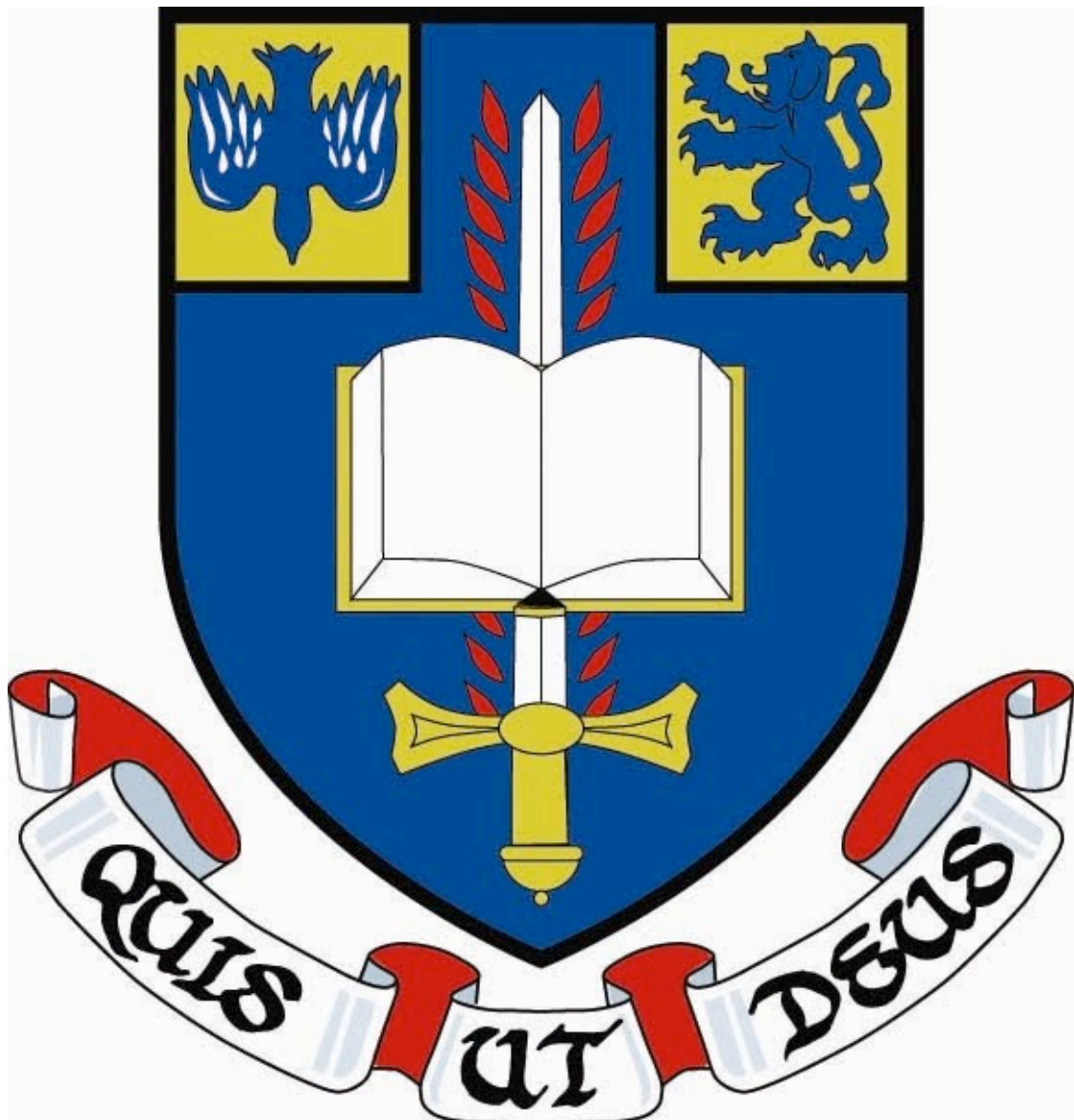

Taxation

Mr Traynor©

Economics

Note 26 • Junior Cert • 3rd Year



SHORTS

1)

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)

2) Define, with the aid of an example, the term Regressive Tax.

3)

Distinguish between **tax avoidance** and **tax evasion**.

(17 marks)

LONG QUESTIONS

2012

‘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)

2010

- (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)

2008

- (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]

2007

- (c) You are appointed Economic Advisor to the Minister for Finance. Outline the economic arguments you would identify for the Minister in favour of lowering Irish income taxation rates.

(20 marks)

2006

- (a) Among Adam Smith’s contributions to economic thought, was his **Canons of Taxation**.

- (i) State and explain Adam Smith’s **FOUR** Canons of Taxation.
(ii) Do you consider that these Canons are useful for analysing the taxation system in Ireland today? Justify your answer.

(25 marks)

- (c) You are the economic advisor to the Minister for Finance. The Minister is considering raising tax revenue through indirect taxation. Discuss the economic advantages **and** economic disadvantages of such a policy.

(25 marks)

2005

- (b) There has been an increase in government income from taxation in the past year.
- (i) Outline **THREE** reasons for this outcome.
 - (ii) State **ONE** revenue opportunity and **ONE** expenditure opportunity for the government arising from this increased income. Which of these would you consider a priority?
Explain your choice. (25 marks)

2004

- (c) (i) Outline the main sources of government revenue.
- (ii) Discuss the economic consequences of a government policy to increase public service charges (e.g. road tolls, bin charges, TV, licences) rather than raise tax levels for the Irish economy. (30 marks)

SHORTS (Answers)

1)

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.

1. Government revenue

These charges will increase revenues for the state / local councils.

2. Stable tax

This tax broadens the tax base, in accordance with the Troika aims. It is payable by every homeowner and so, in theory, it should be a more stable form of tax.

3. Less need to raise direct taxes / not act as disincentive to work

With revenue earned from this it may reduce the need for the government to increase direct taxation. As income taxes are not raised then this tax will not act as a disincentive to work.

4. Economic

The cost of collection for the state is to date quite low due to the online method of collection.

5. Ease introduction of property tax

Despite the problems with the household tax, its introduction is preparing the population for the introduction of the proposed property tax.

6. Government planning

As this is a flat charge, the revenue collected is certain, thereby facilitating government planning.

2 points at 4 marks each.

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

Regressive.

- Because it does not take into account a person's ability to pay the tax.
- People on lower income would pay a greater proportion of their income in tax.

9 marks

2)

1. A regressive tax is defined as:

- One that takes proportionately more in tax as a person's income decreases or
- One which takes a higher proportion in tax from low income earners than from high income earners or
- One that as income rises a decreasing proportion is taken in tax.
- Example 1: VAT / Example 2: Excise duties / Example 3: Refuse charges
- Example 4: Licence form of taxes i.e. TV licence / Car Tax

Correct definition: 12 marks graded + 2 examples

3)

6. Tax avoidance:

Arranging ones affairs within the law, so as to minimise tax liabilities.

Tax evasion:

Reducing ones tax liabilities by making false returns, or no returns.

17 marks

LONG QUESTIONS (Answers)**2012**

- (b) ‘Most euro zone 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)

(i) **8 marks**

	Direct taxes	Indirect taxes
Explanation	Are taxes on income / wealth / profits	Are taxes on goods / services / spending
Example	Income tax; CPT; DIRT	VAT, Excise duties

- (ii) Discuss the economic advantages and disadvantages for the Government of increasing VAT rates instead of income tax rates in its most recent budget.

Advantages (of increasing VAT instead of income tax rates)	Disadvantages (of increasing VAT instead of income tax rates)
Economic The costs of collection are borne by traders / retailers and not by the state. The revenue collected is much greater than the costs of collection.	Inflation Increased VAT rates will lead to higher prices causing cost- push inflation.
Impossible to evade As the tax is built into the selling price they are impossible to evade.	Inequitable / Regressive Indirect taxes do not take a person’s ability to pay into account and so the burden falls more heavily on lower income groups.
Convenient As they are included in the selling price they are convenient for the taxpayer.	Disincentive to spend With rising prices in the current recession it may cause people to defer spending.
No disincentive to work With an increase in direct taxes taxpayers may feel a disincentive to work. This does not occur with an increase in VAT.	May lead to black economy activities Some consumers may switch to the black economy leading to a loss of revenue for the state.
Used by government to change consumption patterns. The government could increase VAT on those commodities which it deems harmful to the public i.e. cigarettes, alcohol	Burden of collection passed to retailers/traders. They act as revenue collectors and procedures must be put in place to collect, record and remit the revenue, increasing the costs for the firms.
Acts as a built in stabiliser. As the economy expands spending rises and so too will the revenue collected from taxation.	Revenue uncertain The revenue collected by the state is not as certain as that collected under direct taxes.
2 at 5 marks.	2 at 5 marks.

(iii) Outline how imposing a tax on sugary foods (e.g. fizzy drinks) could benefit the Irish economy.

1. Revenue for state

This tax would bring in much needed revenue for the government.

2. Help fund health initiatives

The revenue raised could be used to fund programmes which tackle obesity particularly among young people.

3. Reduce consumption of sugary foods

The tax would increase the price of these foods and this may act as a disincentive to purchasing these foods.

4. Help reduce future health costs / healthier population

By helping to reduce current consumption there may be less health problems in the future leading to less expenditure on health. Reduced illnesses in the population will help to reduce current health costs.

1st correct point at 4 marks.

2nd correct point at 3 marks.

2010

- (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)

- (i) Explain briefly the underlined terms

Taxation revenues – 5 marks

Monies/incomes received by the government in the form of direct & indirect taxes, and used in the running of the country.

Broaden the tax base – 5 marks

Increasing the number of people / areas on which tax is levied / in the tax net.

- (ii) Discuss the characteristics of a good taxation system.

1. Taxes should be equitable

The tax levied should be related to the person's ability to pay.

2. Taxes should be certain

The amount of tax which a person must pay (the state collects) should be certain and clear.

3. Taxes should be convenient

The manner / timing of payment of the taxes should be convenient to the taxpayer e.g. the PAYE system of tax is convenient because it is deducted at regular intervals rather than one lump sum.

4. Taxes should be economic

The cost of collection should be small in relation to the amount of revenue to be collected.

5. Taxes should not act as a disincentive.

The marginal rates of tax should not discourage workers from working overtime / tax rates on profits should not discourage investment by entrepreneurs / savings should not be discouraged.

6. Taxes should aid the redistribution of income.

A good tax system should help the government redistribute income from the rich to the poor / progressive taxes allow the government to do this.

7. Tax rates should be consistent with national economic objectives.

The taxes levied should help the government achieve other economic/social objectives. E.g. raising excise rates on cigarettes will help discourage smoking.

8. Should have a stabilising influence on the economy.

A good system of taxation can prevent the level of economic activity rising as fast as it otherwise would when the economy is on an upturn, and prevent the level of economic activity falling as fast as it otherwise would in a recession.

9. Evasion should be impossible

A good tax should be impossible to evade, otherwise the tax is not fair.

5 at 4 marks each. State: 2 marks. Explain: 2 marks.

- (b) The Irish government introduced a carbon tax in its latest Budget (9th December 2009).
- Is this tax an example of a **progressive** or a **regressive** tax? Explain your answer.
 - State and explain **two** possible economic advantages and **two** possible economic disadvantages of the new carbon tax. (25 marks)

- (i) Is this tax an example of a **progressive** or a **regressive** tax? Explain your answer

It is a regressive tax because it does not take into account your ability to pay the tax/ people on lower incomes would pay a greater proportion of their income in tax.

5 marks: State: 2 marks. Explain: 3 marks.

- (ii) **Two** possible economic advantages and **two** possible economic disadvantages of the new carbon tax.

Advantages	Disadvantages
Government revenues Increased government revenue through increased revenues from this carbon tax.	Inflationary pressures Higher fuel prices will mean consumer prices increase, leading to a rise in the CPI
Investment in R&D / Encourage innovation Greater investment in R&D into alternative sources of energy / renewables /transport. Government could promote 'green industries' and thereby create jobs.	Loss of competitiveness / increased costs of production Industry will now be paying higher prices and this may reduce the international competitiveness of Irish firms. Increased costs may act as a disincentive to attracting foreign direct investment.
More efficient use of resources / Change consumer behaviour Consumers may be more aware of the scarcity of these resources and so become more efficient in their consumption.	Decrease in the standard of living Higher prices means less disposable income and so standard of living will fall.
Help pay towards our carbon footprint / Environmental protection The revenue collected can offset the cost of our collective carbon footprint / result in fewer emissions. Revenue may be targeted for specific environmental projects.	Regressive form of taxation This tax would not take a person's ability to pay into account.
2 at 5 marks each. State: 2 marks. Explain: 3 marks.	2 at 5 marks each. State: 2 marks. Explain: 3 marks.

2008

- (a) In each of the following distinguish between the terms:
 (i) 'progressive taxation' and 'regressive taxation'
 (ii) 'tax avoidance' and 'tax evasion' (20 marks)

Progressive taxation	Marks	Regressive taxation	Marks
One that takes proportionately more in tax as a person's income increases	5	One that takes proportionately more in tax as a person's income decreases	5
Tax avoidance		Tax evasion	
Arranging ones affairs within the law so as to minimise tax liabilities.	5	Reducing tax liabilities by making false returns or no returns.	5

- (b) (i) Outline the main functions of taxation. (30 marks)

1. Finance Government Activities

To finance all government activities e.g. running of civil service, wages of Public Sector workers.

2. Economic Objectives

To achieve economic objectives: reducing inflation, favourable balance of payments.

3. Redistribution of National Wealth

To redistribute the national wealth through transfer payments/social welfare payments.

4. Automatic Stabiliser

It acts as an automatic stabiliser for the economy. It helps to avoid wide fluctuations in the economic cycle by automatically taking more tax when economy is doing well and taking less when economy is performing poorly.

5. Social objectives

To achieve social objectives e.g. discourage smoking, drinking / decrease pollution/damage to environment.

6. Promote enterprise

To help industry through subsidies/grants and other services can be provided to help industry and encourage enterprise e.g. County Enterprise Boards.

4 points at 4 marks each graded.

- (ii) Explain, using an example, the meaning of the term 'incidence of tax'.

Incidence of tax refers to the person who actually bears/pays the tax.
This is not necessarily the person on whom the tax was levied or placed.

Example: If the government decides to increase a tax for a producer e.g. electricity and the company passes on the tax to the consumer in the form of higher electricity prices then the incidence of tax is on the consumer because the consumer ends up paying most of the tax.

Explanation and example: 6 marks graded.

- (iii) Outline two reasons why the Minister for Finance regularly taxes goods such as alcohol, cigarettes and petrol in the Government's annual budget.

1. Inelastic demand

These goods have inelastic demand therefore the quantity demanded will only reduce slightly because of the increase in tax. The government will therefore collect more tax revenue

2. Goods with Social Consequences

The consumption of these goods has other consequences e.g. health issues with the use of tobacco and alcohol/social problems from excess alcohol/environmental damage. The government can use the tax system to try to discourage the consumption of these goods/could use the revenue to provide for extra healthcare etc.

3. To discourage private car transport and encourage public transport

By making petrol dearer, the use of public transport may be more attractive and by encouraging its use, the environment is protected by reducing emissions.

4. To discourage/limit tax evasion

Since goods like alcohol, tobacco and petrol have inelastic demand people continue to purchase these goods and by including the tax in the price it makes it more difficult to evade taxes on these products.

2 reasons at 4 marks each graded.

- (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. (25 marks)

Economic Advantages	Economic Disadvantages
<p>Evasion is more difficult As the indirect tax is included in the selling price of the good or service it is impossible to evade.</p>	<p>Will increase inflation Indirect taxes raise the prices of goods and services and hence the cost of living, possibly causing demands for further wage increases.</p>
<p>No disincentive to work A taxpayer can adjust their expenditure patterns to reduce their tax liability and thus it does not act as a disincentive to work unlike direct taxes.</p>	<p>Regressive Lower income groups may end up paying a greater proportion of their income in this form of tax because they spend a greater proportion of their income on goods/services.</p>
<p>Convenient for taxpayer They are included in the selling price and paid when the good/service is bought.</p>	<p>Revenue collected is not as certain The revenue to be collected is not as predictable as that from direct taxation. This may hinder the government's financial planning.</p>
<p>Used by government to change consumption patterns The government could increase the tax on those commodities which it deems harmful to the public i.e. cigarettes, alcohol. The introduction of the plastic bag tax has reduced demand.</p>	<p>Burden of collection passed to retailers/traders These now act as revenue collectors and procedures must be put into practice to collect, record and remit the revenue, increasing costs for the firms.</p>
<p>Economic The cost of collection is borne by retailers and producers not by the state.</p>	<p>Inequitable Indirect taxes ignore ability to pay. A person who earns a high income but doesn't drink, smoke or drive a car will pay a lower proportion of his/her income in tax than a person on the same income who consumes these commodities.</p>
<p>Fewer complaints from taxpayers As the tax is included in the selling price the taxpayer may be unaware of the rate of tax s/he is paying and so the government may face less criticism than if rates of direct taxation were increased.</p>	
<p>Acts as a built-in stabiliser As the economy expands spending rises and so too will the revenue collected from taxation.</p>	

2 advantages at 4 marks each and 2 disadvantages at 4 marks each graded.

2007

- (c) You are appointed Economic Advisor to the Minister for Finance. Outline the economic arguments you would identify for the Minister in favour of lowering Irish income taxation rates. (20 marks)

Maintain standards of living during rising inflation.

With rising inflation at the moment, standards of living are falling.

To alleviate this hardship it may be appropriate to reduce income tax rates – leading to greater disposable incomes.

Increase participation in the workforce / Incentivise the workforce.

By allowing workers to take home more of their income it may act as a further incentive for more people to join the labour market or encourage existing workers to increase their level of work.

Encourage continuation of Social Partnership.

It would show trade unions that the government is committed to the continuation of social partnership and encourage the partners to enter new negotiations.

Maintain / Improve competitiveness.

If workers have higher disposable income they may moderate their demands for wage increases, reducing the costs for employers and thus maintain / improve the competitiveness of Irish industry.

Enable Ireland attract foreign industry / encourage investment.

By lowering income tax rates Ireland may continue to be attractive to mobile foreign investment.

Stimulate economic activity.

With lower tax rates, disposable income rises and so should spending – possibly increasing the indirect tax revenues collected. This will increase demand and may lead to higher employment and continued economic growth.

[The adverse effects of this is that it could result in inflation and greater imports].

Discourages the black economy.

The reduction in income tax rates may encourage workers to avoid tax avoidance and tax evasion measures and so legitimise their activities.

4 points at 5 marks each graded.

2006

- (a) Among Adam Smith's contributions to economic thought, were his **Canons of Taxation**.
 (i) State and explain Adam Smith's **FOUR** Canons of Taxation.
 (ii) Do you consider that these Canons are useful for analysing the taxation system in Ireland today? Justify (25)

(i) Canons of Taxation

Canon	Explanation
Equity	Takes a higher proportion of income in tax as income rises. or The ability of each person to pay the tax must be taken into account.
Economy	The revenue collected should exceed the costs of collection. The costs of tax collection should be small relative to the yield.
Certainty	The amount paid should be certain and clear/not arbitrary.
Convenience	The tax should be collected in a way and at a time which suits the taxpayer / the method and timing of the tax should suit the taxpayer.

16 marks: 4 canons at 4 marks each graded.

- (ii) Do you consider that these Canons are useful for analysing the taxation system in Ireland? **YES – 1 mark**

Canon		
Equity	With PAYE, people on higher incomes pay a greater proportion in tax. One of the accepted functions of taxation is the redistribution of wealth, which is an argument for equity.	Highlights that indirect taxes are regressive as a taxpayers' ability to pay is not taken into account.
Economy	If a tax does not collect more than the cost of administering the tax is should not be introduced. This is one of the advantages of direct taxes.	One of the arguments against indirect taxation is the complexity of the collection system.
Certainty	The main advantage of direct taxes is that the amount to be collected is clear to the state, thereby helping financial planning.	A difficulty of administering indirect taxes is that the amount to be collected is unclear and makes planning by the state difficult.
Convenience	This is one of the justifications for the PAYE system of income tax, where the tax is deducted at source from income. VAT is paid at the time of purchase.	If the method of paying and the timing of the tax does not suit the taxpayer is can lead to evasion.

2 reasons at 4 marks each graded.

Candidates must analyse the Irish Taxation system with reference to the Canons.

Or

The candidates could argue: **NO – 1 mark** and argue as follows:

Besides these canons there are other key principles which could be considered for analysing the taxation system.

Is it possible to evade the tax?

None of the canons help us measure the level of tax evasion, which in Ireland has been a problem.

Does the tax cause a disincentive to work / save or invest?: Should the taxation system cause any of the above then this is a serious difficulty for promoting economic growth.

2 reasons at 4 marks each graded.

- (c) You are the economic advisor to the Minister for Finance. The Minister is considering raising tax revenue through indirect taxation. Discuss the economic advantages and disadvantages of such a policy. (25 marks)

Economic Advantages	Economic Disadvantages
<p><u>Evasion is more difficult.</u> As the indirect tax is included in the selling price of the good or service it is impossible to evade.</p>	<p><u>Will increase inflation.</u> Indirect taxes raise the prices of goods and services and hence the cost of living, possibly causing demands for further wage increases.</p>
<p><u>No disincentive to work.</u> A taxpayer can adjust their expenditure patterns to reduce their tax liability and thus it does not act as a disincentive to work as with direct taxes.</p>	<p><u>Regressive / Inequitable</u> Lower income groups may end up paying a greater proportion of their income in this form of tax because they spend a greater proportion of their income on necessities.</p>
<p><u>Convenient for taxpayer.</u> They are included in the selling price and paid when the good/service is bought. As the tax is hidden it is easier to impose than direct tax.</p>	<p><u>Revenue collected is not as certain.</u> The revenue to be collected is not as predictable as that from direct taxation. This may hinder the government's financial planning.</p>
<p><u>Used by government to change consumption patterns.</u> The government could increase the tax on those commodities which it deems harmful to the public i.e. cigarettes, alcohol. The introduction of the plastic bag tax has reduced their demand.</p>	<p><u>Burden of collection passed to retailers/traders.</u> These now act as revenue collectors and procedures must be put into practice to collect, record and remit the revenue, increasing the costs for the firms.</p>
<p><u>Economic.</u> The cost of collection is borne by retailers and producers not by the state.</p>	
<p><u>Acts as a built in stabiliser.</u> As the economy expands spending rises and so too will the revenue collected from taxation.</p>	

**5 points at 5 marks each graded.
Minimum of 2 advantages / 2 disadvantages required.**

2005

- (b) There has been an increase in government income in taxation in the past year.
 (i) Outline **THREE** reasons for this outcome.

1. Increase in income tax revenue

- Increase in employment leading to an increase in income tax revenue.
- Increasing number of taxpayers contributing at a higher marginal rate of tax.

2. Higher indirect tax revenue

- Increase in economic growth, leading to higher spending and higher indirect taxes.

3. Increased efficiency in tax collection

The Revenue commissioners are:

- collecting substantial tax revenues from holders of non-resident accounts.
- more efficient at collecting current taxes / at recouping taxes owed.
- effective in encouraging citizens to be tax compliant.

4. Property taxes

- An increase in house sales and house prices has resulted in a large increase in stamp duties, capital gains taxes and VAT.

5. Corporation profits tax revenue has risen

- With businesses doing well the amount of corporation profits tax revenue has risen.

3 points at 5 marks graded.

- (b) (ii) State **ONE** revenue opportunity and **ONE** expenditure opportunity for the government arising from this increased revenue.

REVENUE opportunity	EXPENDITURE opportunity
Reduce Income taxes	Increase spending on hospitals services.
Reduce VAT on goods and services	Increase spending on education.
Reduce Stamp Duties	Increase pay for public servants
Reduce excise duties on petrol	Improve the state's infrastructure.

Which of these would you consider a priority?

Candidates may choose either a revenue or expenditure opportunity and justify their choice.

10 marks graded.

2004**(i) The main sources of government revenue: 5 x 2 marks each.**

Current Revenue	Capital Revenue
1) Direct tax revenue or examples 2) Indirect tax revenue or examples 3) Profits of state companies 4) Receipts from the sale of semi-state co's 5) Interest on loans to semi-states/local auth. 6) Fees charged for services or examples 7) State savings schemes: PO / prize bonds. 8) Central bank surplus income.	1. Surplus from the Current Budget 2. Loan repayments: local authorities / semi-states repaying loans received from govt. 3. Borrowing through national loans 4. Grants and loans from foreign international institutions / EU 5. Sale of state property.

(ii) The economic consequences of a government policy to increase public service charges

Positive consequences	Negative consequences
1. Less pressure to ↑ taxes/ borrowing By raising public charges there will be less pressure on the government to raise additional revenue by increasing taxation.	1. Increased cost of living The prices of those services for which charges are being imposed will increase thereby increasing the cost of living.
2. More efficient use of services Where people pay for services it may encourage a greater efficiency in their use e.g. encourage people to re-cycle / use public transport etc.	2. Increased inflation Inflation will rise. This will affect the economy negatively: reduced competitiveness; demand for compensatory wage increases etc.
3. Saving scarce resources Those people who can afford to pay for these services now do so. Hence the resources which were being used to finance these services would no longer be necessary – saving scarce resources.	3. Affects lower income groups most The increased charges will have the greatest impact on lower income groups – those with the least ability to cope with the higher prices. Their standard of living will deteriorate.
4. Targeting use of resources economically By charging those who can afford to pay the government can provide direct payments to help those who cannot – thereby targeting the use of our resources more economically.	4. Viability of Partnership Agreements Trade unions may consider that the increase in these charges are 'stealth taxes' and this may affect their decision to enter into future agreements / seek higher wage increases.
5. Pressure to improve quality of service Agencies may be forced to improve the quality of service provided as people now pay e.g. <ul style="list-style-type: none"> – Better frequency of service – More re-cycling centres – Pay-per-weight for refuse 	5. Inequity / fairness The disparity in charges or in the quality of service / the introduction of charges <ul style="list-style-type: none"> – may cause disquiet in citizens – cause people to dump their rubbish – avoid toll roads & disrupt local communities
6. Lower Tax base Ireland can maintain a low tax base and hence encourage continue investment into the economy	6. Higher costs for business They must now pay higher toll charges; refuse charges; water charges – increasing costs which may require higher prices or reduction in jobs.
7. Uses of revenue collected. Revenue is collected. This can be targeted for best use, to help achieve further aims e.g. the plastic bag tax.	
<i>4 x 5 marks graded.</i>	