

Sales tax needs to be imposed on internet transactions

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The issue of imposition of tax on internet sales has been a controversial issue in many states. From an economic viewpoint, the influence of imposing the tax on the equity and efficiency of the tax system, impacts of sales tax rates on consumer behavior, the need for a wider tax base and the state reliance on sales tax indicates that there is need to impose sales tax on all internet transactions.

A good tax system should not distort consumer behavior as consumers need to make the same choice before and after the tax has been imposed[Mag00].

Sales tax imposed equally on all consumer expenditure meets this expectation. The tax-free internet goods and services tend to be cheaper than the retail goods. This distorts the consumer behavior by promoting the purchase of internet goods over the retail products hence reducing the efficiency of the sales tax system. Taxing the internet goods will lead to insignificant distortion of consumer behavior as the total expense of buying a commodity from a retail store and buying online will be indifferent.

Tax need to be equitable among the citizens. Purchase of tax-free commodities from the internet favors only the people who can afford an internet connection. This group of people who can access the internet will be able to “evade” the sales tax while the poor who can not access the internet will not be able to enjoy such advantage. This will lead to inequality in the tax system since only the poor will be burdened to pay the sales tax.

A good tax system should have a wide enough tax base to enhance fiscal stability[Mag00]. With the increasing trend in internet transaction over the traditional retail transaction as a way to increase reliability and efficiency,

there is a likelihood of task base erosion if the internet transactions are left untaxed. Taxing the internet transactions will aid in preventing the potential revenue losses.

Arizona like other states relies on sales tax. According to the U. S. Bureau of Census, the percentage sales tax base as a share of income is 47. 3%.

Encouraging the tax-free internet commodities will affect the state proportionately the same way the state depends on the sales tax.

Eliminating the sales tax entirely so that the traditional retail transaction equals the internet transaction for equity purpose will force the state to increase the personal income tax in order to meet her budget.

Tax rate tends to alter the consumer's behavior. Tax rates that are too high will tend to favor the purchase of tax-free internet commodities among the consumers. This will lead to a loss in revenue hence the need to tax the internet products equally to prevent the altered consumer behavior.

From an economic perspective on taxation, imposing sales tax on the internet commodities is essential. It enhances efficiency and equity of the tax system, broadens the tax base, and enhances the fiscal stability of states. The legislation should therefore not be repealed as it complies with the principles of taxation[Mag00].

Works Cited

Mag00: , (Maguire),