**KEYWORDS**

**Taxation** - This is how the Government collects money from

people and business which is then used to pay for public services

**SELF TEST QUESTIONS**

1. Define the term Taxation

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2. Outline the principles of a fair tax system

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3. Explain taxation form the viewpoint of financial, social, Legal and ethical (Purpose of Taxation)

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**WHAT IS TAXATION**

1. This is how the Government collects money from people and business which is then used to

pay for public services.

2. The office of the revenue commissions looks after the assessment and collection of tax in

Ireland. Itis also known a Revenue

3. The money collected is used by the government to run the country and to provide important

Services - build roads and schools and to pay the wages of teachers and doctors.

The taxes

collected include the following

1. Tax on income – PAYE, PRSI and USC
2. Corporation tax on companies’ profits (12.5%)
3. VAT on goods and services (23%)
4. Excise duty on petrol and diesel

**PRINCIPLES OF A TAX SYSTEM**

A fair tax system should have the following

1. Equality – The tax the person pays should take into consideration their ability to pay the amount
2. Certainty – The person should know how much tax they are paying. It should be clear and predictable – the same each time
3. Economy – The cost of collecting the tax should not be more that how much is collected
4. Convince – It should be easy to pay the taxes when they are due

Tax should not be a disincentive. This means that that is taxes are too high people may not work because they will be given away most of their wage to Revenue in the form of a tax.

A fair tax system is when the government charges tax to the higher earners in a country and then redistributes it to the less well off

**PURPOSE OF TAXATION**

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| --- | --- | --- | --- |
| **FINANICAL** | **SOCIAL** | **LEGAL** | **ETHICAL** |
| 1. Provide and revenue for the Government | 1. Redistribute wealth – provide less well off (social welfare payments) | 1. It is compulsory under Irish law | 1. Fairness – applies to everyone depending on their ability to pay |
| 2. For economy purposes –control inflation | 2. Discourage bad behaviour – tax on tobacco |  |  |
| 3. Aid enterprise – Provide grants |  |  |  |
| 4. Repay the national debt (servicing) |  |  |  |