

Do we have a fair taxation system

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Fair Taxation System Fair Taxation System Taxation is the main way through which governments are able to fund their expenditure. Taxes collected from citizens of a nation form the greater part of revenue for carrying out development projects as well as running different departments and governmental organizations. Different types of taxes exist within various nations such as direct taxes on labor, indirect taxes on labor, taxes on income from capital, taxes on property, corporation taxes, and taxes on goods and savings that include value-added tax and excise duties (Freedman & Chamberlain, 2007). There are four systems of taxation commonly used in the global perspective; proportional, progressive, regressive, and lump-sum. Nevertheless, the main system used in most nations is the progressive tax which emphasizes on paying as one earns (Christia, 2006). Each system of taxation is fair and unfair in its own way. Progressive, regressive, and lump-sum taxation systems are unfair while proportional taxation system is very fair when applied in obtaining revenue.

Progressive tax system is where the effective tax rate increases as the amount affected by the rate increases. In most cases progressive tax system is known as the PAYE (Pay as you earn). This means that the more a person earns the more tax he or she pays (Hatzipanayotou, 2004). With progressive tax system those who work hard to earn more are likely to be charged more in terms of tax and this is unfair. Progressive tax rate encourages laziness and discourages hard work. On a different perspective regressive tax system is the opposite of progressive. In this regards with decreases effective rate the amount affected increases on the other hand (Christia, 2006). This is also an unfair system of taxation as those who have will pay less as compared to the poor. In addition, this means that the more a person earns the less he or

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she pays in form of tax and the less a person earns the more he or she pays in form of tax (Freedman & Chamberlain, 2007). Lump-sum tax system on the other hand does not give priority on the efforts placed by individuals in developing their nations. Therefore, these three systems of taxation are unfair.

Proportional taxation system emphasizes on the effort placed by individual citizens in trying to build their countries. In this taxation system, the effective tax rate is fixed irrespective of the amount being taxed (Slemrod, 2000). Therefore, the more a person earns the more he or she takes home with the tax rate being the same. Schmidt (2000) points out that when one is lazy hence earns less there is a possibility that he or she will equally take home less amount of money. Indeed considering the amount of effort of individuals with regards to building their nations, proportional taxation system is the only fair one amongst the other three.

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