

7th Social Science Lesson 23 Questions in English**23. Tax and its Importance**

1. The principal sources of the revenue of Government are_____

- 1) Taxes
- 2) special assessment
- 3) Raffle Scheme
 - a) 1, 2
 - b) 2, 3
 - c) 1, 3
 - d) 1, 2, 3

Explanation

The principal sources of the revenue are taxes, fees, prices, special assessment and Raffle Scheme. Like any other country, taxes form the most important part of revenue of India.

2. Which of the following statement is correct?

- 1) For the welfare of the society, the government has to perform various functions so it requires revenue
- 2) Modern governments have a single of source of revenue
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

For the welfare of the society, the government has to perform various functions so it requires revenue. Modern governments have a wider variety of sources of revenue.

3. Who among the following is the taxing authority?

- a) **Government**
- b) Private company
- c) United Nations
- d) All the above

Explanation

Taxation is a term for when a taxing authority, usually a government, levies or imposes a tax.

4. Which of the following statement is correct?

- 1) The term 'taxation' applies to all types of involuntary levies, from income to capital gains to estate taxes.
- 2) Though taxation can be a noun or verb, it is usually referred to as an act; the resulting revenue is usually called 'taxes'.
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

The term 'taxation' applies to all types of involuntary levies, from income to capital gains to estate taxes. Though taxation can be a noun or verb, it is usually referred to as an act; the resulting revenue is usually called 'taxes'.

5. Who defined tax as a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefits conferred?

- a) Adam Smith
- b) Alfred Marshal
- c) **Prof. Seligman**
- d) Amartya Sen

Explanation

According to Prof. Seligman, taxes are defined as a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all without reference to special benefits conferred.

6. Taxes are compulsory payments to government without expectations of_____ to taxpayers.
- a) Direct
 - b) Return
 - c) Benefit
 - d) **a or b or c**

Explanation

Taxes are compulsory payments to the government without expectations of direct or return or benefit to the taxpayers.

7. Which of the following statement is incorrect?

- 1) Everybody is obliged by law to pay taxes.

- 2) Total Tax money goes to RBI
- a) 1 alone
 - b) 2 alone**
 - c) 1, 2
 - d) None

Explanation

Everybody is obliged by law to pay taxes. Total Tax money goes to government exchequer.

8._____ decides how are taxes to be spent and how the budget is to be organized

- a) RBI
- b) Supreme Court
- c) Government**
- d) UPSC

Explanation

The government decides how much taxes to be spent and how the budget is to be organized according to the amount.

9. Which of the following statement is correct?

- 1) Tax payment is optional.
 - 2) An individual has to pay tax if any income comes under the income tax slab.
- a) 1 alone
 - b) 2 alone**
 - c) 1, 2
 - d) None

Explanation

Tax payment is not optional. An individual has to pay tax if any income comes under the income tax slab.

10. Principles or cannons of taxation was said by_____

- a) Adam Smith**
- b) Amartya Sen
- c) Alfred Marshal
- d) Prof. Seligman

Explanation

Adam Smith's principles or cannons of taxation still form the basis of the tax structure of a modern state.

11. How many principles or cannons of taxation are there?

- a) 4
- b) 5
- c) 3
- d) 2

Explanation

Adam Smith's principles or cannons of taxation still form the basis of the tax structure of a modern state:

Adam Smith's four Canons of Taxation: 1. Canon of Equality 2. Canon of Certainty 3. Canon of Convenience 4. Canon of Economy

12. Which of the following is not a Canons of Taxation?

- a) Canon of Equality
- b) Canon of Certainty
- c) Canon of Convenience
- d) **Canon of Comfort**

Explanation

Adam Smith's four Canons of Taxation: 1. Canon of Equality 2. Canon of Certainty 3. Canon of Convenience 4. Canon of Economy

13. Which of the following statement is incorrect?

- 1) Government should impose taxes in such a way that people have to pay according to their ability
- 2) It does not mean equal amount of tax but it means that the burden of a tax must be fair and just
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) **None**

Explanation

Canon of Equality: the government should impose taxes in such a way that people have to pay according to their ability. It does not mean equal amount of tax but it means that the burden of a tax must be fair and just.

14. _____ possible money should be spent in the collection of taxes.

- a) **Minimum**

- b) Maximum
- c) Equal
- d) None

Explanation

Minimum possible money should be spent in the collection of taxes. Collected amount should be deposited in the Government treasury.

15. According to Canon of Economy, collected amount should be deposited in_____

- a) **Government treasury**
- b) RBI
- c) Supreme Court
- d) All the above

Explanation

Minimum possible money should be spent in the collection of taxes. Collected amount should be deposited in the Government treasury.

16. Taxes should be levied and collected in such a manner that it provides a ____ of convenience to the taxpayers.

- a) **Maximum**
- b) Minimum
- c) Equal
- d) Unequal

Explanation

According to canon of Convenience, Taxes should be levied and collected in such a manner that it provides a maximum of convenience to the taxpayers. It should always be kept in view that the taxpayers suffer the least inconvenience in payment of the tax.

17. Which of the following statement is incorrect?

- 1) Certainty creates confidence in the taxpayers cost of collection of taxes and increases economic welfare because it tends to avoid all economic waste
- 2) It should always be kept in view that the taxpayers suffer the maximum inconvenience in payment of the tax
 - a) 1 alone
 - b) **2 alone**
 - c) 1, 2
 - d) None

Explanation

Canon of Certainty: Certainty creates confidence in the taxpayers cost of collection of taxes and increases economic welfare because it tends to avoid all economic waste

Canon of Convenience: Taxes should be levied and collected in such a manner that it provides a maximum of convenience to the taxpayers. It should always be kept in view that the taxpayers suffer the least inconvenience in payment of the tax.

18. How many types of taxation are there?

- a) 6
- b) 3**
- c) 4
- d) 5

Explanation

There are three types of Taxation:

1. Proportional Tax
2. Progressive Tax
3. Regressive Tax

19. Which of the following is not a taxation type?

- a) Proportional Tax
- b) Progressive Tax
- c) Regressive Tax
- d) Reciprocal Tax**

Explanation

There are three types of Taxation:

1. Proportional Tax
2. Progressive Tax
3. Regressive Tax

20. _____ is a method, where the rate of tax is same regardless the size of the income.

- a) Proportional Tax**
- b) Reciprocal Tax
- c) Progressive Tax

d) Regressive Tax

Explanation

Proportional Taxation is a method, where the rate of tax is same regardless the size of the income. The tax amount realized will vary in the same proportion as that of income.

21. In Proportional Taxation, if tax rate is 5% on income and Mr. X gets an income of Rs.1,000, he will pay Rs.50, Mr. B gets an income Rs.5,000, he will pay tax of Rs.____

- a) 250
- b) 50
- c) 500
- d) 200

Explanation

In Proportional Taxation, if tax rate is 5% on income and Mr. X gets an income of Rs.1,000, he will pay Rs.50, Mr. B gets an income Rs.5,000, he will pay tax of Rs.50. In short, proportional tax leaves the relative financial status of taxed persons unchanged.

22._____ Taxation is a method by which the rate of tax will also increase with the increase of income of the person

- a) **Progressive**
- b) Regressive
- c) Reciprocal
- d) Proportional

Explanation

Progressive Taxation is a method by which the rate of tax will also increase with the increase of income of the person.

23. If a person with Rs.1000 income per annum pays a tax of 10% (i.e) Rs.100, a person with an income of Rs.10,000 per annum pays a tax of 25% (i.e) Rs.2,500 and a person with income of 1 lakh per annum pays the tax of 50% that is Rs.50,000. This an example of____

- a) **Progressive Taxation**
- b) Regressive Taxation
- c) Reciprocal Taxation
- d) Proportional Taxation

Explanation

Proportional Taxation is a method, where the rate of tax is same regardless the size of the income. The tax amount realized will vary in the same proportion as that of income. If tax rate is 5% on income and Mr. X gets an income of Rs.1,000, he will pay Rs.50, Mr. B gets an income Rs.5,000, he will pay tax of Rs.50. In short, proportional tax leaves the relative financial status of taxed persons unchanged.

24._____ is in opposition to a progressive tax

- a) Reciprocal
- b) Proportional
- c) **Regressive**
- d) None

Explanation

A regressive tax is a tax applied uniformly, taking a larger percentage of income from low income earners than from high income earners. It is in opposition to a progressive tax.

25._____ is a tax applied uniformly, taking a larger percentage of income from low income earners than from high income earners.

- a) Progressive tax
- b) **Regressive tax**
- c) Proportional tax
- d) Reciprocal tax

Explanation

A regressive tax is a tax applied uniformly, taking a larger percentage of income from low income earners than from high income earners. It is in opposition to a progressive tax.

26. Which of the following is correct about tax?

- 1) Without taxes, governments would be unable to meet the demands of their societies
 - 2) Taxes are crucial because governments collect this money and use it to finance under the following social projects.
- a) 1 alone
 - b) 2 alone
 - c) **1, 2**
 - d) None

Explanation

Without taxes, governments would be unable to meet the demands of their societies. Taxes are crucial because governments collect this money and use it to finance under the following social projects.

27. Taxes go to funding health services such as_____

- 1) social healthcare
- 2) medical research
- 3) social security
- a) 1, 2
- b) 2, 3
- c) 1, 2, 3
- d) 1, 3

Explanation

Without taxes, government contributions to the health sector would be impossible. Taxes go to funding health services such as social healthcare, medical research, social security, etc.

28. Which of the following statement is correct?

- 1) Education could be one of the most deserving recipients of tax money.
- 2) Governments put a lot of importance in the development of human capital and education is central in this development
- a) 1 alone
- b) 2 alone
- c) 1, 2
- d) None

Explanation

Education could be one of the most deserving recipients of tax money. Governments put a lot of importance in the development of human capital and education is central in this development.

29. _____ generally contribute to the gross domestic product (GDP) of a country.

- a) Taxes
- b) NGO
- c) Private Organisation
- d) None

Explanation

Taxes can affect the state of economic growth of a country. Taxes generally contribute to the gross domestic product (GDP) of a country.

30. Which of the following statement is incorrect?

- 1) Taxes can affect the state of economic growth of a country
- 2) Some of the money is also channeled to fund projects such as pensions, unemployment benefits, childcare, etc
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

Some of the money is also channeled to fund projects such as pensions, unemployment benefits, childcare, etc. Taxes can affect the state of economic growth of a country. Taxes generally contribute to the gross domestic product (GDP) of a country.

31. Central Board of Revenue Act_____

- a) 1953
- b) 1963**
- c) 1973
- d) 1993

Explanation

Central Board of Revenue bifurcated and a separate Board for Direct Taxes known as Central Board of Direct Taxes (CBDT) constituted under the Central Board of Revenue Act, 1963.

32. Under the Central Board of Revenue Act, Central Board of Revenue was_____

- a) Bifurcated**
- b) Trifurcated
- c) Quadrupled
- d) None

Explanation

Central Board of Revenue bifurcated and a separate Board for Direct Taxes known as Central Board of Direct Taxes (CBDT) constituted under the Central Board of Revenue Act, 1963.

33. In modern times taxes are classified into_____ types

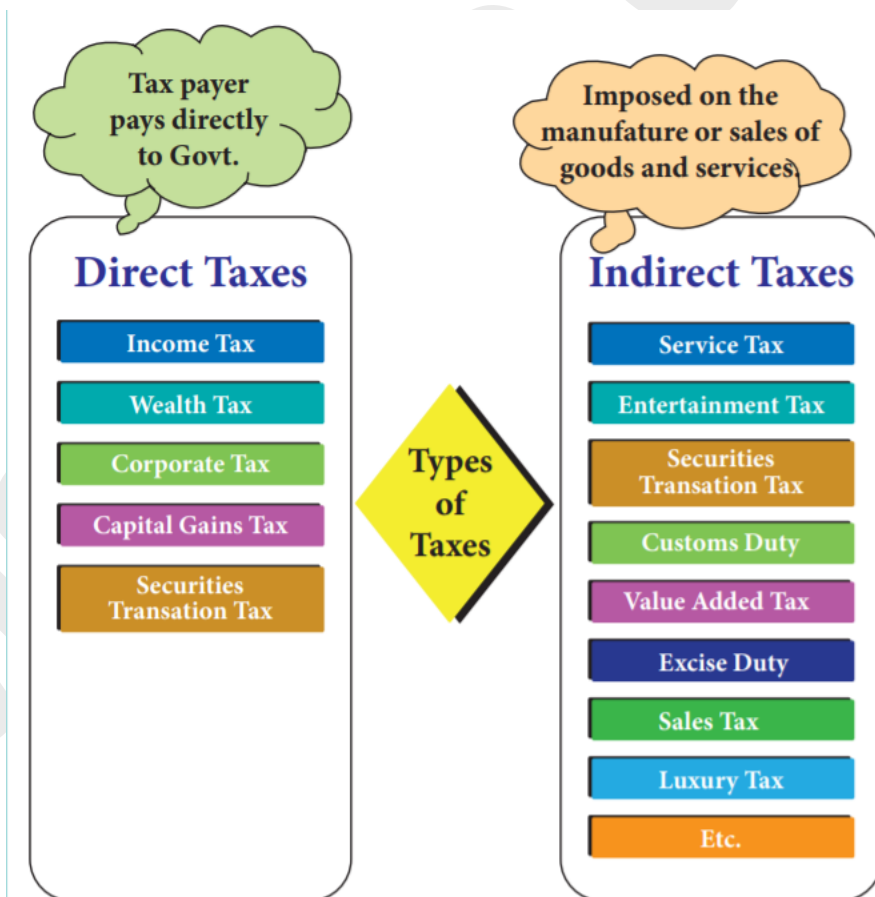
- a) 2**
- b) 5
- c) 9
- d) 7

Explanation

In modern times taxes are classified into two types.

There are:

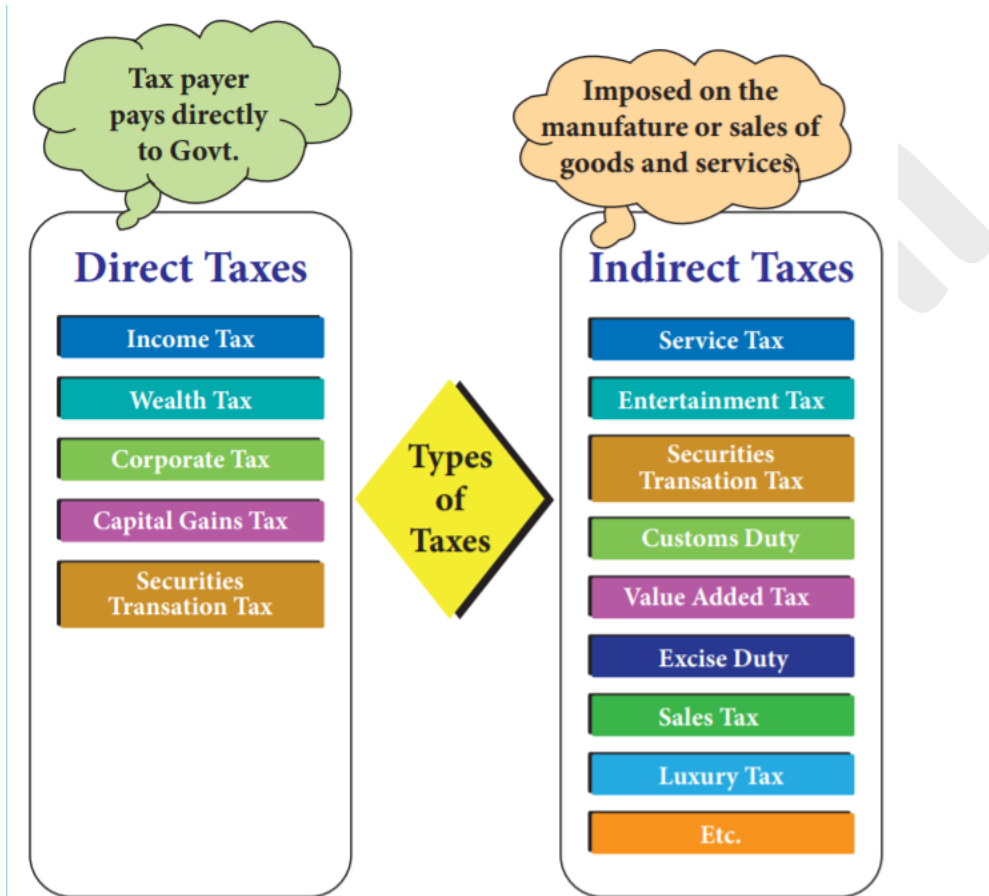
1. Direct Tax;
 2. Indirect Tax
34. Find the odd one out?
- a) Income Tax
 - b) Wealth Tax
 - c) **Sales Tax**
 - d) Capital Gains Tax

Explanation

35. Which of the following is not an indirect Tax?

- a) Entertainment Tax
- b) Excise Duty

- c) Sales Tax
- d) All the above

Explanation

36. Which of the following is incorrect?

- 1) A Direct tax is paid directly by an individual or organisation to imposing entity
 - 2) Service Tax is a Direct Tax
- a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

A Direct tax is paid directly by an individual or organisation to imposing entity. Service tax is an Indirect tax.

37. Corporate tax is a/an_____ tax

- a) Indirect
- b) Direct**
- c) Both a and b
- d) None

38. _____ is levied on profit of corporations and companies.

- a) Income Tax
- b) Service Tax
- c) Corporation Tax**
- d) Excise duty

Explanation

Corporation Tax is levied on profit of corporations and companies. It is charged on royalties, interest, gains from sale of capital assets located in India, fees for technical services and dividends.

39. Corporation Tax is charged on royalties, interest, gains from sale of capital assets located in_____

- a) India**
- b) Foreign Countries
- c) Both a and b
- d) None

Explanation

Corporation Tax is levied on profit of corporations and companies. It is charged on royalties, interest, gains from sale of capital assets located in India, fees for technical services and dividends.

40._____ is imposed on property of individuals depending upon the value of property.

- a) Wealth Tax**
- b) Gift Tax
- c) Estate duty
- d) Corporation Tax

Explanation

Wealth Tax is imposed on property of individuals depending upon the value of property. The same property will be taxed every year on its current market value.

41. Property will be taxed___ on its current market value.

- a) Once in 2 years
- b) Once in 3 years**

- c) Every Year
- d) Twice a year

Explanation

Wealth Tax is imposed on property of individuals depending upon the value of property. The same property will be taxed every year on its current market value.

42. Which of the following statement is correct?

- 1) Apart from social projects, governments also use money collected from taxes to fund sectors that are crucial for the wellbeing of their citizens such as security, scientific research, environmental protection, etc.
 - 2) Good governance ensures that the money collected is utilized in a manner that benefits citizens of the country.
- a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

Governance is a crucial component in the smooth running of country affairs. Poor governance would have far reaching ramifications on the entire country with a heavy toll on its economic growth. Good governance ensures that the money collected is utilized in a manner that benefits citizens of the country. Apart from social projects, governments also use money collected from taxes to fund sectors that are crucial for the wellbeing of their citizens such as security, scientific research, environmental protection, etc.

43. Which of the following about Estate Duty is incorrect?

- 1) It is charged from successor of inherited property.
 - 2) They are levied directly on income and property of persons, who pay directly to the government.
- a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

Estate Duty is charged from successor of inherited property. It is not desirable to avoid payment of taxes. They are levied directly on income and property of persons, who pay directly to the government.

44. _____ is a tax whose burden can be shifted to others.

- a) Direct tax
- b) Indirect tax**
- c) Both a and b
- d) None

Explanation

On the other hand when liability to pay a tax is on one person and the burden of that tax shifts on some other person, this type of tax is called an indirect tax. Indirect Tax is a tax whose burden can be shifted to others.

45. Service Tax is a___ tax

- a) Direct
- b) Indirect**
- c) Both a and b
- d) None

Explanation

Service Tax is Indirect tax. It is raised on provision of Service. This tax is collected from the service recipients and paid to the Central Government.

46. Service tax is paid to_____

- a) State government
- b) Central government**
- c) Both a and b
- d) None

Explanation

Service Tax is Indirect tax. It is raised on provision of Service. This tax is collected from the service recipients and paid to the Central Government.

47. The burden of Sales Tax falls on_____

- a) Customer**
- b) Shopkeeper
- c) Government
- d) All the above

Explanation

Sales Tax or VAT is an indirect tax on sale of goods because liability to collect tax is that of shopkeeper but the burden of that tax falls on the customer. The shopkeeper realizes the tax amount from the customer by including it in the price of the commodity that he sells.

48. The liability to collect sales tax falls on_____

- a) Customer
- b) Shopkeeper**
- c) Government
- d) All the above

Explanation

Sales Tax or VAT is an indirect tax on sale of goods because liability to collect tax is that of shopkeeper but the burden of that tax falls on the customer. The shopkeeper realizes the tax amount from the customer by including it in the price of the commodity that he sells.

49. VAT is a/an_____ tax

- a) Direct
- b) Indirect**
- c) Both a and b
- d) None

Explanation

Sales Tax or VAT is an indirect tax on sale of goods because liability to collect tax is that of shopkeeper but the burden of that tax falls on the customer. The shopkeeper realizes the tax amount from the customer by including it in the price of the commodity that he sells.

50. Excise Duty is paid by the_____

- a) Customer
- b) Shopkeeper
- c) producer of goods**
- d) Government

Explanation

Excise Duty is paid by the producer of goods, who recovers it from wholesalers and retailers. This tax in India is levied by the Central Government.

51. Excise Duty is a/an_____ tax

- a) Direct
- b) Indirect**
- c) Both a and b
- d) None

Explanation

Excise Duty is paid by the producer of goods, who recovers it from wholesalers and retailers. This tax in India is levied by the Central Government.

52. Excise duty is levied by_____

- a) **Central government**
- b) State government
- c) RBI
- d) None

Explanation

Excise Duty is paid by the producer of goods, who recovers it from wholesalers and retailers. This tax in India is levied by the Central Government.

53. Who among the following charges Entertainment Tax?

- a) **State Government**
- b) Central Government
- c) RBI
- d) None

Explanation

The state governments charge Entertainment tax on every transaction related to entertainment.

54. Entertainment Tax is_____ tax

- a) Direct
- b) **Indirect**
- c) Both a and b
- d) None

Explanation

The state governments charge Entertainment tax on every transaction related to entertainment. It is an Indirect tax.

55. Which of the following is an example of Entertainment tax?

- a) amusement parks
- b) sports-related activities
- c) video game arcades
- d) **all the above**

Explanation

The state governments charge Entertainment tax on every transaction related to entertainment. It is an Indirect tax.

Some examples are movie tickets, video game arcades, stage shows, exhibitions, amusement parks, and sports-related activities.

56. Goods and Services Tax is a kind of tax imposed on_____

- 1) sale
- 2) manufacturing
- 3) usage of goods and services
 - a) 1, 2
 - b) 2, 3
 - c) 1, 3
 - d) 1, 2, 3

Explanation

Goods and Services Tax is a kind of tax imposed on sale, manufacturing and usage of goods and services.

57. Which of the following is correct about GST?

- 1) Goods and Services Tax is a kind of tax imposed on services alone
- 2) This tax is applied on services and goods at a national level with a purpose of achieving overall economic growth.
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

Goods and Services Tax is a kind of tax imposed on sale, manufacturing and usage of goods and services. This tax is applied on services and goods at a national level with a purpose of achieving overall economic growth.

58. GST is particularly designed to replace the_____ taxes

- a) Direct
- b) Indirect
- c) Both a and b
- d) None

Explanation

GST is particularly designed to replace the indirect taxes imposed on goods and services by the Central and State.

59. GST is imposed on goods and services by_____

- a) State Government
- b) RBI
- c) Central Government
- d) Both a and c

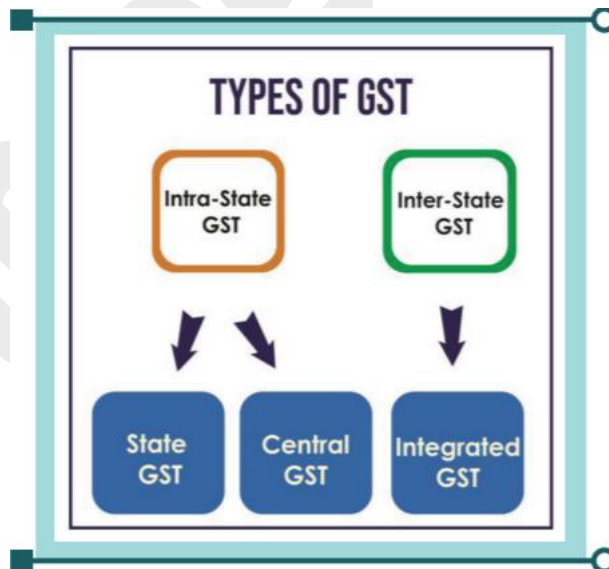
Explanation

GST is particularly designed to replace the indirect taxes imposed on goods and services by the Central and State.

60. Intra-state GST can be classified into_____ types

- a) 2
- b) 4
- c) 5
- d) 3

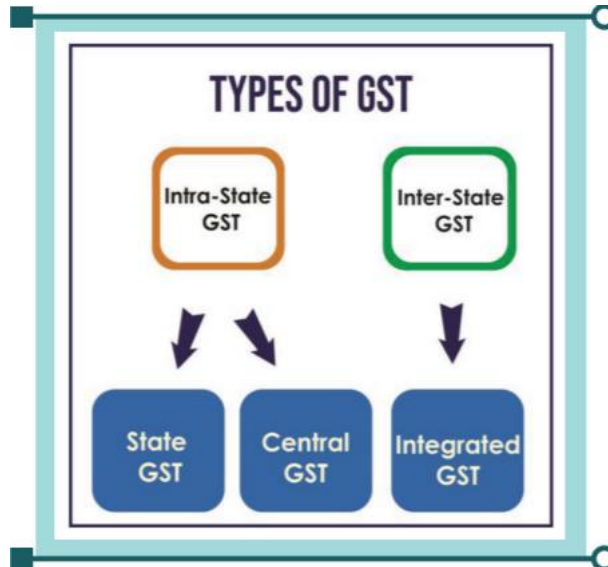
Explanation



61. Which of the following is/are Intra state GST?

- 1) State GST
 - 2) Central GST
 - 3) Integrated GST
- a) 1, 3
 - b) 1, 2

- c) 1, 2, 3
- d) 2, 3

Explanation

62. Which of the following is Inter State GST?

- 1) State GST
- 2) Integrated GST
- 3) Central GST

- a) 1, 2
- b) 2, 3
- c) 1, 2, 3
- d) 2 alone

Explanation

63. Which of the following book speaks about ancient time taxes were levied and collected in both cash and kind?

- a) **Arthshastra**
- b) Rig Veda
- c) Harshacharita
- d) Manusmriti

Explanation

The history of Indian taxation goes back to ancient period. According to Arthshastra, the book written by Kautilya, in ancient time taxes were levied and collected in both cash and kind.

64. Arthshastra was written by___

- a) Chanakya
- b) Sudraka
- c) Kalhana
- d) Kautilya

Explanation

The history of Indian taxation goes back to ancient period. According to Arthshastra, the book written by Kautilya, in ancient time taxes were levied and collected in both cash and kind.

65. Which of the following statement is correct?

- 1) The modern history of Indirect taxes starts from the early 20th century when Central Excise Duty was imposed on Salt, Sugar, Motor Spirit, etc.
 - 2) At the time of independence, the system of Central Excise Duty at the national level and the Sales Tax at the State level was prevailing
- a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

The modern history of Indirect taxes starts from the early 20th century when Central Excise Duty was imposed on Salt, Sugar, Motor Spirit, etc. Gradually the base of Excise duties was widened. At the time of independence, the system of Central Excise Duty at the national level and the Sales Tax at the State level was prevailing.

66. In Which year VAT was introduced in 1st state?

- a) 2000
- b) 2003
- c) 2001
- d) 2010

Explanation

After prolonged efforts and amendments, VAT was introduced first in Indian State of Haryana in 2003 and thereafter in 24 States/UTs including Punjab, Chandigarh, HP, J&K and Delhi in 2005.

67. In which year VAT was 1st introduced?

- a) Tamil Nadu
- b) Gujarat

- c) Haryana
- d) Delhi

Explanation

After prolonged efforts and amendments, VAT was introduced first in Indian State of Haryana in 2003 and thereafter in 24 States/UTs including Punjab, Chandigarh, HP, J&K and Delhi in 2005.

68. In 2005, VAT was introduced in_____ State/UT

- a) 31
- b) 24
- c) 30
- d) 21

Explanation

After prolonged efforts and amendments, VAT was introduced first in Indian State of Haryana in 2003 and thereafter in 24 States/UTs including Punjab, Chandigarh, HP, J&K and Delhi in 2005.

69. Which of the following statement is correct?

- 1) VAT was a major improvement over the pre-existing direct Tax regime
 - 2) Goods and Services Tax (GST) is indeed a remarkable improvement and the next logical step towards realising perfection in taxation system in the country
- a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

If the VAT was a major improvement over the pre-existing Sales Tax regime, then the Goods and Services Tax (GST) is indeed a remarkable improvement and the next logical step towards realising perfection in taxation system in the country.

70. GST tax regime has been finally implemented from_____

- a) 1st July, 2017
- b) 13th July, 2017
- c) 1st January, 2017
- d) 1st July, 2016

Explanation

GST tax regime has been finally implemented from 1st July, 2017 across India. With thus there is an economic union of the country with ONE TAX, ONE MARKET AND ONE NATION.

71. Which of the following statement is correct?

- 1) Initially, it was proposed that there would be a single and national level GST
- 2) With thus there is an economic union of the country with ONE TAX, ONE MARKET AND ONE NATION
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

Initially, it was proposed that there would be a single and national level GST. However, the GST tax regime has been finally implemented from 1st July, 2017 across India. With thus there is an economic union of the country with ONE TAX, ONE MARKET AND ONE NATION.

72. How many parts are there in Goods and Services Tax (GST)?

- a) 4
- b) 2
- c) 5
- d) 7

Explanation

Goods and Services Tax (GST) is a tax on all the goods and services that we buy. It has two parts, the Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). It is a transparent tax.

73. GST is_____ tax

- 1) Direct
- 2) Indirect
- 3) Transparent
 - a) 1, 2
 - b) 2, 3
 - c) 1, 3
 - d) 1, 2, 3

Explanation

Goods and Services Tax (GST) is a tax on all the goods and services that we buy. It has two parts, the Central Goods and Services Tax (CGST) and State Goods and Services Tax (SGST). It is a transparent and Indirect tax.

74. Which of the following is not a slab of GST?

- a) 0%
- b) 5%
- c) **14%**
- d) 18%

Explanation

The tax is divided into five slabs - 0 per cent, 5 per cent, 12 per cent, 18 per cent, and 28 per cent.

75. How many tax slabs are there in GST?

- a) 3
- b) **5**
- c) 6
- d) 7

Explanation

The tax is divided into five slabs - 0 per cent, 5 per cent, 12 per cent, 18 per cent, and 28 per cent.

76. Which of the following are exempted from GST?

- 1) Vegetables
 - 2) food grains
 - 3) Electronic Items
- a) **1, 2**
 - b) 2, 3
 - c) 1, 2, 3
 - d) None

Explanation

Although GST is collected by the central government, taxes on petroleum products, alcoholic drinks, electricity are separately collected by the state government and almost all the necessities of life like vegetables and food grains are exempted from this tax.

77. Tax on petroleum products, alcoholic drinks, electricity are collected by_____

- a) **State**
- b) Centre
- c) RBI
- d) Both a and b

Explanation

The tax is divided into five slabs - 0 per cent, 5 per cent, 12 per cent, 18 per cent, and 28 per cent. Although GST is collected by the central government, taxes on petroleum products, alcoholic

drinks, electricity are separately collected by the state government and almost all the necessities of life like vegetables and food grains are exempted from this tax.

78. If a seller in Tamil Nadu sells a commodity to a buyer in other state (for example

Karnataka), it is called_____

- a) **Inter-state trade**
- b) Intra-state trade
- c) International trade
- d) All the above

Explanation

If a seller in Tamil Nadu sells a commodity to a buyer in other state (for example Karnataka), it is called inter-state trade.

79.If a GST is 18% the share between state and centre will be_____

- a) **9, 9**
- b) 10, 8
- c) 8, 10
- d) 12, 6

Explanation

In the bill, the GST is 18%, and it is divided equally as 9% for the Central and State Governments. Therefore, Rs 9 will go to Tamil Nadu Government and another Rs 9 will go to Central government.

80._____ is a tax you often pay to use any form of infrastructure developed by the government, example roads and bridges.

- a) Entertainment Tax
- b) **Toll Tax**
- c) Swachh Bharat Cess
- d) Excise Duty

Explanation

Toll tax is a tax you often pay to use any form of infrastructure developed by the government, example roads and bridges. The tax amount levied is rather negligible which is used for maintenance and basic upkeep of a particular project.

81. Which of the following statement is correct?

- 1) Swachh Bharat Cess is a tax you often pay to use any form of infrastructure developed by the government, example roads and bridges.
- 2) Toll tax amount levied is rather negligible which is used for maintenance and basic upkeep of a particular project.
 - a) 1 alone
 - b) 2 alone**
 - c) 1, 2
 - d) None

Explanation

Toll tax is a tax you often pay to use any form of infrastructure developed by the government, example roads and bridges. The tax amount levied is rather negligible which is used for maintenance and basic upkeep of a particular project.

82. Swachh Bharat Cess is imposed by_____

- a) State Government
- b) Government of India**
- c) RBI
- d) All the above

Explanation

Swachh Bharat Cess is a cess imposed by the government of India and was started from 15 November 2015. This tax is applicable on all taxable services and the cess currently stands at 0.5%. Swachh Bharat cess is levied over and above the 14% service tax that is prevalent in the present times.

83. Swachh Bharat Cess imposed by the government of India and was started from_____

- a) 15 November 2015**
- b) 20 November 2015
- c) 15 November 2016
- d) 20 November 2016

84. Swachh Bharat Cess tax is applicable on all taxable services and the cess currently stands at_____ %

- a) 5
- b) 0.5**
- c) 2
- d) 0.2

85. Swachh Bharat cess is levied over and above___ % service tax that is prevalent in the

present times.

- a) 14
- b) 28
- c) 5
- d) None

86. Which of the following is incorrect about Direct tax?

- 1) Direct tax has inflation pressure
 - 2) Direct tax is less elastic
-
- a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

Direct Tax	Indirect Tax
Burden cannot be shifted by taxpayers	Easily be shifted to another person
Tax is imposed on personal income and corporate income	Taxes imposed on various goods and services
Direct tax has no inflation pressure	This tax has inflation pressure
The impact and incidence are the same in case of direct tax	The impact and incidence are different in case of indirect tax
Direct tax is less elastic	Indirect tax is more elastic

87. Which of the following has inflation Pressure?

- a) Direct tax
- b) **Indirect tax**
- c) Both a and b
- d) None

88. Which of the following is more elastic?

- a) Direct tax
- b) **Indirect tax**
- c) Both a and b
- d) None

89. Burden of which tax cannot be shifted to another person?

- a) **Direct**

- b) Indirect
- c) Both a and
- d) None

90. A government's ability to raise taxes is called its_____ Capacity

- a) Governing
- b) Fiscal**
- c) Qualitative
- d) None

Explanation

A government's ability to raise taxes is called its fiscal capacity. Some of these include expenditures on economic infrastructure like, transportation, sanitation, public safety, education, health-care systems, military, scientific research, culture and the arts, public works, public insurance, etc.

91. Which of the following statement is correct?

- 1) The levying of taxes aims to raise revenue to fund governing.
 - 2) States and their functional equivalents throughout history have used money provided by taxation to carry out many functions.
- a) 1 alone
 - b) 2 alone
 - c) 1, 2**
 - d) None

Explanation

The levying of taxes aims to raise revenue to fund governing. It helps alter prices in order to balance the affect of demand. States and their functional equivalents throughout history have used money provided by taxation to carry out many functions.

92. Which of the following are expenditures on economic infrastructure of Government?

- 1) Transportation
 - 2) Sanitation
 - 3) Education
- a) 1, 2
 - b) 2, 3
 - c) 1, 2, 3**
 - d) 1, 3

Explanation

States and their functional equivalents throughout history have used money provided by taxation to carry out many functions. Some of these include expenditures on economic infrastructure like, transportation, sanitation, public safety, education, health-care systems, military, scientific research, culture and the arts, public works, public insurance, etc.

93. Which of the following statement is correct?

- 1) When expenditures exceed tax revenue, a government accumulates debt
- 2) A portion of taxes may be used to serve past debts.
 - a) 1 alone
 - b) 2 alone
 - c) 1, 2
 - d) None

Explanation

When expenditures exceed tax revenue, a government accumulates debt. A portion of taxes may be used to serve past debts. Governments also use taxes to fund welfare and public services.

94. What is the purpose of taxation?

- 1) To maintain the stability of the currency
- 2) Express public policy regarding the distribution of wealth
- 3) Subsidizing certain industries or population groups
 - a) 1, 2
 - b) 1, 2, 3
 - c) 2, 3
 - d) 1, 3

Explanation

According to the proponents of the list theory of money creation, taxes are not needed for government revenue, as long as the government in question is able to issue fiat money. The purpose of taxation is to maintain the stability of the currency, express public policy regarding the distribution of wealth, subsidizing certain industries or population groups or isolating the costs of certain benefits, such as highways or social security.