

This mark will
be given to
you later by
your teacher!!

Business Taxation

How do governments get money?

Governments can get money in three ways. They can print it (but this leads to inflation), they can borrow it (but they'll need to pay it back), and they can collect taxes from their citizens. Taxation is the most sensible way to pay for services that everybody needs.

Match the way the government can get money to its consequence.

print money

need to pay it back

borrow money

most sensible

taxation

leads to inflation

TAX

Not all *goods* and *services* are provided by companies. Some are provided by *governments*. One of the biggest decisions a government has to make is whether to provide a service (such as healthcare or education) to its citizens and fund it through a TAX, or cut taxes and let people buy it themselves from a private company.

Tax

DO THIS

Governments can use taxes to change people's behavior. To discourage smoking they can charge high taxes on cigarettes. To encourage us to eat more fresh food they can do away with tax on food.

DO THAT

If the government wants to encourage computer manufacturers, it might offer tax breaks (reduced taxes) for IT companies. This lowers the cost so more people set up IT companies.

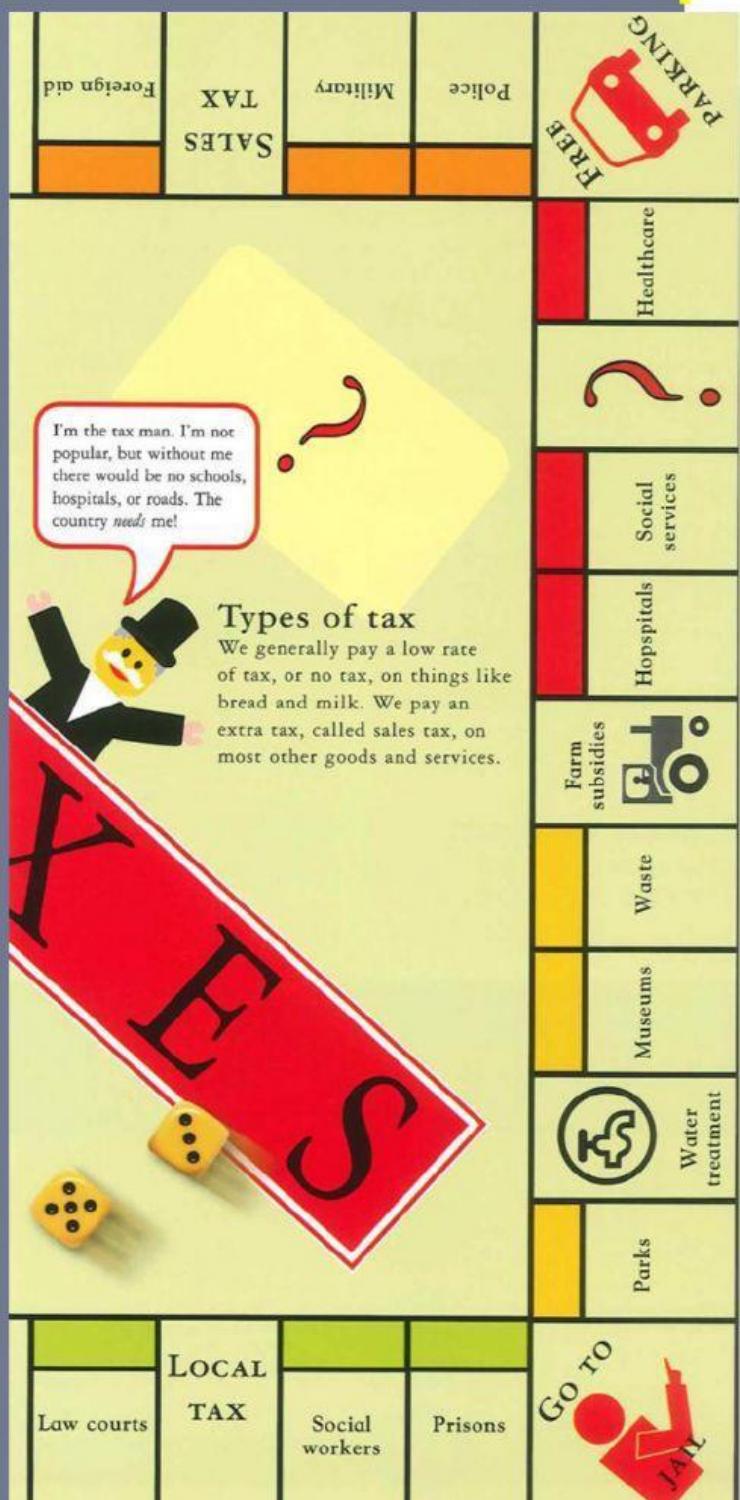
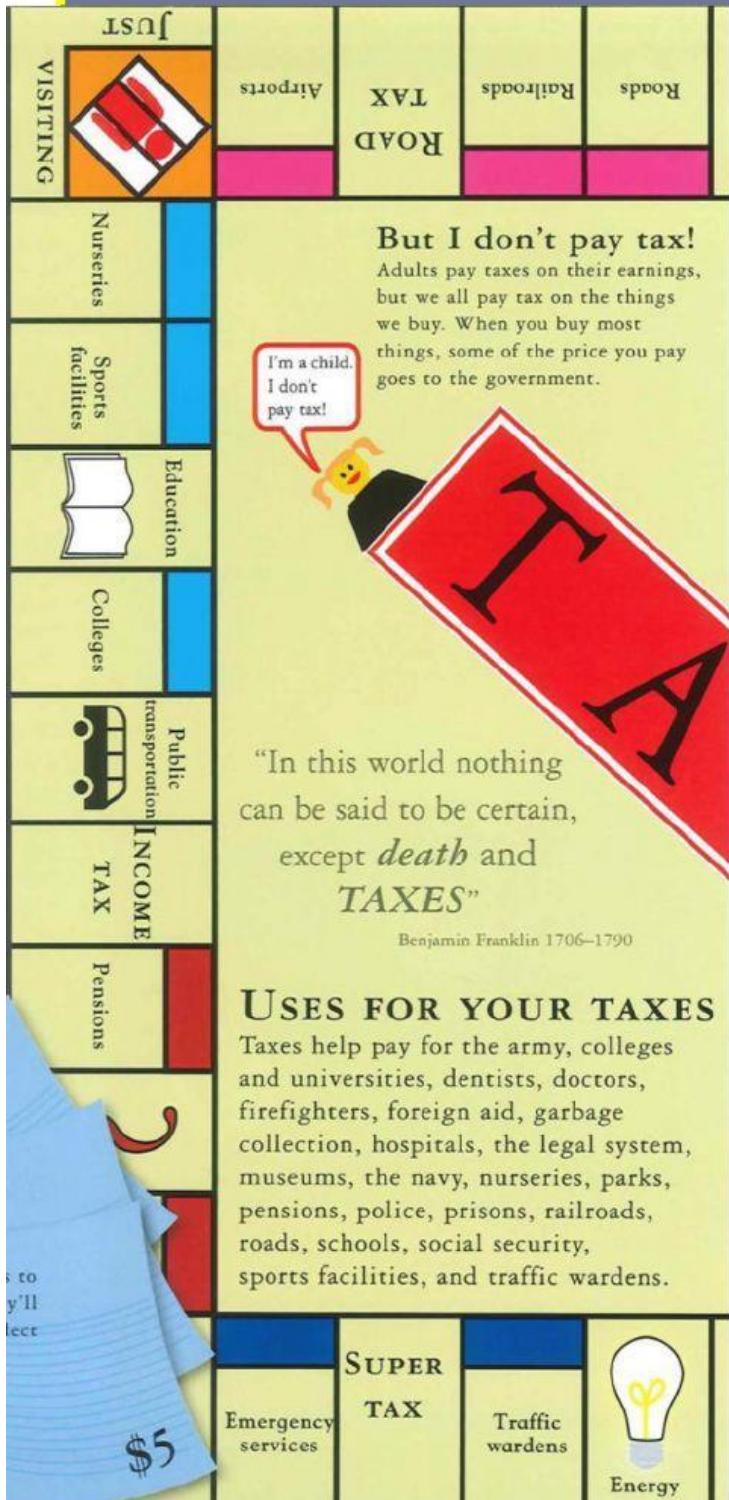
PAY THIS

Making tax fair is something governments struggle with. Supposing Bob has \$10,000 and Rob has \$1 million. The government can demand a tax of \$1,000 from both Bob and Rob...

PAY THAT

... or it can demand 10 percent of what they each have, in which case Bob still pays \$1,000 but Rob pays \$100,000. Which system is fairer? There's no simple answer.

What is TAX?



**In your own words - what do
you remember?**

click here

