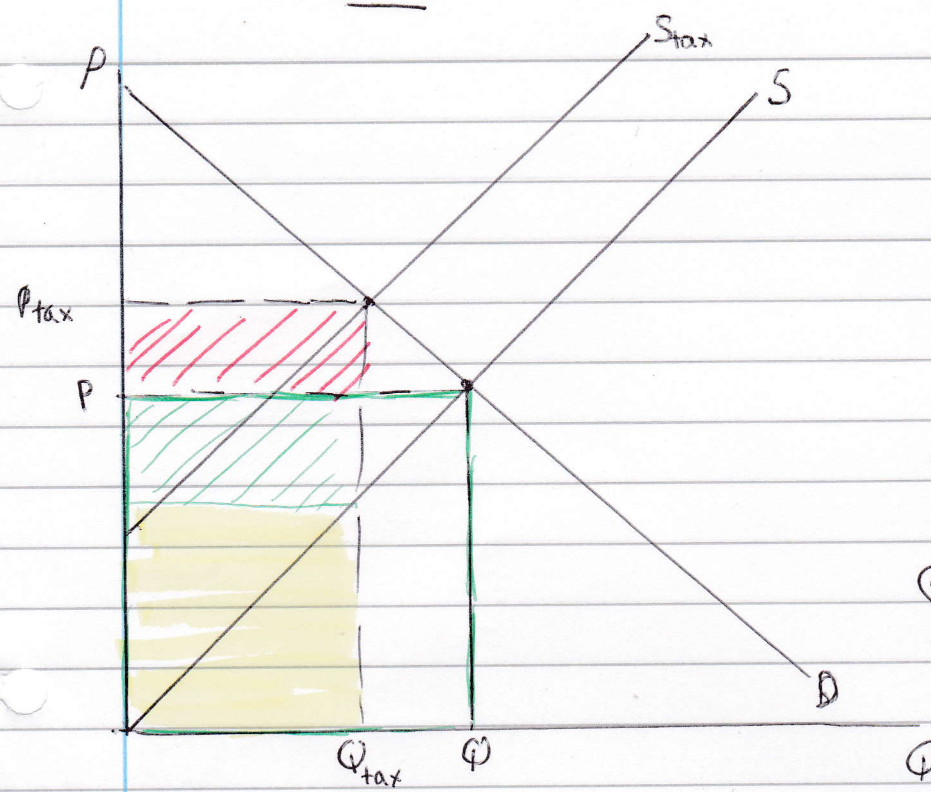
Taxation



① Tax ↑ costs of productions and shifts the curve to the left to Stax.

② Decrease in supply leads to ↑P and ↓Q.

③ Increase in price means consumer surplus is lower

④ Firm pays a proportion of the tax lowering their revenue and profit

⑤ Government received tax revenue

⑥ Firms revenue is below the Qtax. The shaded green is the tax therefore the remaining yellow is the firms revenue

(P × Q) Firm tax revenue

Consumer → part of the tax

Government revenue = +

Firms revenue

Indirect Tax - goes to the retailer

The more inelastic, consumers pay higher percentage than ~~tax~~ firms.

inelastic
- Fuel Duty
- Alcohol duty
- Cigarette Duty
- Green Tax

They just want to have tax revenue.

ADS

- Tax revenue for government ①
- Reduces quantity which helps solve overproduction problem
- Firms ~~get less tax~~ are not taxed if as much is inelastic
- ① May help reduce external costs - less likely to get diseases.
- NHS pay less
- → more information → used for campaigns or education programmes - encourage kids to be healthier
- Less people are likely to buy it. Reduces consumption from increased prices.

DADS

- ① The tax may not be used to cover the social cost
- If fast food is inelastic, it doesn't reduce quantity as much.
- So ~~inelastic won't fast~~ buy
- Depends on personal ~~pase~~ preference - may be elastic for some
- Consumers get taxed more
- Low incomes - until healthier foods are cheaper
- Firms will still produce - Depends on elasticity. more ~~because~~ for inelastic.