

Letter writing.

Dear Sam,

I know you have been waiting for my letter since long, but unfortunately, since the recent Budget in US, I am unable to find time for myself. As you know, after the budget, the tax rate has increase a lot. Therefore, belonging among the poor families here, I am suffering a lot as I am the only one to work in my family and a big proportion of my income goes to the government. Well, I must say that I am so much demotivated to work. Moreover, since the budget there has been an inflation in the country. As taxes have increase, most of the prices of basic goods are getting high and we are unable to afford those goods. I am also unable to save my income since most of the money is being spent on basic goods. Hence, my family and I we are deciding to come back to Mauritius very soon. I hope that you will like it. Hope to hear from you soon.

Regards,

Tom

Therefore as mentioned in the letter, will always have its effects on people. Tom is currently suffering from different tax effects and he is leading a low standard of living in the country.

We saw the advantages of taxes for some goods and services. Now we will see their impacts on the general public.

Impact of Tax on Distribution of Income



Figure 2

Direct taxes are normally progressive and this helps to redistribute income i.e they tend to reduce inequalities of income and wealth. Indirect taxes are normally regressive in nature when they are imposed on basic goods and therefore they accentuate inequalities of income