**SELF TEST QUESTIONS**

1. Describe the role that taxation has in our economy

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2.  Explain the different types of tax paid by house and business

1. Describe the Impact that taxation has on the household and the individual

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1. Calculate a tax liability

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**KEYWORDS**

**Tax** - This is a compulsory payment to Government. It is charged

on income, business profits or added to the cost of goods and

services.

**Tax Liability**- This means that a certain amount of money must be

paid to the Government. It is the responsibility of each person to

make sure that they pay the correct tax.

**Tax Avoidance**- This is a legal way of reducing the amount of txt

that you must pay. For example, you can claim tax credits which

will reduce your tax bill

**Tax Evasion -**This is illegal and usually happens when people fail

to declare some or all their tax. Those found guilty will pay

interest and penalties or may go to jail.

**TYPES OF TAX**

**Direct Tax -** This is tax that is put on income as it is earned – it is deducted as source. This means that the tax is calculated, collected and sent to revenue by the business

**Indirect tax** - is the same for all no matter how much you earn. This can put pressure of low income because this tax takes a greater proportion of their income that someone who has high income

**Regressive Tax** - This tax that is paid the same by all not matter how much their income is

**Progressive Tax -**This is a system where people earning a higher income pay a higher tax

**HOUSEHOLD AND PERSONAL TAXES**

**PAYE** - This is known as Pay As You Earn and is paid by employees

on their wages, salaries, BIK, bonus or overtime. The employer will

deduct this before paying the employee and sent it to Revenue.

**Self-Assessment Income Tax-** This is tax that is paid by self-employed. The person calculates how must tax they have to pay and send it to Revenue.

**Tax Audits -** This is when revenue check that a business is

paying the correct tax.

**Universal Social Charge -**This is also known as USC. It is payed

on income over a certain level. It is paid at different level and it

is an extra tax on top of PAYE

**Value Added Tax -** This is also known as VAT and is a tax on

goods and services. The rate of tax at present in Ireland is 23%.

**Custom Duties -** This is a tax on goods form outside the EU

**Excise Duties -** This is a tax that is levied on certain goods. For

example, petrol, heating oil, natural gas, Alcohol

**Local Property Tax -** This is a tax that is paid on property. The

tax paid depend on the value of the house. This is a self-

assessment tax, so the home owner calculates how much they pay.

**Stamp Duty -** This is a tax on certain documents. It is usually

associated with the purchase of property. It is also charged of

Debit, Credit and ATM cards (Government Stamp Duty)

**Motor Tax -** This a compulsory tax for all owners of motor

vehicles. It is paid to the local County Council.

**Vehicle Registration Tax -** This is also known as VRT. It is paid

on cars that are purchases outside on the country.

**Deposit Interest Retention Tax -** This is a tax that is paid on

the interest earned on savings. IT is deducted by the bank and

sent off to Revenue

**Capital Gains Tax -** This is a tax on profits earned from the sale

of assets and investments.

**Capital Def** T This is the wealth in the form of money.

**Capital Acquisition Tax Def** This is tax that is paid on gifts and inheritance. This is when something if left to a person following the death of someone. The tax is only paid when the value is above a certain amount

**WHY WE PAY TAXES**

**Essential Services** - Government uses the income to fund essential public services. For example, Health, Education,

**Redistribution of wealth** - The Government uses the tax to distribute wealth within a economy.

**Discourage certain activities** - The government uses the tax to promote or discourage certain activities. For example, lower tax if they higher tax on cigarettes people may not smoke

**CALCULATING WAGES**

**Tax Rate** - This is a percentage of tax that is levied on your

income. There are 2 rates – 1. Standard rate of 20% and a higher

rate of 40%

**Standard Rate Cut Off Point -** This is also known as SRCOP.

This is a document that is sent by revenue that show how much

will be taxed at the standard rate cut off point and how much will

be taxed at the higher rate cut off point

**Tax Credit -** This is the amount by which your tax bill will be

reduce by. Your Tax credit are sent by revenue and are different

depending on the person circumstances

**Gross Pay -** This is the amount of pay before any deductions

**Net Pay** - This is Gross Pay less any Deductions. It is also known

as Take-home pay

**Deductions** - These are l lth payments that are taken away from

gross pay. It included Statutory Deduction – these must be paid

and are sent to Revenue (PAYE, PRSI and USC) and Voluntary

Deduction – these are deduction that the employee chooses (VHI,

Savings, Pension)

**IMPACT OF TAX**

1. Cost of living will rise
2. households will have less disposable income
3. Households will have less to invest
4. Household cashflow will be affected by having less net cash
5. Government will be receiving les tax this means that there is less money to distributed to the public