Flat tax

Business, E-Commerce

Flat Tax Definition: It is a tax system that is used to apply same tax rate to all the tax payers despiteof income bracket. Flat tax is applied on all the tax payers without any kind of deduction or exceptions allowed. (Sexton 243)

Flat tax system's supporters think that it would give an initiative to the taxpayers for not being penalized with higher tax bracket and would give them incentive to earn more.

A progressive-rate tax system was used in United States. In 2010, a tax bracket was defined for tax payers for example, if the earning was up to $8, 375 the tax bracket of 10% was defined and if the earning was greater than $373, 650 a 35% tax bracket was formed.

Countries like Latvia, Estonia and Lithuania have imposed flat tax on individuals and business have experienced an economic growth. It is already implemented in many states of U. S.

Flat tax removes exemptions, tax credits, and deductions, thus eliminating unfairness towards some activities and behaviors. Removing deductions, complex tax brackets and tax credits also makes the tax code simple, which in turn makes compliance easier. Another advantage of flat tax system is to eliminate double taxation, by applying tax on earned income.

Faction the supports flat tax systems say that it promotes economic growth by avoiding a system in which one is fined in higher taxes for earning more money of being more productive and hard working.

Flat tax encourages business and individuals for being same for all earnings.

Flat tax is being thought as the way to increase overall tax revenue and economic stability.

Works Cited

Sexton, Robert L. Exploring Microeconomics. Mason, OH: South-Western Cengage Learning, 2013. Print.