

Title: Taxes

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Summary: This paper discusses the different types of taxes that are imposed on an individual entity and the purpose of taxing. It also discussed the carrier of burden of tax for different goods.

Tax is a required contribution collected from people, property or business to finance government operations. It is an added expense aside from the combined cost of resources used for a good to be produced. In most countries during normal times, taxes helped in financing public expenditures such as building bridges, roads and other public infrastructures. Taxes are the main financier of the government while the rest comes from the revenues of other government incomes and partly from borrowing.

Mainly, there are two kinds of taxes, the “direct” and “indirect” taxes. Direct taxes are taxes that cannot be passed on to others. Direct taxes are imposed on people or on the income of businesses. Example would be the income tax, residence tax, and inheritance and donation tax. On the other hand, indirect taxes are taxes that could be indirectly being passed on to others. These are taxes that are put on goods, services and transactions. More popular example is the Vat or the value added tax, tariff on imports, liquor and cigarette tax, transaction tax and many more.

Tax burden is shared by buyer, the seller and the economy. It is not equally divided though. The loss and the burden can be felt by the three participants in the economy. For goods that have elastic demand or prone to price changes, the tax burden are more on the supplier while goods that have less elasticity, the tax burden would be more on the buyer. But on either situation, the effects of the whole tax burden can be seen

on the economy as a whole. It is called the deadweight loss, simply explained as the efficiency loss to society because what used to take place before the tax no longer takes place.