

TASK 3

PRINCIPLES OF A GOOD TAX SYSTEM

Worksheet

Focus: Economics

YOU WILL:

- ▶ identify the principles of a good tax system
- ▶ assess the extent to which a tax proposal complies with the principles of a good tax system
- ▶ represent and interpret economic data
- ▶ predict the impact of tax proposals on income distribution and macroeconomic goals

YOU WILL NEED:

- ▶ *Fact sheet: What other taxes do I have to pay?*
- ▶ Tax proposal card

Principles of a good tax system

It is accepted that a well-designed tax system will meet its revenue raising objective, while balancing the core principles of equity, efficiency and simplicity:

- ▶ equity — fairness in the distribution of the tax burden;
- ▶ efficiency — economy in tax collection so as to have the lowest possible cost over and above the revenue that is raised; and
- ▶ simplicity — the tax system should be easy to understand and simple to comply with

COLLABORATE

Your teacher has provided your group with a proposal to change the current taxation system.

1. Brainstorm the likely impact of the proposal on the core principles of a good taxation system.
 - ▶ Equity
 - ▶ Efficiency
 - ▶ Simplicity
2. Analyse how the proposal will impact on the distribution of income.
3. Draw an AS/AD diagram to show the likely impact of the proposal on aggregate supply.
4. Analyse the likely impact on the Australian Government's domestic macroeconomic goals.
5. Prepare a report to present to the class. Any form of presentation can be used such as PowerPoint or Prezi.

Your Tax Activity 5 What other taxes do I have to pay?

Years 11-12

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Teacher Resource

Focus: Economics

TEACHER INSTRUCTIONS

Organise students into 5 groups. Hand out one of the following 5 proposals to each group.

Proposal 1

The GST threshold for imported goods should be reduced from \$1000 to \$100

Proposal 2

The GST base should be broadened to include all goods and services

Proposal 3

The rate of GST should increase to 15%

Proposal 4

The marginal rate of tax for incomes of between \$87,000 should be increased to \$100,000 to address bracket creep.

Proposal 5

Different rates of GST should be charged for different goods and services, so that the consumption of high-income earners is taxed more heavily than the consumption of low-income earners.