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**Economics {igcse – IX/X}
Taxation**

1. Which of the following is an indirect tax? [1]
 - A. A tax on inherited wealth
 - B. A tax on consumer goods and services
 - C. A tax on company profits
 - D. A tax on interest earned in savings

2. Mehdi Hussein earns \$ 12000 per year and pays \$3000 in income tax. Mary Brown earns \$18000 per year and pays \$6000 in income tax. This income tax is: [1]
 - A. Proportional
 - B. Regressive
 - C. Progressive
 - D. A poll tax

3. The following are a government's receipts from taxation. [1]

	\$ million
VAT	400
Corporation tax	200
Excise duties	100
Income tax	750
Capital gains tax	250

What is the total amount of indirect tax revenue? [1]

 - A. \$950 m
 - B. \$400 m
 - C. \$500 m
 - D. \$ 700 m

4. The use of taxation and government spending to influence the economy is known as: [1]
 - A. Tax policy
 - B. Monetary policy
 - C. Competition policy
 - D. Fiscal policy

5. The national debt of a country is [1]
 - A. The budget deficit
 - B. The annual public sector borrowing requirement.
 - C. The total stock of public sector borrowing.
 - D. The total accumulated stock of public sector borrowing.

6. In which of the following situations will there be a budget deficit? [1]
- A. Government revenue exceeds government spending.
 - B. Government spending exceeds total tax revenues.
 - C. Government spending exceeds direct tax revenues.
 - D. Government spending exceeds indirect tax revenues.
7. Which of the following is not included in public expenditure? [1]
- A. Capital investments by public limited companies
 - B. Wages paid to public sector employees
 - C. Interest payments on local authority borrowing
 - D. Investments in road by central government.
8. Which of the following is a direct tax? [1]
- A. VAT
 - B. Fuel duties
 - C. Tariffs on imports
 - D. Inheritance tax

Question 9-11 are based on the following table of information on taxes paid on different levels of income under different tax systems (A-D)

Weekly income \$	Tax paid from income (\$)			
	A	B	C	D
150	30	15	45	30
200	40	20	50	60
400	50	40	55	150

9. Which of the tax systems in the table is the most progressive? [1]
10. Which of the tax systems in the table is the most regressive? [1]
11. Which of the tax systems in the table is proportional? [1]
12.
 - a. Distinguish with the use of examples between
 - i. direct and indirect taxes, [3]
 - ii. progressive and regressive taxes. [3]
 - b. Explain why governments impose taxes. [6]
 - c. Discuss what might happen in an economy if a government increases income tax rates. [7]