

University of Sri Jayewardenepura  
Faculty of Humanities and Social Sciences

Bachelor of Arts Fourth Year Second Semester Examination – January / February, 2018

Economics

ECON 4276.01 - Taxation

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Time: Two (02) hours.

Answer all questions. This question Paper carries 80 marks

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1. (i). How do you explain differences between a tax and other forms of levies? (05 marks)
- (ii). What are the criteria of a good tax system? Explain with examples. (11 marks)
  
2. (i). What do you mean by a flat tax? (04 marks)
- (ii). Distinguished between a progressive tax and a regressive tax? (06 marks)
- (iii). 'There are no differences between a sales tax and a value added tax'. Do you agree with this statement? Explain. (06 marks)
  
3. (i). Explain the principles of taxation. (10 marks)
- (ii). 'Ability-to-pay taxation has the potential to increase a government's revenue' Do you agree with this statement? Explain. (06 marks)
  
4. (i). What is the tax incidence? Explain the relationship between tax incidence and tax burden. (04 marks)
- (ii). Describe the relationship between concept of elasticity and tax incidence. (05 marks)

(iii). Consider the following information and answer questions below.

Price elasticity of supply 0.5

Price elasticity of demand 0.4

- (a) What is the percentage of tax incidence of the buyer? (02 marks)
- (b) What is the percentage of tax incidence of the seller? (02 marks)
- (c) Suppose, the price elasticity of demand increases up to 0.5. By whom the large proportion is paid and what is the percentage? (03 marks)

5. Critically explain the current trends in tax policy of Sri Lanka. (16 marks)

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