

Learning Objectives

Chapter 12

In this chapter you will

- Get an overview of how the UK government raises and spends money
- Examine the efficiency costs of taxes
- Learn alternative ways to judge the equity of a tax system
- See why studying tax incidence is crucial for evaluating tax equity
- Consider the trade-off between efficiency and equity in the design of a tax system

You should be able to

- List the three largest sources of tax revenue to the UK government from the largest to the smallest source
- Describe the administrative burdens of a tax
- Compare the benefits principle to the ability-to-pay principle of allocating a tax burden
- Explain why the burden of a tax is often borne by someone other than the person from whom the tax is collected
- Discuss the efficiency and equity of a flat tax