

THE LAW OF THE COUNTRY AND THE ECONOMY*

Siyavula Uploaders

This work is produced by OpenStax-CNX and licensed under the Creative Commons Attribution License 3.0[†]

1 ECONOMIC AND MANAGEMENT SCIENCES

2 Grade 6

3 THE ECONOMIC CYCLE

4 Module 3

5 THE LAW OF OUR COUNTRY AND THE ECONOMY

The country's set of rules (laws) that has been compiled to define and protect the rights and duties of every citizen also includes a *budget* that sets out how the government generates money, and how this money will be spent.

Tax is one of a government's main sources of income. There are **twomain categories** of tax that our government recovers from its citizens.

5.1 Indirect tax

Here are some examples:

VAT - Value added tax is levied on almost all goods and services. For example, when you buy new clothes, you pay 14% more than the original price. This 14% goes to the government. It is usually included in the price, so that the buyer does not have to make the calculation himself.

Tax on fuel – a portion of the money you pay for fuel per litre, is given to the government.



Figure 1

*Version 1.1: Apr 27, 2009 1:51 pm -0500

[†]<http://creativecommons.org/licenses/by/3.0/>

5.2 Direct tax

People in the labour market who earn an income (in 2005 it amounts to R30 000 per year for persons under 65 and R59 990 per year for persons over 65) are liable to pay income tax according to the pay-as-you-earn system. The percentage depends on the income you earn and is calculated according to tax scales, and is deducted from your salary every month. Once a year everybody earning a certain income and higher, must complete a set of forms in which they have to declare all forms of income.

5.3 Assignment

Calculate the VAT on the following items:

[U+FOA9] a bicycle of R860

[U+FOA9] a pencil of R4,95

[U+FOA9] a loaf of white bread of R5,25

Find out whether tax is paid on the following items and explain why:

- brown bread;
- bananas;
- full cream milk.

[LO 1.4]

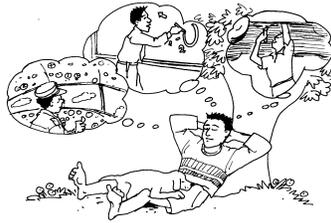


Figure 2

! We trust that you now know a little more about your specific role in the economic cycle and how the government is involved in the entire economic process. With this in mind, try to imagine yourself in 10 years' time and write a brief paragraph on your possible choice of career and working conditions as you see yourself ten years from now.

6 Assessment

Learning Outcomes(LOs)
LO 1
<i>continued on next page</i>

THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
We know this when the learner:
1.1 describes the roles of households, businesses and government in the economic cycle;
1.4 explains different types of taxes and how they influence consumers and businesses.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
We know this when the learner:
2.3 identifies steps that can be taken by the government to redress historic imbalances and poverty (e.g. redistribution of resources, gender equity, capacity building, restoring people’s dignity, creating opportunity and empowerment).

Table 1