2.19 Taxation: Types, Principles and the Incidence of Tax: 10-minute Pack

Total Marks

AQA 7136 · Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer all questions in full sentences where required. Show any working for calculations and draw any required diagrams carefully. Time guidance: 10 minutes.

1 Explain the difference between tax avoidance and tax evasion in the UK context and state one policy measure that can reduce avoidance or evasion.

(Total for Question 1 is 2 marks)

2 Define an 'indirect tax' in public finance and give one UK example of an indirect tax.

(Total for Question 2 is 2 marks)

3 State the canon of tax 'equity' as applied to designing a UK tax system and give one short reason why equity matters for public acceptance of taxes.

(Total for Question 3 is 2 marks)

4 State the canon of tax 'convenience' and give one UK example of a mechanism that improves convenience for taxpayers.

(Total for Question 4 is 2 marks)

© Revision Library | revisionlibrary.co.uk

Mark scheme · 2.19 Taxation: Types, Principles and the Incidence of Tax: 10-minute Pack

Question 1

tax avoidance uses legal methods to minimise tax liabilities within the law, while tax evasion is illegal non-payment or under-declaration of tax **B1**

policy measure: strengthen enforcement and audits, introduce information sharing, or simplify the tax code to reduce avoidance opportunities **B1**

Answer: Avoidance is lawful minimising of tax; evasion is illegal non-payment. Measures include stronger enforcement and information exchange or simplification of tax rules.

Question 2

an indirect tax is levied on transactions or goods and services and is collected by sellers who pass it to the tax authority **B1**

example: VAT (value added tax) on goods and services sold to consumers **B1**

Answer: An indirect tax is charged on goods or services and collected via sellers; example: VAT.

Question 3

equity: taxes should be fair in how they distribute the burden between taxpayers, often interpreted as 'ability to pay' or horizontal equity **B1**

reason: perceiving the system as fair increases compliance and public legitimacy of the tax system **B1**

Answer: Equity means a fair distribution of tax burden, often based on ability to pay; fairness increases compliance and public legitimacy.

Question 4

convenience: taxes should be collected at a time and manner convenient for the taxpayer **B1**

example: Pay As You Earn (PAYE) for income tax allows employers to withhold tax at source, making payment convenient **B1**

Answer: Convenience means paying tax at a convenient time and method; example: PAYE withholding makes income tax payment straightforward.

© Revision Library | revisionlibrary.co.uk