10th Social Science Lesson 18 Questions in English

18] Government and Taxes

1. Which is levied by government for the development of the state's economy?

a) Debt
b) Wage
c) Tax
d) Income

Explanation

Tax is levied by government for the development of the state's economy. The revenue of the government depends upon direct and indirect taxes.

2. The tax that are levied on income of the persons is called _____

a) Direct tax
b) Indirect tax
c) Montage tax
d) Financial tax

Explanation

Direct taxes are levied on income of the persons and the indirect taxes are levied on goods and services by which the government mobilises its "financial resources".

3. In India, how many levels of governments are functioning for people and society?

a) Two
b) Four
c) Three
d) Seven

Explanation

In India, the three levels of governments, namely, union, state and local, have been carrying out various functions for the benefit of people and society at large.

4. Which of the following statement is correct?

1) Defence is an essential security function to protect our nation from our enemies.
2) We know that we have four services, namely, army, navy, coast guard and air force.

   a) Only 1
   b) Only 2
   c) Both 1 and 2

d) None

Explanation

Defence: This is an essential security function to protect our nation from our enemies. We know that we have three services, namely, army, navy and air force. The Union government is responsible for creating and maintaining defence forces.

5. Who conduct elections to local bodies within the state?

a) Union government
b) State government
c) High court
d) Both state and union

Explanation

The Union government creates laws and administrative system and conducts elections to these two legislature institutions. Similarly, the state governments conduct elections to local bodies within the state.

6. Which of the following statement is regarding foreign policy is correct

1) In today's world, we need to maintain friendly relationships with all the other countries in the world
2) We should also maintain cordial economic relationships through exports and imports, sending and receiving investments and labour.
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

Foreign policy: In today's world, we need to maintain friendly relationships with all the other countries in the world. India is committed to world peace. We should also maintain cordial economic relationships through exports and imports, sending and receiving investments and labour.

7. The role of government and development policies are divided into how many categories for easy understanding?

a) Seven
b) Five
c) Six
d) Nine

Explanation

The role of government and development policies are into divided into seven categories for easy understanding. 1. Defence 2. Foreign policy 3. Conduct of periodic elections 4. Law and order 5. Public administration and provision of public goods 6. Redistribution of income and poverty alleviation 7. Regulate the economy

8. Which of the following statement is incorrect

1) Both the Union and state governments enact numerous laws to protect our rights, properties and to regulate our economy and society
2) Local governments take the responsibility for administering the police force in respective states.
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

To settle disputes between union and state government, the Union government has a vibrant judicial system consisting of courts at the national, state and lower levels and state governments take the responsibility for administering the police force in respective states.

9. The Union government, controls money supply and controls the interest rate, inflation and foreign exchange rate through whom?

a) Finance Minister
b) State Government
c) Public Funds
d) Reserve Bank of India

Explanation

The Union government, through the Reserve Bank of India, controls money supply and controls the interest rate, inflation and foreign exchange rate. The main objective is to remove too much of fluctuation in these rates.

10. Which of the following agencies is not used by Union to controls the economy?

a) Reserve Bank of India
b) Securities Exchange Board of India
c) Competition Commission of India.
d) Monetary Control Board of India

Explanation

The Union government, through the Reserve Bank of India, controls money supply and controls the interest rate, inflation and foreign exchange rate. The Union also controls the economy through various other agencies such as Securities Exchange Board of India and Competition Commission of India.

11. Which of the following statement is correct

1) The taxes are collected in a way that the high-income people and low-income people can bring in same tax revenue to the government.
2) Collecting taxes and spending for the poor is how the government redistributes income and introduces measures to reduce poverty
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Governments collect various taxes to finance the various activities mentioned earlier. The taxes are collected in a way that the high-income people can bring in more tax revenue to the government than the poor. Thus, collecting taxes and spending for the poor is how the government redistributes income and introduces measures to reduce poverty.

12. Which of the following is the main purpose of taxation?

a) To improve the economy of individual
b) To increase Gold reserve of nation
c) To accumulate funds for the functioning of the government machinery
d) To fund the corporates and multi-national companies to improve nations investment.

Explanation

Taxation is a means by which governments finance their expenditure by imposing charges on citizens and corporate entities. The main purpose of taxation is to accumulate funds for the functioning of the government machinery.

13. The origin of the word "tax" is from which word?

a) Taxing
b) Taxation
c) Taxtimate
d) Toxim

Explanation

The origin of the word "tax" is from "taxation," which means an estimate.

14. Which new concept brought Tax in forefront?

a) Financial Growth
b) Welfare State
c) Monetary Implement
d) Financial Explicit

Explanation

Tax has come into forefront on account of the new concept of "welfare state". Modern governments do not confine themselves to law and order only. The importance of public finance (tax) has vastly increased in recent years.

15. Who defines 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) Prof. Seligman
b) Prof. Haldeman
c) Friedrich Engels
d) Karl Marx

Explanation

Prof. Seligman defined a 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."

16. A government's ability to raise taxes is called _______

a) Monetary exploding
b) Financial inflation
c) Fiscal capacity
d) Financial exploding

Explanation

The levying of taxes aims to raise revenue to fund governance or to alter prices in order to affect demand. A government's ability to raise taxes is called its fiscal capacity.

17. When income tax was first introduced in India?

a) 1951
b) 1886
c) 1901
d) 1860

Explanation

In India, Income Tax was introduced for the first time in 1860.

18. Who introduced income tax in India first?

a) **Sir James Wilson**
b) Robert Clive
c) Sir warren Hastings
d) Lord William Bentinck

Explanation

In India, Income Tax was introduced by Sir James Wilson in order to meet the losses sustained by the Government on account of the Mutiny of 1857.

19. When expenditures exceed tax revenue, what does a government accumulates?

a) **Debt**
b) Inflation
c) Wages
d) Salary

Explanation

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

20. According to the proponents of the theory of money creation, taxes are not needed for government revenue, as long as ________

a) The government in question is able to control inflammation
b) **The government in question is able to issue fiat money**
c) The government in question is able to give wages for workers
d) The government in question is able to provide excise duty

Explanation

According to the proponents of the theory of money creation, taxes are not needed for government revenue, as long as the government in question is able to issue fiat money.

21. The characteristics of tax system that economists think should be followed while designing a tax system is known as ______

a) Bullets of taxation
b) Flames of taxation
c) **Canons of taxation**
d) Pointer of taxation

Explanation

There are some characteristics of tax system that economists think should be followed while designing a tax system. These characteristics are called as canons of taxation.

22. Which of the following is not the canons of taxation?

a) Canon of Equity
b) Canon of Lability
c) Canon of Certainty
d) Canon of economic and Convenience

Explanation

From Adam Smith, many economists have given lists of canons of taxation. It is important to recall those common among them for discussion here. 1. Canon of certainty 2. Canon of equity 3. Canons of Economy and Convenience 4. Canons of Productivity and Elasticity.

23. Which principle says that the rich should pay more tax revenue to government than the poor, because rich has more ability than the poor to pay the tax?

a) Certainty principle
b) Equity principle
c) Economic principle
d) Consumer principle

Explanation

Since tax is a compulsory payment, all economists agree that equity is the cardinal principle in designing the tax system. The equity principal says that the rich should pay more tax revenue to government than the poor, because rich has more ability than the poor to pay the tax.

24. Government should announce in advance the tax system so that every tax payer will be able to calculate how much tax amount one may have to pay during a year. The statement comes under which canon of taxation?

a) Canon of Equity
b) Canon of productivity
c) Canon of Certainty
d) Canon of economic and Convenience

Explanation

Canon of Certainty – Government should announce in advance the tax system so that every tax payer will be able to calculate how much tax amount one may have to pay during a year to the government.

25. Which of the following statement is correct

1) If the tax is simple, then the cost of collecting taxes (tax payer cost + tax collector cost) will be very high.
2) Further, tax should be collected from a person at the time he gets enough money to pay the tax. This is called canon of Elasticity.
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

If the tax is simple, then the cost of collecting taxes (tax payer cost + tax collector cost) will be very low. Further, tax should be collected from a person at the time he gets enough money to pay the tax. This is called canon of convenience. A convenient tax reduces the cost of collecting tax.

26. Who defines a direct tax as "one which is demanded from the very persons who it is intended or desired should pay it."?

a) Adam Smith
b) David Ricardo
c) J. S. Mill
d) John Locke

Explanation

J.S. Mill defines a direct tax as "one which is demanded from the very persons who it is intended or desired should pay it." Some direct taxes are income tax, wealth tax and corporation tax.

27. The burden of a which tax cannot be shifted to others?

a) Direct Tax
b) Indirect Tax
c) Goods and Service Tax
d) All the above

Explanation

A tax imposed on an individual or organisation, which is paid directly, is a direct tax. The burden of a direct tax cannot be shifted to others.

28. Which of the following statement is correct

1) Income tax is the most common and most important tax levied on an individual in India. It is charged directly based on the income of a person.

2) Wealth tax is charged on the benefits derived from property ownership. The same property will be taxed once in ten year on its current market value.
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

Wealth tax is charged on the benefits derived from property ownership. The same property will be taxed every year on its current market value.

29. In India which tire of government collect taxes?

a) Union Government
b) State Government
c) Local government
d) All the above

Explanation

In India taxes are collected by all the three tiers of government. There are taxes that can be easily collected by the Union government.

30. Which of the following statement is correct

1) Taxes on goods and services are collected by both Union and state governments
2) The taxes on properties are collected by local governments.
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

In India almost all the direct taxes are collected by the Union governments. Taxes on goods and services are collected by both Union and state governments. The taxes on properties are collected by local governments.

31. In India we collect more tax revenue through which Tax?

a) Direct Tax
b) Indirect Tax
c) Income Tax
d) Corporate Tax

Explanation

In India we collect more tax revenue through indirect taxes than through direct taxes. The major indirect taxes in India are customs duty and GST. poor still pay more through Indirect taxes. Therefore, many argue we should reduce the indirect taxes and increase the collection through direct taxes.

32. Indian tax system adheres to which Canon of Taxation in India?

a) Canon of equity
b) Canon of productivity
c) Canon of elasticity
d) Canon of certainty

Explanation

We announce the tax system once in a year in the annual budget. It is very rarely breached by announcing mid-year tax changes. Therefore, Indian tax system adheres to canon of certainty more than anything else.

33. Which of the following statement is Incorrect

1) Corporate tax is levied on companies that exist as separate entities from their shareholders.
2) Foreign companies are not taxed on income that arises or is deemed to arise in India
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

This tax is levied on companies that exist as separate entities from their shareholders. It is charged on royalties, interest gains from sale of capital assets located in India and fees for a technical services and dividends. Foreign companies are taxed on income that arises or is deemed to arise in India.

34. Which of the following statement is incorrect

1) Government should choose a few taxes that can fetch more tax revenue, instead of lots of taxes and each one of them getting a little tax revenue. This is canon of Economy.
2) Indian tax system adheres to all the canons of taxation. But there are arguments that often the equity principle is compromised and productivity is lost when we tinker with tax system to the advantage of a few.
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

Government should choose the taxes that can get enough tax revenue to it. In other words, it should choose a few taxes that can fetch more tax revenue, instead of lots of taxes and each one of them getting a little tax revenue. This is canon of productivity.

35. Which canon of taxation states that "the tax system should be designed in such a way that the people automatically pay more tax revenue if their incomes grow"?

a) Canon of productivity
b) Canon of Elasticity
c) Canon of Economy
d) Canon of Convenience

Explanation

Tax is paid by the people out their incomes. Therefore, the tax system should be designed in such a way that the people automatically pay more tax revenue if their incomes grow. This is called canon of elasticity.

36. If the Income of the Indian company is less than 50 crores, then the corporate tax for that company is ______

a) 40%
b) 25%
c) 30%
d) 35%

Explanation

If the Income of the Indian company is less than 50 crores, then the corporate tax for that company is 25%, for foreign company its 40%.

37. If the Income of the Indian company is more than 50 crores, then the corporate tax for that company is ____

a) 40%
b) 45%
c) 30%
d) 35%

Explanation

If the Income of the Indian company is more than 50 crores, then the corporate tax for that company is 30%, for foreign company its 40%.

38. Which is a tax that is paid on official documents like marriage registration or documents related to a property and in some contractual agreements?

a) Stamp duty
b) Excise duty
c) Registration duty
d) Mutual duty

Explanation

Stamp duty is a tax that is paid on official documents like marriage registration or documents related to a property and in some contractual agreements.

39. Which is a duty on manufactured goods levied at the movement of manufacture, rather than at sale?

a) Stamp duty
b) Excise duty
c) Production duty
d) Mutual duty

Explanation

An excise tax is any duty on manufactured goods levied at the movement of manufacture, rather than at sale. Excise is typically imposed in addition to an indirect tax such as a sales tax.

40. Which tax can be charged on movie tickets, tickets to amusement parks, exhibitions and even sports events?

a) Stamp duty
b) Excise duty
c) Production duty
d) Entertainment duty

Explanation

Entertainment tax is a duty that is charged by the government on any source of entertainment provided. This tax can be charged on movie tickets, tickets to amusement parks, exhibitions and even sports events.

41. When the GST was passed in Parliament in India?

a) 21 March 2017
b) 10 March 2017
c) 29 March 2017
d) 21 March 2018

Explanation

The goods and service tax (GST) is one of the indirect taxes. The GST was passed in Parliament on 29 March 2017.

42. When Goods and Service tax act came into effect?

a) 12 January 2018
b) 1 July 2017
c) 7 September 2017
d) 25 May 2017

Explanation

Goods and Service tax (GST) act came into effect on 1 July 2017. The motto is one nation, one market, one tax.

43. Which of the following statement is correct

1) Goods and service tax aims to replace all indirect taxes levied on goods and services by the Central and state governments
2) Goods and service tax is also a "Multipoint tax" unlike value-added tax (VAT), which was a one-point tax.
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Goods and service tax is also a "one-point tax" unlike value-added tax (VAT), which was a multipoint tax.

44. Which was the first country to implement GST in 1954?

a) USA
b) United Kingdom
c) France
d) Spain

Explanation

France was the first country to implement GST in 1954 and many other European countries introduced GST in 1970-80.

45.Which of the following is not the State Goods and Service Tax (SGST)?

a) Luxury tax
b) Lottery tax
c) Service tax
d) Entertainment tax

Explanation

State Goods and Service Tax (SGST): Intra state (within the state) VAT/sales tax, purchase tax, entertainment tax, luxury tax, lottery tax and state surcharge and cesses.

46. Tax levied on goods and service in a fixed portion is known as _____

a) Progressive tax
b) Proportionate tax
c) Non-proportionate tax
d) Regressive tax

Explanation

Tax levied on goods and service in a fixed portion is known as proportionate taxes. All tax payers contribute the same proportion of their incomes. In this method, the rate of taxation is the same regardless of the size of income.

47. Which of the following is not Central Goods and Service Tax (CGST)?

a) Countervailing duty
b) Additional duty of customs
c) Service tax
d) Farming duty

Explanation

Central Goods and Service Tax (CGST): Intra state (within the state) Central Excise Duty, service tax, countervailing duty, additional duty of customs, surcharge, education and secondary/higher secondary cess.

48. In which tax rate the rate of taxation increases (multiplier) as the tax base increases (multiplicand)?

a) Progressive tax rate
b) Proportionate tax rate
c) Non-proportionate tax rate
d) Regressive tax rate

Explanation

Progressive tax rate is one in which the rate of taxation increases (multiplier) as the tax base increases (multiplicand). The amount of tax payable is calculated by multiplying the tax base with the tax rate.

49. How many major Goods and Service Tax (GST) rates are there in India?

a) Three
b) Five
c) Two
d) Four

Explanation

There are four major GST rates: 5%, 12%, 18% and 28%. Almost all the necessities of life like vegetables and food grains are exempted from this tax.

50. Which tax implies that higher the rate of tax lower the income groups than in the case of higher income groups?

a) Progressive tax rate
b) Proportionate tax rate
c) Non-proportionate tax rate
d) Regressive tax rate

Explanation

Regressive Taxes implies that higher the rate of tax lower the income groups than in the case of higher income groups. It is a very opposite of progressive taxation.

51. The unaccounted money that is concealed from the tax administrator is called ______

a) Inflation money
b) Black money
c) Laundry money
d) Compromised money

Explanation

Black money is funds earned on the black market on which income and other taxes have not been paid. The unaccounted money that is concealed from the tax administrator is called black money.

52. Which of the following is not causes of Black money?

a) Smuggling
b) Tax structure
c) Shortage of Labour
d) Contribution of Industrial sector

Explanation

Several sources of black money are identified as causes. They are 1. Shortage of goods 2. Licensing proceeding 3. Contribution of the industrial sector 4. Smuggling 5. Tax Structure

53. Bringing goods like precious metals like gold and silver, textiles and electronics goods by evading the authorities is known as _____

a) Trespassing
b) Smuggling
c) Impulsive
d) Evading

Explanation

Smuggling is one of the major sources of black money. Bringing goods like precious metals like gold and silver, textiles and electronics goods by evading the authorities is Smuggling.

54. Which of the following statement is correct

1) Licensing proceeding is Companies tries to buy commodities at low prices and get them billed at high amounts and pockets the difference personally.
2) Shortage of goods, whether natural or artificial, is the root cause of black money. Controls are often introduced to check black money.
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Licensing proceeding is firmly believed that the system of controls permits, quotes and licences are associated with maldistribution of commodities in short supply, which results in the generation of black money.

55. Which of the following statement is True

a) When the tax rate is high, more black money is generated.
b) When the tax rate is low, more black money is generated.
c) No matter what the tax rate, black money is always more generated.
d) When the tax rate is equally distributed, more black money is generated.

Explanation

Tax structure: When the tax rate is high, more black money is generated.

56. Which of the following statement is Incorrect

1) Tax evasion is an activity commonly associated with the formal economy. Tax evasion is the illegal evasion of taxes by individuals, corporations and trusts
2) One measure of the extent of tax evasion is the amount of unreported income, which is the difference between the amount of income that should be reported to the tax authorities and the actual amount reported.
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Tax evasion is an activity commonly associated with the informal economy. Tax evasion is the illegal evasion of taxes by individuals, corporations and trusts.

57. Which of the following is not Tax evading?

a) Underreporting income
b) Deflating deductions or expenses
c) Hiding money
d) Hiding interest in offshore account

Explanation

Tax evasion activities included • Underreporting income • Inflating deductions or expenses • Hiding money • Hiding interest in offshore accounts.

58. Which of the following statement is Incorrect

1) Tax evasion resulting in black money prevents the resource mobilisation efforts of the Union government.
2) Excess of funds distorts implementation of developmental plans and forces the government to resort to deficit financing in case public expenditure is inelastic.
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Tax evasion resulting in black money prevents the resource mobilisation efforts of the Union government. Shortage of funds distorts implementation of developmental plans and forces the government to resort to deficit financing in case public expenditure is inelastic.

59. Which of the following statement is Incorrect

1) Tax evasion and black money encourage the concentration of economic power in the hands of undeserving groups in the country, which, in turn, is a threatening to the economy in its way.
2) Evasion of tax consumes time and energy of tax administration to disentangle the intricate manipulations of tax dodgers
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Tax evasion and black money encourage the concentration of economic power in the hands of undeserving groups in the country, which, in turn, is a threatening to the economy in its way. Evasion of tax consumes time and energy of tax administration to disentangle the intricate manipulations of tax dodgers

60. Tax evasion penalties include imprisonment of how many years?

a) Seven years
b) Three years
c) One year
d) Five years

Explanation

If a person wilfully commits the act of tax evasion, he may face felony charges. Tax evasion penalties include imprisonment of up to five years and high amount as fines.

61. Which of the following is not the penalties for tax evasion?

a) Community service
b) Probation
c) Rehabilitation
d) Restitution

Explanation

If a person wilfully commits the act of tax evasion, he may face felony charges. The defendant may also be ordered to pay for the costs of prosecution. Other tax evasion penalties include community service, probation and restitution depending on the circumstances of the case.

62. The income received from production and supply of goods and services of public enterprises and revenue from administrative activities is known as ____

a) Revenue

b) Payment
c) Tax
d) Cost

Explanation

The income received from production and supply of goods and services of public enterprises and revenue from administrative activities is payment. Payments from nontax sources other than tax income is known as payments.

63. Which is generated due to higher taxes on certain undesirable products like alcoholic products?

a) Resource welfare
b) Resource inflation
c) Social welfare
d) Equality monetary

Explanation

Taxation generates social welfare. Social welfare is generated due to higher taxes on certain undesirable products like alcoholic products.

64. Which enables the government to mobilise a substantial amount of revenue?

a) Black money
b) Laundry money
c) Payments
d) Taxation

Explanation

Taxation enables the government to mobilise a substantial amount of revenue. The tax revenue is generated by imposing direct taxes such as personal income tax and corporate tax and indirect taxes such as customs duty, excise duty, etc.

65. Which of the following statement is correct

1) Taxation plays an important role in regional development, Tax incentives such as tax holidays for setting up industries in backward regions, which induces business firms to set up industries in such regions.
2) Taxation encourages imports and restricts exports, Generally, developing countries and even the developed countries do not impose taxes on import items
   a) Only 1
   b) Only 2
   c) Both 1 and 2
   d) None

Explanation

Taxation encourages exports and restricts imports, Generally, developing countries and even the developed countries do not impose taxes on export items.

66. Taxation can be used as an instrument for controlling ______

- **a) Inflation**
- b) Smuggling
- c) Black money
- d) Imports

Explanation

Taxation can be used as an instrument for controlling inflation. Through taxation the government can control inflation by reducing the tax on the commodities.

67. Which of the following statement is correct

1) Taxation follows the principle of equity. The direct taxes are progressive in nature.
2) Also, certain indirect taxes, such as taxes on luxury goods, is also progressive in nature.
    - a) Only 1
    - b) Only 2
    - **c) Both 1 and 2**
    - d) None

Explanation

Taxation follows the principle of equity. The direct taxes are progressive in nature. Also, certain indirect taxes, such as taxes on luxury goods, is also progressive in nature.

68. Which of the following is not the role of taxation in developing economics?

- a) Resource mobilisation
- b) Foreign exchange
- **c) Increase in equalities of income**
- d) Control of inflation

Explanation

The role of taxation in developing economics is as follows. 1. Resource mobilisation 2. Reduction in equalities of income 3. Social welfare 4. Foreign exchange 5. Regional development 6. Control of inflation.

69. Which of the following statement is correct

1) Tax is a compulsory payment. If tax is imposed on a person, he has to pay it; otherwise he has to be penalised
2) Fee is also a compulsory payment. Fee payer can get direct benefit for paying fee.
    a) Only 1
    b) Only 2
    c) Both 1 and 2
    d) None

Explanation

Fee is a voluntary payment. On the other-hand fee is not paid if the person do not want to get the service. Fee payer can get direct benefit for paying fee.

70. What is a tax paid by individuals and businesses based on earned and unearned income?

a) Service tax
b) Income tax
c) Excess duty
d) Sales tax

Explanation

Income Tax is a tax paid by individuals and businesses based on earned and unearned income.

71. Under which tax one nation, one uniform tax is ensured

a) Goods and Service tax
b) Income tax
c) Value added tax (VAT)
d) Sales tax

Explanation

The moto of Goods and Service tax (GST) is one nation, one market, one tax.