

# TX6001: Personal Taxes

## 10% UL Prediction Market Project

### ***Background:***

Each year the Minister for Finance introduces a Budget in order to improve the Irish economy and make the taxation system fairer for all sections of society. Many interested groups, including the Irish Tax Institute, make pre-budget submissions in order to influence the outcome of the Budget.

On the basis of the state of the Irish economy, the pressures from the EU and the IMF and in the context of the 4 year plan, what will the minister introduce in Budget 2016, due to be announced on 13<sup>th</sup> October 2015?

### ***Introduction:***

A prediction market is an innovative group decision making tool used to make forecasts. At a basic level, it involves creating a market around the potential outcomes of particular scenarios and having individuals trade in the market. The underlying concept is that “the wisdom of the crowd” is likely to result in more accurate predictions in appropriate contexts.

Students are asked to forecast the outcome of tax policy questions to be addressed in the annual budget. A basic example of such a question would be: What will the corporation tax rate be after the annual budget? A range of answers to this question will be put forward and you will use an endowment of €5,000 in virtual cash to buy (and sell) contracts in the answer you consider most likely. The prediction market will be open for trading over a 3 week period from Monday 21<sup>st</sup> September (week 3) until Friday 9<sup>th</sup> October (end of week 5). Prices of contract positions will move depending on the trading activity in the market. In contrast to a simple poll, you will be able to re-evaluate and change your positions in response to revealed information such as reports from bodies such as the ESRI, the IMF, the EU, and policy statements from the government. You will need to undertake a minimum number of trades each week and will be expected to respond appropriately to the on-going public debate on tax policy issues and various pre budget announcements from special interest groups that occur in the lead up to budget day. You will also need to rationalise your trading decisions each week by giving a reason for taking the position you take.

### ***Objectives of the Project:***

- Raise the profile of the budget among students
- Demonstrate the importance of taxation to the economy
- Improved General Knowledge
- Improved Information Literacy Skills
- Improved Forecasting Skills

### ***Your assignment:***

You will register on the Prediction Market site and trade in accordance with the rules of the market giving a rationale for your trading choices.

### ***Assessment:***

Marks will be assigned to students based in part upon participation (50% of the marks), and in part upon performance (50% of the marks). Participation marks will be assigned for making **at least five trades in each week the prediction market is operating**. You can trade by buying and selling different contracts (i.e. changing your mind about the predicted outcome and refining your prediction) or by confirming your commitment to a particular position (by selling and immediately repurchasing a particular contract). You will also need to rationalise your trading decisions each week by giving a reason for taking the position you take. Performance marks will be assigned at the end of the market

when the budget is announced. Every participant who has invested in the correct contract will receive €100 in virtual cash, while holders of all other contracts will receive €0. After this operation has been performed, you will be ranked from first to last in terms of the value of their endowment, and assigned a performance mark.

### ***Grant Thornton Prize***

Grant Thornton is sponsoring several prizes for the top performing students in the TX6001 Prediction Market Project. They will award a first prize of €300, second prize of €200, and a third prize of €100.

### ***Consider the following sources:***

Newspapers, journals and magazines are a valuable source of help, e.g. The Irish Times, The Irish Independent, Sunday Business Post, business magazines. As we get nearer to the announcement of the budget, there will be articles and features in these publications which should inform your predictions.

You should also keep an eye on the current affairs programmes on RTE and TV3 as well as listening to radio programmes, e.g. Morning Ireland and The Last Word.

Surf the internet – there will be plenty of sites offering predictions and comment.

Try some of the sites on this list:

[www.taxireland.ie](http://www.taxireland.ie)  
[www.irlgov.ie/finance](http://www.irlgov.ie/finance)  
[www.onbusiness.ie](http://www.onbusiness.ie)  
[www.ireland.com](http://www.ireland.com)  
[www.ictu.ie](http://www.ictu.ie)  
[www.oecd.fr](http://www.oecd.fr)

[www.independent.ie](http://www.independent.ie)  
[www.revenue.ie](http://www.revenue.ie)  
[www.ersi.ie](http://www.ersi.ie)  
[www.ibec.ie](http://www.ibec.ie)  
[www.cso.ie](http://www.cso.ie)  
[www.imf.org](http://www.imf.org)

Don't forget *Taxfind* :

Online tax library of Irish Taxation Institute - [www.kpmg.ie/UL](http://www.kpmg.ie/UL)

- Username: 27243
- Password: AE6D6

### ***Prediction Market Site***

The site is available at the following address:

This site will allow you to use a demonstration prediction market in order to learn how the prediction market will operate. You will need to register on the site before using the prediction market. In order to do this, click on the “Sign Up” button on the top right hand corner of the site. You will be prompted to enter your details. On submitting your email address, you will receive an email which will contain a link allowing you to trade on the market.

### ***Deadlines:***

The prediction market will be open for trading over a three week period from Monday 21<sup>st</sup> September (week 3) until Friday 9<sup>th</sup> October (end of week 5).