

## **INDIRECT TAX**

Indirect taxes are taxes levied on locally made, imported and exported goods and services. These taxes imposed on goods and services are later on transferred to consumers in form of high prices. The payer of these taxes do not bear the final brunt rather they are usually imposed on finished goods and services and shifted to consumers in the form of increase in prices.

### **TYPES OF INDIRECT TAX**

- 1. Excise Duties:** These are duties levied on locally made consumed goods.
- 2. Import Duties:** Also known as tariffs. They are imposed (force smith to be accepted or obeyed) on foreign goods coming into a country.
- 3. Export Duties:** They are levied on locally made goods taken to other countries
- 4. Purchases and sales taxes:** These are levied on certain durable goods and are paid by those who purchase and sell these goods.

### **MERITS OF INDIRECT TAXES**

- 1) They are used to correct deficit balance of payment:** This is done by raising import duties and lowering both export and excise duties
- 2) Their collection is less difficult:** The real payers of these forms of tax do not realize that they are paying tax when they buy goods and services on which tax taxes are imposed.

- 3) **They are may be used to combat inflation:** This can be done by raising export duties and lowering both import and excise duties thereby making more goods available
- 4) **They are used to protect infant industries:** This is done raising import duties thereby curtailing the rate at which foreign made goods come into the country to compete with locally-made ones.
- 5) **There is no exemption:** Since people buy the goods on which taxes are imposed no one is exempted

#### **DEMERIT OF INDIRECT TAX**

1. **They increase prices of goods:** This is because the amount paid as taxes is shifted to the consumers in fix or high prices of goods.
2. **They may cause security of goods:** High tariffs may discourage people from importing, thereby leading to security.
3. **Inflation:** When taxes are imposed on goods it leads to increase in price of goods and services there by causing inflation
4. **Indirect taxes are regressive in nature:** The rich and poor pays more compare to the rich because of the income difference.
5. **They lower people's standard of living:** This is because the increase in price of goods make consumers who learn little seek for alternative there by leading to decrease in people's standard of living.
6. **They restrict free trade:** Import and excise duties do not allow free trade to take place.