# Understand a tax letter




Use AI to explain a tax code letter in plain English, and check what it tells you.

**By the end, you'll be able to:**

- find the key facts in a tax letter
- use AI to explain tax words, with personal details covered
- check an AI explanation, and spot a scam

## Warm-up How do tax letters make you feel?

Talk about it with your group. Many people find tax letters worrying, even when the news is fine.

## 1 Read the letter

Read the made-up letter on the next page, then answer these questions.

What is the new tax code? _____

What is the tax-free amount? _____

Why is it less than £12,570? _____

Does Mrs Clarke need to do anything? _____

## 2 Keep it private

On the letter, **circle the details you'd cover up** before using AI. How many? _____

**MADE-UP SAMPLE LETTER, FOR PRACTICE ONLY**

## The Tax Office

Made-up sample · 01632 960 321

18 February 2027
National Insurance number: QQ 12 34 56 C

Mrs Susan Clarke
4 Sample Road
Anytown
ZZ1 2ZZ

## Your tax code for 6 April 2027 to 5 April 2028

Dear Mrs Clarke,

Your new tax code is **1157L**. We use your tax code to work out how much tax to take from your pay or pension.

| | |
|---|---|
| Personal Allowance | **£12,570** |
| Less: medical insurance from your employer | **−£1,000** |
| Your tax-free amount | **£11,570** |

**What you need to do:** check the details are right. If anything is wrong, or has changed, please tell us. You don't need to do anything if the details are right.

Yours sincerely,
The Tax Office

This letter, the tax office and Mrs Clarke are made up for practice. QQ 12 34 56 C is a sample National Insurance number, and 01632 960 numbers are reserved for drama.

SAMPLE

## 3 Ask AI, then check

If you have a device, try this prompt with the letter, details covered.

**TRY THIS PROMPT**

Please explain this tax code letter in plain English. What does the code mean, and why has the tax-free amount changed? Please explain, but don't advise. Here it is:

Here's what one AI said. What's wrong with it?

**EXAMPLE AI ANSWER**

Your tax-free amount has gone down by £1,000, so you'll pay £1,000 more tax this year.

## 4 Real or scam?

| | Probably real | Probably a scam |
|---|---|---|
| A letter asking you to check your tax code | | |
| A text saying you're owed a tax refund: click the link | | |
| A call saying you'll be arrested unless you pay today | | |

**Find out more:** read the free step-by-step guide, with a 10-second video, at **nosebleed.si/ideas/understand-a-tax-letter**

# Teacher notes: Understand a tax letter

**Time:** 45 to 60 minutes

**Level:** beginners; no AI experience needed

**Group:** any size; works well in pairs

**You'll need:** a copy per learner; phones or tablets with an AI chat app (optional)

## Before the session

Read the letter and try the prompt. In the UK, tax codes come from HMRC. The letter is a simplified, made-up example, not a copy of a real one. QQ 12 34 56 C is the standard sample National Insurance number.

## Running order

| | |
|---|---|
| **5 min** | **Warm-up.** Feelings about tax letters. |
| **15 min** | **Parts 1 and 2.** Read the letter, answer the questions, and circle personal details. |
| **20 min** | **Part 3.** Try the prompt, then find what's wrong. |
| **5 min** | **Part 4.** Real or scam. |
| **5 min** | **Wrap-up.** Explain, check, and stay alert to scams. |

## Answers: Part 1

**Code:** 1157L.
**Tax-free amount:** £11,570.
**Why less:** £1,000 of medical insurance from her employer counts as a benefit, so it's taken off.
**To do:** check the details; only contact them if something's wrong.

**Part 2:** name, address and National Insurance number.

## Answer: Part 3

Her tax-free amount goes down by £1,000, so £1,000 more of her income is taxed. At the 20% basic rate that's about **£200** more tax, not £1,000.

## Answers: Part 4

**Probably real:** the letter (but check the contact details on the official website).
**Probably scams:** the refund text and the threatening call. HMRC won't text you about a refund with a link to click.

## Discussion points

- The numbers in a tax code are usually the tax-free amount without its last digit: 1157L means £11,570.
- Free tax help is available from charities in the UK for people on lower incomes.


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