

Anything

Literature, Russian Literature



Instruction: Task: The low-tax solution for low-income earners. If an individual earns a small wage, it is expected that the person will be deducted a smaller percentage of his salary as tax such that he can get some cash for day-to-day survival and development. The present political consensus about the minimum wage in Britain has caused a great puzzlement and concern. The minimum-wage levels have increased by some percentage and a further increment is expected. There is public anger over the pressure on family budgets and the suspicion of business leaders complaining about the minimum wage. This essay will examine how raising the minimum wage may seem to be an attractive idea, but on its own it may not be as useful as people may think.

As Hands notes, life has become difficult for millions of families. The median gross full-time weekly earnings have fallen, in inflation-adjusted terms, by 9% since 2008. Living standards for many households have been flat, at best, for much longer. During that same period, the value-added tax, which hits low-income workers hardest, has been raised to 20% (21). It is imperative to come up with means and ways to lift the incomes of those who are poorest paid. If the minimum wages are increased, this should correspond to changes in the tax code. If this were not put in consideration one-third of every pound in wage increase would be taken by the Treasury. What politicians who proclaim an increase in the minimum wage are less keen to share is that only 68% of every extra pound in increased wages actually reaches the pockets of low-wage earners. The rest is taken by the Treasury through a 20% income tax that applies to every pound of earnings above £10,000 per year equivalent to around 39 working weeks at 40 hours

per week on the minimum wage and a 12% national insurance deduction on earnings above £8, 000. For the many who will also see their in-work benefits reduced, the effective marginal tax rate is more than 32% (Hands 21).

This is why the claim of raising the minimum wage is a traditional method that is used by politicians. If the wages are increased the government gets credit but, on the other hand the tax revenues increased and worsen the situation. This shows that a better way to help the low-income earners is by a complete tax reform. The national insurance paid is nothing more other than tax by another name. While there has been considerable progress in raising the threshold for income tax, politicians are conspicuously quiet about doing the same for national insurance. The result is that someone working 40 hours at the minimum wage pays nearly £13 in national insurance out of their £260-per-week income. That's almost as much as they pay in income tax (Hands 21).

The most appropriate way to help the low-income earners would be by raising the income tax and the national insurance thresholds, so that a low wage earner benefit by being exempted. Also, the money from businesses saved through an increase in their national insurance threshold would enable the minimum wage to rise further. My opinion is that if the government will set low taxes for low-income earners or even exempt them from being taxed this will to increase their wages. Increase in the salaries of the low-income earners in turn will in turn lead to increase in their living standards.

Works cited

Hands, Guy. "The Low-Tax Solution for Low-Income Brits." WSJ. 25 Feb. 2015. Web. 26 Feb. 2015. .