



**Economics
Leaving Certificate
Higher Level**

**Past Exam Questions on
Taxes and Taxation**

Q4 Section B 2013

4. (a) 'The Exchequer deficit in December 2012 was €14.89bn'.
(Department of Finance, January 2013)
- (i) Discuss **four** possible economic consequences of the Government Current Budget Deficit for the Irish economy.
 - (ii) Explain how a government budget could be used to reduce income inequalities in an economy. (30)
- (b) (i) State and explain **two** reasons why the government increased taxes on cigarettes and alcohol in its most recent budget.
- (ii) Outline **three** economic impacts for the Irish economy of an increase in Motor Tax. (30)
- (c) 'The Public Capital Programme must make a further contribution to budgetary consolidation'.
(Infrastructure and Capital Investment, 2012 – 2016)

As an Advisor to the Minister for Public Expenditure and Reform, discuss **two** economic arguments in favour of a reduction in capital expenditure in the Budget. (15)

[75 marks]

Q9 Section A 2012

9. The Irish Government introduced the household charge (property tax) of €100 per household in its 2012 budget.

(a) State **two** advantages of this charge/tax for the Exchequer.

(i) _____

(ii) _____

(b) Is this a progressive tax or a regressive tax? Explain your answer.

(17 marks)

Q6 Part (b) Section B 2012

- (b) 'Most eurozone countries with large deficits are using VAT to generate revenue.'
(Irish Tax Institute, The Irish Times, November 2011)

- (i) Explain, using examples, the difference between direct taxes and indirect taxes.
- (ii) Discuss the economic advantages **and** disadvantages for the Government of increasing VAT rates instead of income tax rates in its most recent budget.
- (iii) Outline how imposing a tax on sugary foods (e.g. fizzy drinks) could benefit the Irish economy. (35)

Q4 Section B 2010

4. (a) "Next year, almost half of income earners will pay no income tax and 4% of income earners will pay almost half of the total tax yield".
(Minister for Finance, Budget Statement, 9th December 2009).

The above situation is occurring at a time when taxation revenues have fallen considerably and there is a debate about the need to broaden the tax base.

- (i) Explain briefly the underlined terms.
- (ii) Discuss the characteristics of a good taxation system.

(30 marks)

- (b) The Irish government introduced a carbon tax in its latest Budget (9th December 2009).

- (i) Is this tax an example of a progressive or a regressive tax? Explain your answer.
- (ii) State and explain two possible economic advantages and two possible economic disadvantages of the new carbon tax.

(25 marks)

Q6 Section B 2008

6. (a) In each of the following distinguish between the terms:

- (i) 'progressive taxation' and 'regressive taxation';
- (ii) 'tax avoidance' and 'tax evasion'.

(20 marks)

- (b)
- (i) Outline the main functions of taxation.
 - (ii) Explain, using an example, the meaning of the term 'incidence of tax'.
 - (iii) Outline two reasons why the Minister for Finance regularly taxes goods such as alcohol, cigarettes and petrol in the Government's annual budget.

(30 marks)

- (c)
- (i) There has been a shift in focus by the Government away from direct taxation to indirect taxation. Discuss two economic advantages and two economic disadvantages of this situation for the Irish economy.
 - (ii) Ireland must reduce its 'carbon footprint' (i.e. level of greenhouse gas emissions from fossil fuels) by 20% over the next 12 years. Explain two ways in which the tax system could be used to meet this target.

(25 marks)

[75 marks]