

Direct taxes are taxes imposed on or collected directly from individuals and profit organism of companies. The burden of cannot be easily passed on to others. It is called direct tax because it involves a direct personal relationship between the tax payer and the tax levying authority.

TYPES OF DIRECT TAX

- 1. Personal Income Tax:** This is tax imposed on the income earned by individuals and such unincorporated businesses as sole traders.
- 2. Company Income Tax:** This is the tax levied (use office authority to demand and collect payment) or imposed on the profits of all incorporated business establishments it is worked out such that the higher the profit level, the higher the proportion of it to be paid out as tax.
- 3. Capital or Property Tax:** It is levied on the assets or properties of individuals, including the assets of the deceased
- 4. Airport Tax:** This is a form of direct tax paid by those who travel with aero plane within and outside the country.
- 5. Miscellaneous Direct Taxes:** There are other petty direct taxes such as educational development etc.

MERIT OF DIRECT TAXES

- 1. They are Progressive in Nature:** Direct tax as income of increases the tax also increases.
- 2. The incidence of direct taxes is easy to ascertain:** The tax payers for example of income tax bears the final burden
- 3. Collection is easy:** The collection of tax is easy and cheap under direct tax.
- 4. They are used to control inflation:** Increase in direct taxes in a period of inflation will contribute immensely in reducing the volume of money in circulation thereby, combating inflation in a country where it occurs.

5. **They are used in Redistributing Incomes:** The progressive nature of direct taxes helps to redistribute income because the more the income of an individual the more tax he pays.
6. **They are Easy to Calculated:** Once the number of income earners is known, income tax can be calculated. That is one the income of an individual is known, direct tax can be calculated.
7. **Payers find them convenient to pay:** This is because they know when, how and where to pay them.
8. **They Arouse Civic Consciousness:** Payers of direct taxes are aware that they are doing so and they are conscious that it's their Civic responsibility.

DEMERIT OF DIRECT TAX

1. **It may cause deflation:** When they are high, they reduce the volume of money in circulation than the available goods and services thereby, causing deflation.
2. They discourage savings what may be left paying direct taxies, may not encourage any form of savings.
3. **A direct tax reduces people's purchasing powers:** This is more pronounced with income tax that reduces the income of works.
4. **Discouragement of hard work`:** Workers may feel that hard work will lead to more income which on the other hand will attract more tax, which may consider as unprofitable exercise.
5. **Declaration of false profit by firms:** Firms will not be willing to give actual profit firm declares false profit as the more profit they earn they more tax thy pay.

Assignment

What is formal incident, effective incident, with the aid of a diagram what is incidence of tax when demand is elastic and inelastic

