

Is Progressive Taxation Fair ?

Tax, specifically referring to income tax throughout this paper, takes on different meanings depending on one's perspective. From the government's viewpoint, tax represents a share of its citizens' income and stands as the primary source of revenue. It serves as the financial backbone for funding public services and addressing the state's fiscal requirements. Additionally, the government views tax as a mechanism for the redistribution of wealth and resources within society—a topic central to our discussion on progressive taxation. Let us now see how the individuals from different economic hierarchy perceive tax as. For those earning below tax thresholds, taxation symbolizes a governmental effort to bridge economic disparities and meet fundamental human needs. The middle class, contributing a portion of their income, sees taxation as a financial burden but acknowledges its role in fueling essential public services. Contrastingly, the wealthy, one who is detached from many public services, perceive taxes as a mandatory charity—an obstacle for his wealth creation, even as a punishment for being well off financially.

Should there be any income tax? Robert Nozick in his book *Anarchy, State and Utopia* argues for a minimal state, contending that government's only legitimate functions are to protect individuals and their property rights. He opposes redistributive taxation and rejects the idea of using government power to enforce economic equality. His arguments strongly aligns for the negative right concept and merit based justice, but for me it completely discards the feel of socialism. To me, living in a luxurious mansion surrounded by poverty feels wrong. While individual freedom is crucial, I believe in a balance that ensures a fair and just society. I could really connect with John Rawls concept of 'equal opportunity' from his book "Theory of Justice". It correctly identifies social and economic inequalities as just if we all have equal chances to make our choices, however, also understands that in a world like ours, full of uneven circumstances, we need to have a system that benefits the least well off (difference people).

Its almost everywhere a yes to income tax system, but whether it should be flat or progressive , is often a debatable topic. Lets define them first. Flat tax rate is simple levying tax proportionally equal to everyone, regardless of their economy. Whereas in progressive taxation, there are varied tax rates based on income

slabs and higher tax rates apply only for the additional income earned beyond each tax rate brackets threshold.

The wealthy people, those often detached from most public services already contribute significantly more to society under a flat tax rate. Levying higher and higher tax as one's income grows seems like penalizing for their economic growth and may demotivate the high earners. Many businesspeople have expressed concerns regarding this, Ashneer Grover in a recent interview, said they constantly search for ways to navigate this complex taxation system. They need to worry about paying GST, capital gain tax, a progressive income tax and others, depriving them from an environment that should encourage them to focus on both personal and national wealth creation. This is especially noteworthy when considering countries like Bahamas where 0% income tax policy exist, there may be a situation where the wealthy ones might start leaving the country.

But isn't almost everywhere we have progressive taxation? Surely it can't be that unjust to the rich or maybe it reaps better rewards for the society to undermine those problems. My position on this debate also aligns towards having a progressive taxation system.

What does progressive taxation do ?, make the rich contribute more and provide relief to the others. The government needs income tax anyhow , its his primary source of income. If we keep flat tax rate, the middle class may need to pay more than they are now, weakening their economy more. This way, government subsidizes the least well off. There is the positive right concept, which states you are entitled to help getting it, even if you can't get it yourself. The government should support private ownership though it needs to run the whole nation whose majority is the middleclass people. No way a country can allow unchecked wealth accumulation, which may lead to more economic disparity. Had our society been ideal, all have the same circumstances, its okay having merit based justice and no need of distributive justice. But its not the way it is. There is way lot uneven social and economic circumstances, that we need to try our maximum to level the playing field.

Progressive taxation is not meant to penalize the wealthy by forcing them to contribute proportionally more to government revenue, but to alleviate the financial burden on the middle class. Income tax stands as a primary source of government income, and maintaining a flat tax rate could potentially place a

heavier financial load on the middle class, consequently weakening their economic position. Thus, its a mechanism through which the government subsidizes those less well-off, aligning with the concept of positive rights which says “you are entitled to help getting it, even if you can’t get it yourself.” Encouraging private ownership is vital for a thriving economy, yet the government must balance this with its responsibility to oversee the entire nation, a majority of which comprises the middle class. Unchecked wealth accumulation poses a significant risk to economic equality, making it imperative to prevent excessive concentration of resources. I heard R Madhavan once in a speech emphasizing on a fact that after some amount of money, its all equal, one lives as luxuriously as anyone else and the goal should not be about accumulating more wealth but to create a positive impact to the society. Most of the money above a certain threshold goes on extravagance, progressive taxation helps there regulating the money in productive areas - to provide it citizens with the basic needs, making public services better than ever. In an ideal society with uniform circumstances, a merit-based justice system might suffice without the need for distributive justice. However, the reality of uneven social and economic conditions demands concerted efforts to level the playing field and ensure a fairer distribution of opportunities and resources.

Thank You!

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