

Question	With reference to Zimbabwe, explain the difference between a 'specific tax' and an 'ad valorem tax'.	Mark
<p><b>9</b></p>	<p><b>Answer</b></p> <p><b>Knowledge 2, Application 2</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for definition of specific tax e.g.:</p> <ul style="list-style-type: none"> <li>• A fixed amount/set amount of tax added on a particular good/where there would be a parallel shift in supply <b>(1K)</b></li> </ul> <p>Reward correctly drawn diagram clearly identified as specific</p> <p>1 mark for definition of ad valorem tax</p> <ul style="list-style-type: none"> <li>• A percentage tax based on the price of the item/ where there would be a pivot of the supply curve <b>(1K)</b></li> </ul> <p>Reward correctly drawn diagram clearly identified as ad valorem</p> <p><b>Application</b></p> <p>Up to 2 marks for applying to stem e.g.:</p> <ul style="list-style-type: none"> <li>• Tax on energy drinks of \$0.05 per litre/smartphones of \$50 per device are specific <b>(1AP)</b></li> <li>• VAT (consumption tax) raised from 14.5% to 15% is ad valorem <b>(1AP)</b></li> </ul>	<p><b>(4)</b></p>