

Types of Taxes

Q1 Complete the sentences using the words in the box. Each word is used once. Answers in **BOLD**.

1. Taxes are **COMPULSORY** payments made to the government.
2. Taxes in Ireland are collected by **REVENUE**.
3. Income raised from taxes is used to fund public **SERVICES** like schools and hospitals.
4. A **DIRECT** tax is paid directly from a person's income or wealth, eg on a payslip.
5. An indirect tax is included in the **PRICE** of goods and services.
6. A **CHARGE** is a payment for a specific service or requirement, eg a TV licence.

Q2 Carbon Tax is included in the price of petrol and diesel in Ireland.

(i) Indicate whether Carbon Tax is a **direct tax** or an **indirect tax**.

Direct Tax		Indirect Tax	✓
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(ii) Give a reason for your answer.

Carbon Tax is included in the price of petrol and diesel when a person buys them. It is not taken directly from a person's income or wealth, so it is an indirect tax.

Employment - Taxes Paid When Earning an Income

Q3 Adam starts his first job. His payslip shows three deductions taken from his income. Name the three main deductions taken from income in Ireland.

1. **PAYE (Pay As You Earn).**
2. **USC (Universal Social Charge).**
3. **PRSI (Pay Related Social Insurance).**

Q4 PRSI is deducted from Adam's pay along with PAYE and USC. Outline **one benefit** Adam may receive in the future because he pays PRSI.

PRSI is a social insurance contribution. Because Adam pays it, he may be entitled to social welfare payments in the future, eg Jobseeker's Benefit if he loses his job, or the State pension when he retires.



Housing - Taxes and Charges When Owning a Property

Q5 The Russell family buy their first home.

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| (i) Stamp Duty (circled) - the tax paid when purchasing a property. |
| (ii) Local Property Tax (LPT) - an annual tax paid by homeowners based on the value of their property. |
| (iii) The TV Licence - a payment required if a household owns or uses a TV. |
| (iv) One other cost: electricity or heating bills (also acceptable: home insurance, bin charges). |

Shopping - Taxes Paid When Buying Goods and Services

Q6 Ben buys a can of fizzy drink with a high sugar content.

(i) Identify **two taxes** included in the price of the drink.

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| 1. VAT (Value Added Tax). |
| 2. Sugar Tax. |

(ii) Explain why the government adds Sugar Tax to drinks with high sugar content.

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| Impact of the tax on the price of sugary drinks: It increases the price of drinks with a high sugar content. |
| Reason to add it: The higher price discourages consumers from buying high-sugar drinks, which helps to reduce sugar consumption and improve people's health. |

Q7 Keela orders clothes from a website in China. Name the tax charged on goods imported from outside the EU.

Customs Duty.

Why do you think this charge is added to non-EU goods purchased in Ireland?

It increases the cost of non-EU goods compared to EU goods which helps to protect local businesses sales/profits as they are more competitive.
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Q8 Baby food has a VAT rate of 0%. Circle whether the statement is **TRUE** or **FALSE**, and explain your answer: A good is likely to be sold at a lower price if it has a lower rate of VAT.

Circle: TRUE

Explanation: VAT is added to the price of most goods when they are sold. If a good has a lower rate of VAT, less tax is included in its price, so it is likely to be sold at a lower price.
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Buying or Owning a Car - Taxes and Charges When Running a Car

Q9 Donal owns a car. He uses it every day to drive to work.

(i) **Two taxes:** 1. Motor Tax. 2. Carbon Tax on petrol or diesel (also acceptable: VAT or Excise Duty on fuel and servicing).

(ii) **One other cost (not a tax):** Car insurance (also acceptable: servicing and repairs, the NCT).

(iii) **Motor Tax rates are linked to a vehicle's emissions.** Saidhbh's electric car produces no exhaust emissions, so it is charged at a lower rate of Motor Tax.

Q10 Lorcan buys a second-hand car in Northern Ireland and brings it home to Ireland.

Circle the tax Lorcan must pay when the vehicle is first registered in Ireland.

Vehicle Registration Tax (VRT) (circled).

Banking and Other Situations

Q11 Emily earns interest on the savings in her bank account. DIRT is taken from the interest before she receives it.

(i) D: Deposit I: Interest R: Retention T: Tax

(ii) **The annual tax on her credit card:** Stamp Duty.

Q12 Taxes in other situations.

(i) **Senan sells shares at a profit:** Capital Gains Tax (CGT).

(ii) **Roisin receives a large inheritance:** Capital Acquisitions Tax (CAT).



Which Tax, Which Situation?

Q13 Tick the situation each tax or charge relates to.

Tax or charge	Working	Housing	Shopping	Car	Banking
Toll charges				✓	
PRSI	✓				
DIRT					✓
Plastic Bag Levy			✓		
Motor Tax				✓	
Stamp Duty when buying a house		✓			

Q14 Marcus and Dominika Nowak live in Athlone with their two children. Marcus is a chef and Dominika is a garda. They own their home and one car. List **three taxes** that the Nowak family may have to pay.

1. **PAYE on their income from work.**
2. **Local Property Tax (LPT) on their home.**
3. **Motor Tax on their car. (Also acceptable: USC, PRSI, VAT, Carbon Tax.)**

TOP TIP: Either Income Tax or PAYE is correct to use, but both would not be accepted as two separate answers. PAYE is the system used to collect Income Tax, not a separate tax.

