

PUBLIC FINANCE

- 1
 - Crowding effect
 - Interfere with the ability of people to spend
 - Strings attached/forced to meet conditionality
 - Future incomes are committed hence inadequate funds for development
 - High wastes are likely due to corrupt

2.
 - i) Principle of equity
 - ii) Principle of diversity
 - iii) Principle of convenience
 - iv) Principle of economy
 - v) Principle of flexibility/elasticity
 - vi) Principle of certainty
 - vii) Principle of social benefit
 - viii) Principle of simplicity

3.
 - To raise government revenue
 - To control consumption of harmful products
 - To re-distribute income
 - To control the level of imports
 - To influence the allocation of resources/control business activities
 - To control inflation by reducing disposal income/prices

4.
 - External borrowing e.g. from IMF and World Bank
 - Solicit for foreign grants/donations/aids from donor countries
 - Reduce government expenditure through cost-cutting measures
 - Sale and lease back of public assets
 - Introducing new taxation of selected goods

4.
 - Excise duty
 - estate duty
 - customs duty
 - corporate tax

5.
 - Equitability
 - Convenience
 - Elasticity
 - Flexibility
 - Diversity

6.
 - Equitable
 - Certain
 - Convenient
 - Elastic
 - Flexible
 - Economic

7. <u>Progressive taxes</u>	<u>Regressive taxes</u>
Progressive taxes are those taxes whose	-Regressive taxes are those
whose	
Rate of tax increase with increase in	rate of tax payable falls as the
tax	
The tax base eg. The income tax as increase,	base increases the binder of
the	
The tax also increases eg. PAYE	regressive tax falls more
heavily	
	On how income earns than
on high	
	income earners eg. VAT

8.
 - o Economical in collection

- Tax revenue is certain
- Does not affect the price of goods
- Brings about redistribution of wealth
- Simple to understand
- It is elastic
- Society is conscious i.e. people are aware that they are paying tax

9. . Local a cess

- Granted of donation by central government
- Fees for services rendered to public
- Income from properties of local authorities
- Income from government properties e.g. parks

Rates on land

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1. Principles of taxation ;

Evasion.-It should be difficult to avoid paying the tax other wise it might not achieve

its objectives.

Simplicity-It should be easy to understand in terms of amount and methods of payment

or else people will resist to pay.

Flexibility- The system should change with changes in economic situation or else it might not

meet desired targets/revenue required.

Equality/fairness-The system should be fair to all otherwise it might over burden some

members of the society.

Convenience -The time and mode of payment should be friendly to the tax payer hence

avoiding complains/resistance to pay

Productivity- The system should generate greater revenue to the government for it to be

justified and enable the government finance project.

2. *Sources of non –tax public revenue;*

(i) Impulses from public corporative/government businesses.

(ii) Fines & penalties imposed on peoples found breaking the law.

(iii) Fee from direct services.

(iv) Escheats

(v) Income from government properties e.g. parks/land e.t.c

(vi) Loan repayments /interest earned from government owned financial institutions.

3. *Five principles of public expenditure:*

- Optimum social benefits – majority of people are able to derive maximum benefits

- Sanctions – should be approved by relevant authority

- Proper financial management

- Economical – incurred in the most economical way to avoid wastage

- Flexibility–certain degree of elasticity to enable it be increased /decreased as need arises

4. *Five reasons for imposition of tax by the government*

i) Through tax the government is able to control input of goods/improve balance of payment deficit

ii) Through tax the government is able to underestimate income by taxing those who earn high money and those earning less low

- iii) Through tax the government is able to ensure even regional development in a country
- iv) The government taxes to earn revenue as a source of its income
- v) It enables the government to maintain price stability by i.e. taxing less to influence aggregate demand in the country hence influencing the price level

5. *Five characteristics of a good tax system ;*

- Equitable-tax burden should be distributed among tax payers according to the ability to pay
- Economy-collection and administrative costs should not exceed tax revenue collected
- Certainty-tax one is expected to pay should be clearly defined
- Convenience-collection and payment should not be cumbersome
- Flexibility-capable of being revised or change in line to changing economic circumstances
- Diversity-should be wide/variety of taxes to be able to net a broad spectrum of the society
- Elasticity-able to respond appropriately to change in national income
- Simplicity-simple to understand

6. - Revenue is raised through taxation which is used to cover general costs of administration of

the government and provision of public goods and services to its citizens

- The government can use taxation to discourage consumption of certain products e.g. beer or cigarettes by levying heavy tax
- It can be used as a way of protecting infant and strategic domestic industries in the country from cut throat competition by foreign industries – using high tax on foreigners

- Reduce inequality in income distribution. This is done by taxing the rich and using the

finances to benefit the poor by offering goods/ services

- Control inflation. Taxation reduces money supply through reduction of people's disposable

income thereby controlling inflation

- Correcting balance of payments. High taxation on imports may discourage importation thus

Increase balance of payments

- Helping locate business e.g. high tax on business located in urban areas would make

entrepreneurs locate their businesses in rural areas where tax is less