, p. 47.

EDUCATION PROGRAM COMPONENTS

Broad areas of learning

- ☐ Health and well-being
- ☐ Career planning and entrepreneurship
- ☐ Environmental awareness and consumer rights and responsibilities
- ☐ Media literacy
- ☒ Citizenship and community life

Focuses of development

- ☒ Promotion of the rules of social conduct and democratic institutions
- ☒ Participation, cooperation and solidarity
- ☐ Adoption of a culture of peace

CROSS-CURRICULAR COMPETENCIES

Intellectual

- ☒ Uses information
- ☒ Solves problems
- ☒ Exercises critical judgment
- ☒ Uses creativity

Personnel and social

- ☒ Achieves his/her potential
- ☒ Cooperates with others

Methodological

- ☒ Adopts effective work methods
- ☒ Uses information and communications technologies

Communication-related

- ☒ Communicates appropriately

SUBJECT-SPECIFIC COMPETENCY

Subject-specific competency

- Takes a position on a financial issue

Components

- Assesses the situation
- Examines different options
- Considers the legal aspects of each option
- Puts his/her position in perspective

Learning outcomes

- Describes forms of tax fraud
- Explains consequences of tax fraud

Learning MATERIALS

BASIC MATERIALS

- Computers or tablets
- Internet
- Student workbook
- Readings:
 - > [*Underground economy strategy-canada 2022+*](#)
 - > [*Quebec TV commercials warn public about under-the-table contractors*](#)
 - > [*Transcript - Get it in Writing! Before you build or renovate - Canada.ca*](#)
- Comic strip templates

Pedagogical METHOD

Preparation



Length: 15 minutes

1. INTRODUCE THE SUBJECT BY DISCUSSING SOME AWARENESS CAMPAIGNS WITH STUDENTS.



Note

See the following for inspiration:

Readings:

- [*Underground economy strategy-canada 2022+*](#)
- [*Quebec TV commercials warn public about under-the-table contractors*](#)
- [*Transcript - Get it in Writing! Before you build or renovate - Canada.ca*](#)

2. DISCUSS.

Suggested questions:



What did you think of these ads?



What messages were they trying to get across?



Have you ever been in a situation like the ones depicted in the videos? What did you do?



Note

Students will reuse their answers to the last question in a later exercise.

Performance

**Length:** 2 hours

1. ASK THE FOLLOWING QUESTIONS.



What is tax evasion?



Tax evasion, an illegal practice also known as tax fraud, involves deliberately ignoring a specific part of the law² to avoid paying all or part of the income tax or consumption taxes that you owe.³



What are some forms of tax evasion?



a) Failing to report income

This means not reporting money you received to the appropriate tax authorities even though you are required to.⁴

Example

- A house painter who works under the table (i.e., he doesn't report the amounts his clients pay him)
- A waiter who doesn't report his tips
- An electrician who reports the income from contracts with businesses but doesn't report the work she does in people's homes
- A person who uses their unreported income to make investments with financial institutions in tax havens (countries where the tax rate is low or non-existent)



b) Illegally selling goods and services

This means selling goods or services you are not legally authorized to sell. People who do this rarely report their income from it.

Example

A person who sells cigarettes, alcohol or medication illegally

2. REVENU QUÉBEC. *Guide d'animation à l'intention des enseignants et des enseignantes du cours d'éducation économique de la 5^e année du secondaire. Taxes et impôts au Québec : pourquoi et pour qui?*, 2009.

3. <https://www.revenuquebec.ca/>

4. REVENU QUÉBEC. *Guide d'animation à l'intention des enseignants et des enseignantes du cours d'éducation économique de la 5^e année du secondaire. Taxes et impôts au Québec : pourquoi et pour qui?*, 2009.

A c) **Failing to collect or remit taxes**

This means not collecting the taxes you are required to collect (any person or business with more than \$30,000 in taxable sales has to collect GST and QST and forward the amounts they collect to the tax authorities).

Example

- A business that sells items online without charging tax
- A contractor who doesn't charge tax if his clients pay cash (and doesn't report the work that clients pay cash for)

A d) **Unduly claiming deductions**

This means knowingly claiming deductions you are not entitled to in order to pay less tax.

Example

- A person who claims tax credits they know they are not entitled to
- A self-employed person who claims fake expenses (for example, the cost of supplies they didn't actually buy)

2. HAVE STUDENTS COMPLETE EXERCISE 1.



Exercise 1

The consequences of tax evasion (p. 6 of the student workbook)

INSTRUCTIONS: Draw a two-panel comic strip illustrating one of the situations below. In the first panel, show the consequences of tax evasion; in the second, show the consequences of choosing to comply with the law.

For inspiration, do some research online, in newspapers, etc.



Note

Blank comic strip templates are widely available online. Be sure to have some on hand for students to use.

SITUATION 1

Rani was texting while walking when she tripped and—crash!—broke her phone screen. Distraught, she goes to her carrier's kiosk at the mall, where they tell her it will cost \$170 to fix. Pricey, but the work would be covered by a three-month guarantee. On her way home to mull it over, Rani stops at a different kiosk near the mall exit, where they offer to fix her screen for \$75, tax-free. No receipt, no guarantee, but what a deal!

What should Rani do?

SITUATION 2

Omar desperately wants a job this summer. All his friends have jobs, and at 17 he's tired of constantly asking his parents for spending money. How much freer he would be, how much fun he could have, if only he had a little income! He talks to his neighbour, who offers to take him on as a window washer about 30 hours a week at \$15/hour. In cash, tax-free. Omar does the math—that's \$450 a week! His friend Delilah, who works at a grocery store, doesn't make nearly that much working the same number of hours.

What should Omar do?

3. HAVE EACH STUDENT (OR TEAM) PRESENT THEIR COMIC STRIPS TO THE CLASS.

Suggested questions to ask during students' presentations:

-  How did you come up with your possible consequences?
-  What would you do in this situation? Why?

4. REVIEW THE CONSEQUENCES OF TAX EVASION USING THE EXAMPLES BELOW.

Consequences for the state

Tax evasion leads to huge losses in tax revenue.

The Québec government, for example, estimates its lost tax revenue at \$3.8 billion per year (3% of its total revenues).⁵

These losses cut into funding for public services and social programs.

Consequences for businesses

Businesses that comply with the law face unfair competition from those that don't, whose prices can be unfairly low.

Consequences for individuals

- Individuals who comply with the law have to pay more to compensate for those who don't contribute to funding public services.
- Not paying taxes means there is no guarantee on the goods or services you buy.
- Working under the table means you have no workplace insurance in case of an accident.
- In the event of a dispute between an employer and an employee working under the table (for example, if the employer decides not to pay), the employee cannot turn to the Commission des normes, de l'équité, de la santé et de la sécurité du travail.
- Someone who works under the table could have to pay the federal and provincial governments all the income tax, contributions, etc., that they should have paid. They may also have to repay any amounts they received but weren't entitled to.
- Since no source deductions (for example, Québec Pension Plan contributions) are made on unreported wages, someone who works under the table won't receive any pension benefits when he or she retires.
- Anyone who works under the table could also have to pay penalties and interest for failing to report their income, and criminal charges (fines, jail time and a criminal record) may be laid against them.

5. <https://www.revenuquebec.ca/>

5. CONTINUE WITH THE FOLLOWING EXPLANATIONS.

Governments adopt various strategies to fight tax evasion. For example, they:

- make sure individuals and business have access to all the information they need;
- raise awareness among the general population (using, for example, videos such as those mentioned earlier).

When tax authorities discover that a person or business has been evading taxes, they can apply sanctions to recover the amounts due.

6. MAKE LINKS TO STUDENTS' ANSWERS IN THE INTRODUCTION BY ASKING THE FOLLOWING QUESTION.



Given what you have learned, would you act differently in a situation where you could avoid paying taxes?

Integration

1. HAVE STUDENTS COMPLETE EXERCISE 2.



Exercice 2

Awareness campaign (p. 8 of the student workbook)

INSTRUCTIONS: Make a poster for an awareness campaign for youth aged 15 to 18 aimed at preventing tax evasion.



Note

By adjusting the length of the activity, students could make a video instead of a poster.

2. GIVE THE FOLLOWING TIPS⁶ TO GUIDE STUDENTS.

Your message must be clear, powerful and memorable. The point is to get people thinking and change their behaviour.

Here's how:

- Identify your goal (raise awareness about the various forms of tax evasion and their consequences), message, audience and format.
- Come up with a slogan. Decide on the tone you want (Will it be funny? Serious?) and choose your words carefully.
- Make your poster. Look for images to illustrate your message, but don't overload the visuals. Make sure to leave room for your slogan.
- Above all, be creative.

3. HAVE STUDENTS PRESENT THEIR POSTERS TO THE CLASS.



Note

Students can present their posters in an exhibition or during oral presentations.

6. Adaptation of an activity created by the Société nationale des chemins de fer français (SNCF) with the participation of the CRDP d'Amiens – Pôle national de compétences et de ressources EDD du réseau SCÉRÉN, "Comment organiser une campagne de sensibilisation?", 2013 (viewed on April 13, 2017).

Reinvestment



Length: 15 minutes

1. ASK THE QUESTIONS BELOW.



What key points about tax evasion have you retained?



Answers will vary (definition, types or consequences of tax evasion).



What can you do to fight tax evasion?



Answers will vary:

- Report your income.
- Ask for a receipt when you pay for goods and services (not asking for one lets people who might work under the table and hide their income off the hook).
- Pay by cheque, credit or debit whenever possible, as these payment methods are traceable (businesses are thus more inclined to remit tax and report their income).
- Choose licenced contractors for your construction or renovation projects.



Note

For more information, go to revenuquebec.ca.



What would you do if you witnessed an act of tax evasion?



Answers will vary.

BIBLIOGRAPHY

and other references

DOCUMENTS

REVENU QUÉBEC. *Rapport annuel de gestion 2021-2022*, p. 47.

REVENU QUÉBEC. *Guide d'animation à l'intention des enseignants et des enseignantes du cours d'éducation économique de la 5^e année du secondaire. Taxes et impôts au Québec: pourquoi et pour qui?*, 2009.

GOVERNMENT WEBSITES

Revenu Québec: <https://revenuquebec.ca/>

The Canada Revenue Agency section of the Government of Canada website:
<https://canada.ca/en/revenue-agency.html>

OTHER WEBSITES

<http://canadiancontractor.ca/canadian-contractor/quebec-tv-commercials-warn-public-about-under-the-table-contractors/1003274769/>

Evaluation of **TEACHING AND LEARNING**

1. Identify and analyze positive elements, difficulties encountered, unexpected reactions to the content, etc.
2. Determine areas for improvement and corrections to be made.
3. Analyze what the students have learned (knowledge and skills acquired, yet to be acquired, being acquired or to be perfected; difficulties encountered; etc.).
4. Establish connections with the next learning and evaluation situation in order to consolidate the teachings from this one and address any difficulties encountered.

