TAX SYSTEMS AND THEIR BASES OF TAXATION pdf

1: Singapore Tax System & Tax Rates | GuideMeSingapore â€“ GuideMeSingapore by Hawksford

Bases of Taxation. i. Tax Residency It is a common misconception that either a company or an individual can only be tax resident in one jurisdiction at any one time.

Tax Base, Tax Rate, Proportional, Regressive, and Progressive Taxation The tax structure of an economy depends on its tax base, tax rate, and how the tax rate varies. The tax base is the amount to which a tax rate is applied. The tax rate is the percentage of the tax base that must be paid in taxes. To calculate most taxes, it is necessary to know the tax base and the tax rate. Proportional taxes aka flat taxes apply the same tax rate to any income level, or for any size tax base. Many state income taxes and almost all sales taxes are proportional taxes. The Medicare tax is a proportional tax that applies to all earned income and is equal to 2. A regressive tax is one that is inversely proportional to income â€" the lower the income, the higher the tax in relation to income. Most regressive taxes are assessed on products and services in which the tax is a percentage of the cost of the product or service. Hence, when paying the tax, a poor person pays as much as the wealthy person. The most common forms of regressive taxes are sales taxes and value added taxes VAT. The inequitable effects of a regressive tax is often mitigated by payments to the poor and by exempting essential products and services, such as food, from the regressive tax. A progressive tax applies a higher tax rate to higher incomes. However, almost all progressive taxes are structured as a marginal tax, which means that the progressive tax rate is only applied to that part of the income which is greater than a certain amount. The portion of the tax base that is subject to a particular tax rate, known as a tax bracket, always has lower and upper limits, except for the top tax bracket, which has no upper limit. The following tax brackets apply for and thereafter: To see the current rates published by the IRS, scroll down to the bottom of the current tax table from the instructions for Form Without marginal tax rates , a progressive tax would skew economic decisions and would be viewed as unfair. Hence, without marginal tax rates, a pay increase could actually result in a decrease in disposable income. A progressive, marginal tax rate also makes economic sense, since money, like everything else, has a declining marginal utility. Poor people need the money to buy essentials, whereas rich people spend their money for luxuries, so the wealthy can pay higher taxes without seriously lowering their standard of living. Because of marginal tax rates, the tax rate that one actually pays is not knowable just from their tax bracket, so another rate, called the effective tax rate aka average tax rate , is calculated by dividing the actual taxes paid by the tax base. In other words, the total tax calculated by multiplying earned income times the effective tax rate will equal the same tax that is calculated by multiplying the amount of income in each tax bracket by the respective marginal tax rate and summing them all up. The federal income tax and many state taxes are progressive. Although the federal income tax itself is progressive, the effective tax rate that is based on all the taxes collected by the federal government is progressive only until the Social Security limit is reached. Thereafter, the effective tax rate either declines or levels off with increasing income, since people who make more than the Social Security limit do not have to pay the The following table assumes that a single person with no dependents pays the entire payroll tax, which is true for the self-employed, but also applies to employees. For more info, see Tax Incidence:

2: Tax - Wikipedia

The U.S. income tax system imposes a tax based on income on individuals, corporations, estates, and trusts. The tax is taxable income, as defined, times a specified tax rate. This tax may be reduced by credits, some of which may be refunded if they exceed the tax calculated.

Capital gains tax Most jurisdictions imposing an income tax treat capital gains as part of income subject to tax. Capital gain is generally a gain on sale of capital assetsâ€”that is, those assets not held for sale in the ordinary course of business. Capital assets include personal assets in many jurisdictions. Some jurisdictions provide preferential rates of tax or only partial taxation for capital gains. Some jurisdictions impose different rates or levels of capital-gains taxation based on the length of time the asset was held. Because tax rates are often much lower for capital gains than for ordinary income, there is widespread controversy and dispute about the proper definition of capital. Some tax scholars have argued that differences in the ways different kinds of capital and investment are taxed contribute to economic distortions. Corporate tax Corporate tax refers to income tax, capital tax, net-worth tax or other taxes imposed on corporations. Rates of tax and the taxable base for corporations may differ from those for individuals or for other taxable persons. Social-security contributions[edit] Many countries provide publicly funded retirement or health-care systems. Tax rates are generally fixed, but a different rate may be imposed on employers than on employees. A few systems provide that the tax is payable only on wages above a particular amount. Such upper or lower limits may apply for retirement but not for health-care components of the tax. Payroll tax Unemployment and similar taxes are often imposed on employers based on total payroll. These taxes may be imposed in both the country and sub-country levels. In addition, recurrent taxes may be imposed on the net wealth of individuals or corporations. Some jurisdictions impose taxes on financial or capital transactions. Property tax and Land value tax A property tax or millage tax is an ad valorem tax levy on the value of property that the owner of the property is required to pay to a government in which the property is situated. Multiple jurisdictions may tax the same property. There are three general varieties of property: Real estate or realty is the combination of land and improvements to land. Property taxes are usually charged on a recurrent basis e. A common type of property tax is an annual charge on the ownership of real estate , where the tax base is the estimated value of the property. For a period of over years from the government of England levied a window tax , with the result that one can still see listed buildings with windows bricked up in order to save their owners money. A similar tax on hearths existed in France and elsewhere, with similar results. The two most common types of event-driven property taxes are stamp duty , charged upon change of ownership, and inheritance tax , which many countries impose on the estates of the deceased. In contrast with a tax on real estate land and buildings , a land-value tax or LVT is levied only on the unimproved value of the land "land" in this instance may mean either the economic term, i. Proponents of land-value tax argue that it is economically justified, as it will not deter production, distort market mechanisms or otherwise create deadweight losses the way other taxes do. In many jurisdictions including many American states , there is a general tax levied periodically on residents who own personal property personalty within the jurisdiction. Vehicle and boat registration fees are subsets of this kind of tax. The tax is often designed with blanket coverage and large exceptions for things like food and clothing. Household goods are often exempt when kept or used within the household. Inheritance tax Inheritance tax, estate tax, and death tax or duty are the names given to various taxes which arise on the death of an individual. In United States tax law , there is a distinction between an estate tax and an inheritance tax: However, this distinction does not apply in other jurisdictions; for example, if using this terminology UK inheritance tax would be an estate tax. Expatriation tax An expatriation tax is a tax on individuals who renounce their citizenship or residence. Transfer tax Historically, in many countries, a contract needs to have a stamp affixed to make it valid. The charge for the stamp is either a fixed amount or a percentage of the value of the transaction. In most countries, the stamp has been abolished but stamp duty remains. Stamp duty is levied in the UK on the purchase of shares and securities, the issue of bearer instruments, and certain partnership transactions. Its modern derivatives, stamp duty reserve tax and stamp duty land tax , are respectively charged on transactions involving securities and land. Stamp duty has the effect of discouraging speculative purchases of assets by decreasing liquidity. In the United States , transfer tax is often charged by the state or local government and in the case of real property transfers can be tied to the recording of the deed or other transfer documents. Wealth net worth [edit] Main article: The tax may be levied on " natural " or " legal persons. T , Single Business Tax, or Turnover Tax in some countries, applies the equivalent of a sales tax to every operation that creates value. To give an example, sheet steel is imported by a machine manufacturer. That manufacturer will pay the VAT on the purchase price, remitting that amount to the government. The manufacturer will then transform the steel into a machine, selling the machine for a higher price to a wholesale distributor. The manufacturer will collect the VAT on the higher price, but will remit to the government only the excess related to the "value added" the price over the cost of the sheet steel. The wholesale distributor will then continue the process, charging the retail distributor the VAT on the entire price to the retailer, but remitting only the amount related to the distribution mark-up to the government. For a VAT and sales tax of identical rates, the total tax paid is the same, but it is paid at differing points in the process. VAT is usually administrated by requiring the company to complete a VAT return, giving details of VAT it has been charged referred to as input tax and VAT it has charged to others referred to as output tax. The difference between output tax and input tax is payable to the Local Tax Authority. Many tax authorities have introduced automated VAT which has increased accountability and auditability , by utilizing computer-systems, thereby also enabling anti-cybercrime offices as well. Sales tax Sales taxes are levied when a commodity is sold to its final consumer. Retail organizations contend that such taxes discourage retail sales. The question of whether they are generally progressive or regressive is a subject of much current debate. People with higher incomes spend a lower proportion of them, so a flat-rate sales tax will tend to be regressive. It is therefore common to exempt food, utilities and other necessities from sales taxes, since poor people spend a higher proportion of their incomes on these commodities, so such exemptions make the tax more progressive. This is the classic "You pay for what you spend" tax, as only those who spend money on non-exempt i. A small number of U. Such states tend to have a moderate to large amount of tourism or inter-state travel that occurs within their borders, allowing the state to benefit from taxes from people the state would otherwise not tax. In this way, the state is able to reduce the tax burden on its citizens. Additionally, New Hampshire and Tennessee levy state income taxes only on dividends and interest income. Of the above states, only Alaska and New Hampshire do not levy a state sales tax. Additional information can be obtained at the Federation of Tax Administrators website. In the United States, there is a growing movement [17] for the replacement of all federal payroll and income taxes both corporate and personal with a national retail sales tax and monthly tax rebate to households of citizens and legal resident aliens. The tax proposal is named FairTax. Excise An excise duty is an indirect tax imposed upon goods during the process of their manufacture, production or distribution, and is usually proportionate to their quantity or value. Excise duties were first introduced into England in the year , as part of a scheme of revenue and taxation devised by parliamentarian John Pym and approved by the Long Parliament. These duties consisted of charges on beer, ale, cider, cherry wine and tobacco, to which list were afterwards added paper, soap, candles, malt, hops, and sweets. The basic principle of excise duties was that they were taxes on the production, manufacture or distribution of articles which could not be taxed through the customs house , and revenue derived from that source is called excise revenue proper. The fundamental conception of the term is that of a tax on articles produced or manufactured in a country. In the taxation of such articles of luxury as spirits, beer, tobacco, and cigars, it has been the practice to place a certain duty on the importation of these articles a customs duty. For example, a high excise is used to discourage alcohol consumption, relative to other goods. This may be combined with hypothecation if the proceeds are then used to pay for the costs of treating illness caused by alcohol abuse. Similar taxes may exist on tobacco , pornography , etc. A carbon tax is a tax on the consumption of carbon-based non-renewable fuels, such as petrol, diesel-fuel, jet fuels, and natural gas. The object is to reduce the release of carbon into the atmosphere. In the United Kingdom, vehicle excise duty is an annual tax on vehicle ownership. Tariff An import or export tariff also called customs duty or impost is a charge for the movement of goods through a political border. Tariffs discourage trade , and they may be used by governments to protect domestic industries. A proportion of tariff revenues is often hypothecated to pay government to maintain a navy or border police. The classic ways of cheating a tariff are smuggling or declaring a false value of goods. Tax, tariff and trade rules in modern times are usually set together because of their common impact on industrial policy , investment policy , and agricultural policy. A trade bloc is a group of allied countries agreeing to minimize or eliminate tariffs against trade with each other, and possibly to impose protective tariffs on imports from outside the bloc. A customs union has a common external tariff , and the participating countries share the revenues from tariffs on goods entering the customs union. In some societies, tariffs also could be imposed by local authorities on the movement of goods between regions or via specific internal gateways. A notable example is the likin , which became an important revenue source for local governments in the late Qing China. License fees[edit] Occupational taxes or license fees may be imposed on businesses or individuals engaged in certain businesses. Many jurisdictions impose a tax on vehicles. Poll tax A poll tax, also called a per capita tax, or capitation tax, is a tax that levies a set amount per individual. It is an example of the concept of fixed tax. One of the earliest taxes mentioned in the Bible of a half-shekel per annum from each adult Jew Ex. Poll taxes are administratively cheap because they are easy to compute and collect and difficult to cheat. Economists have considered poll taxes economically efficient because people are presumed to be in fixed supply and poll taxes therefore do not lead to economic distortions. However, poll taxes are very unpopular because poorer people pay a higher proportion of their income than richer people. Scotland was the first to be used to test the new poll tax in with England and Wales in

3: Taxation in the United States - Wikipedia

Progressive income tax systems also partially balance out other tax systems that are likely to be regressive in nature. For example, an excise tax on cars is likely to be a regressive tax since lower-income households spend a greater fraction of their income on cars and, thus, on the tax on cars.

Estate and gift taxes Other receipts Taxpayers are required to file tax returns and self assess tax. Tax may be withheld from payments of income e. To the extent taxes are not covered by withholdings, taxpayers must make estimated tax payments, generally quarterly. Tax returns are subject to review and adjustment by taxing authorities, though far fewer than all returns are reviewed. Taxable income is gross income less exemptions, deductions, and personal exemptions. Gross income includes "all income from whatever source". Certain income, however, is subject to tax exemption at the federal or state levels. This income is reduced by tax deductions including most business and some nonbusiness expenses. Individuals are also allowed a deduction for personal exemptions , a fixed dollar allowance. The allowance of some nonbusiness deductions is phased out at higher income levels. Individuals residing abroad may also claim the foreign earned income exclusion. Individuals may be a citizen or resident of the United States but not a resident of a state. Many states grant a similar credit for taxes paid to other states. These credits are generally limited to the amount of tax on income from foreign or other state sources. Filing Status federal income tax Historical federal marginal tax rates for income for the lowest and highest income earners in the U. Two married individuals may calculate tax and file returns jointly or separately. In addition, unmarried individuals supporting children or certain other relatives may file a return as a head of household. Parent-subsidiary groups of companies may elect to file a consolidated return. Graduated tax rates[edit] Progressive effective tax burden Income tax rates differ at the federal and state levels for corporations and individuals. Federal and many state income tax rates are higher graduated at higher levels of income. The income level at which various tax rates apply for individuals varies by filing status. The income level at which each rate starts generally is higher i. State and local taxes are generally deductible in computing federal taxable income. Gross income includes "all income from whatever source", and is not limited to cash received. Income from illegal activities is taxable and must be reported to the IRS. Certain types of income are specifically excluded from gross income. The time at which gross income becomes taxable is determined under federal tax rules. This may differ in some cases from accounting rules. For federal income tax, interest income on state and local bonds is exempt, while few states exempt any interest income except from municipalities within that state. In addition, certain types of receipts, such as gifts and inheritances, and certain types of benefits, such as employer-provided health insurance, are excluded from income. Foreign non-resident persons are taxed only on income from U. These brackets are the taxable income plus the standard deduction for a joint return. That deduction is the first bracket. The next column is the tax divided by 89, The new law is the next column. The brackets with its tax are cut in half. Itemizers can figure the tax without moving the scale by taking the difference off the top. After seven years the papers can be destroyed; if unchallenged. Source and Method [26] [27] This is a spreadsheet. Write and name the taxable income brackets plus 12, each in this column. Starting at cell B14, write the income column. Ctrl-C that cell, and down arrow. Ctrl-V and down arrow fourteen times. Repeat this Ctrl-V function at cell C2. Deductions and exemptions[edit] The share of total income and federal, state and local taxes paid by income group. Total taxes include income taxes, payroll taxes, state and local sales taxes, federal and state excise taxes, and local property taxes. Tax deduction The U. Businesses selling goods reduce gross income directly by the cost of goods sold. In addition, businesses may deduct most types of expenses incurred in the business. Some of these deductions are subject to limitations. These include the cost of long lived assets such as buildings and equipment. The cost of such assets is recovered through deductions for depreciation or amortization. In addition to business expenses, individuals may reduce income by an allowance for personal exemptions [33] and either a fixed standard deduction or itemized deductions. The standard deduction amount varies by taxpayer filing status. Itemized deductions by individuals include home mortgage interest, property taxes, certain other taxes, contributions to recognized charities, medical expenses in excess of 7. Personal exemptions, the standard deduction, and itemized deductions are limited phased out above certain income levels. Corporate tax in the United States , S corporations , and Partnership taxation in the United States Corporations must pay tax on their taxable income independently of their shareholders. A limited liability company and certain other business entities may elect to be treated as corporations or as partnerships. Many states also allow corporations to elect S corporation status. Charitable organizations are subject to tax on business income. These include many types of formation or reorganization. Tax credit A wide variety of tax credits may reduce income tax at the federal [43] and state levels. Some credits are available only to individuals, such as the child tax credit for each dependent child, American Opportunity Tax Credit [44] for education expenses, or the Earned Income Tax Credit for low income wage earners. Some credits, such as the Work Opportunity Tax Credit, are available to businesses, including various special industry incentives. A few credits, such as the foreign tax credit , are available to all types of taxpayers. Payment or withholding of taxes[edit] Main article: Withholding tax The United States federal and state income tax systems are self-assessment systems. Taxpayers must declare and pay tax without assessment by the taxing authority. Quarterly payments of tax estimated to be due are required to the extent taxes are not paid through withholdings.

4: Tax Structure: Tax Base, Tax Rate, Proportional, Regressive, and Progressive Taxation

Most countries have a tax system in place to pay for public/common/agreed national needs and government functions: some levy a flat percentage rate of taxation on personal annual income, some on a scale based on annual income amounts, and some countries impose almost no taxation at all, or a very low tax rate for a certain area of taxation.

See how Hawksford can help Sign up for Singapore business updates Keep informed about important changes in Singapore to help you manage your business effectively as well as our upcoming events. The ease of setting up and operating businesses is a prime motivator. We also have a very useful online tax calculator that you can use to estimate your Singapore taxes and to compare how they stack up against those in your home country. In other words, companies and individuals are taxed mainly on Singapore sourced income. Foreign sourced income branch profits, dividends, service income, etc. Although the concept of locality of the source of income seems simple, in realty its application often can be complex and contentious. No universal rule can apply to every scenario. Whether profits arise in or are derived from Singapore depends on the nature of the profits and of the transactions which give rise to such profits. By keeping corporate rates competitive, Singapore continues to attract a good share of foreign investment. Singapore follows a single-tier corporate tax system, where tax paid by a company on its profits is not imputed to the shareholders i. To increase the resilience of taxes as a source of government revenue, Goods and Services Tax GST was introduced in For personal taxes, the tax year is the normal calendar year i. January 1 â€" December Deadline for filing personal tax return is April For corporate taxes, a company is free to decide on its financial year. Deadline for filing corporate tax return is November Taxes are paid on a preceding year basis. Singapore has no capital gains tax. Capital loss expenses are correspondingly not allowed as deductions. Singapore has concluded more than 50 bilateral comprehensive tax treaties to help Singapore companies minimize their tax burden. Types of Taxes in Singapore Income Tax - chargeable on income of individuals and companies. These taxes are imposed to curb car ownership and road congestion. Excise duties are imposed principally on tobacco, petroleum products and liquors. Also, very few products are subject to import duties. The duties are mainly on motor vehicles, tobacco, liquor and petroleum products. The tax is paid when money is spent on goods or services, including imports. Others â€" The two main taxes are the foreign worker levy and the airport passenger service charge. The foreign worker levy is imposed to regulate the employment of foreign workers in Singapore. It integrated all the key revenue collection agencies into one body, enabling the administration and collection processes to become more streamlined and better managed. IRAS has also made its mark as an efficient tax administrator and a service-friendly tax collector. As the main tax administrator for the Ministry of Finance, IRAS plays a role in tax policy formulation by providing policy inputs, as well as the technical and administrative implications of each policy. IRAS also actively monitors developments in external economic and tax environment to identify areas for policy review and changes. It aims to foster a competitive tax environment that encourages enterprise and growth. The other non-revenue functions performed by IRAS include representing the government in tax treaty negotiations, providing advice on property valuation and drafting of tax legislation. But the tax was unpopular, and with many opposing the need for it, income tax stayed off the agenda. The end of World War II highlighted the need for new infrastructure and fresh sources of revenue, giving renewed impetus to the introduction of income tax. In , Income Tax was introduced in Singapore under the British colonial government. In , the Income Tax Act was imposed. Hence in the s, labour-intensive industries were encouraged by tax incentives. The Economic Expansion Incentives Act was introduced in Interest paid on foreign loans granted to a local industrial company was tax-exempt. Tax policy played its part in the financial sector with the exemption of interest on Asian dollar bonds from Shipping was also actively promoted. Income from the operation and charter of Singapore ships drew tax exemptions. Tax measures to support urban redevelopment were also introduced. Different property taxes were also phased out. Tax policies in the s were also influenced by social needs. Contributions to the Central Provident Fund were tax deductible and other tax relief measures were introduced. Measures to revamp the economy, with the aim of making it more competitive was introduced. Changes to government policies, incentives and taxes were considered. The late s marked a significant shift towards lowering both corporate and individual taxes. There was a shift towards lower direct taxes and the focus was on indirect taxes. It is a tax on domestic consumption and applies to all goods and services supplied in Singapore except for financial services and residential properties. It was in this period that the trend of lowering corporate and individual tax rates accelerated. A number of measures were, and are being introduced to attract foreign talent and investment. This period witnessed the introduction of group relief and the one-tier corporate tax system. Need support with your personal taxes? Hawksford can partner with you as your bookkeeper, accountant, controller, business advisor, part-time CFO â€" or your entire Accounting and Finance department. Let us guide you further You may find these Singapore business guides useful in helping you make your decision:

5: A Global Perspective on Territorial Taxation - Tax Foundation

Policy makers, Slemrod and Gillitzer argue, would be well advised to recognize the interrelationship of tax rates, bases, enforcement, and administration, and acknowledge that tax policy is really tax-systems policy.

6: Economics of Taxation

The objective of excise taxation is to place the burden of paying the tax on the consumer. A good example of this use of excise taxes is the gasoline excise tax. Governments use the revenue from this tax to build and maintain highways, bridges, and mass transit systems.

7: Designing a Territorial Tax System: A Review of OECD Systems - Tax Foundation

US multinationals generally pay tax on the income of their foreign subsidiaries only when they repatriate the income, a delay of taxation termed "deferral." Deferral, the credit limitation, and cross-crediting all provide strong incentives for firms to shift income from the United States and other high-tax countries to low-tax countries.

8: History of the U.S. Tax System

Tax Structure: Tax Base, Tax Rate, Proportional, Regressive, and Progressive Taxation The tax structure of an economy depends on its tax base, tax rate, and how the tax rate varies. The tax base is the amount to which a tax rate is applied.

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