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Should The Covid-19 Pandemic Cause A Uniform Levying Of Commodity Tax?

The government imposes compulsory levies on entities and individuals, known as *taxation*. Every country in the world levies taxes for different reasons, mainly raising revenue for government expenditures. There are two types of general taxation: commodity taxation and income taxation. A commodity tax is imposed on taxable goods produced in a country or imported from another country. The tax can be levied upon the consumer or producer of a commodity. The tax rate has been accelerated in most countries because of the COVID-19 pandemic. This is because several countries have been affected differently by the COVID-19 pandemic. Still, the most common effect has been increasing the level of poverty and inequality at a global scale. This paper's main question is whether commodity taxation should be uniform but with some commodities left untaxed due to the negative effect of COVID-19 on the economy.

Commodity taxation rates can be used to separate unskilled people from highly skilled people according to Mirrlees approach. When both people with low skills and those with high skills choose the same taxable income, the latter will be able to have excess time for leisure. (Blundell et al., 10). As a result, the increase in time available for leisure will cause those with high skills to demand more commodities; hence, taxing these commodities that have increased due to leisure time is the best way of reducing labor effort. This is the best method in which commodity on taxes during the COVID-19 pandemic time can help in the tax system's efficiency.

If the utility function allows commodities to be separated from leisure, it is best to have uniform taxation on commodities, according to Blundell et al. (12). When this criterion is met, commodity demand is unaffected by the quantity of spare time available.

Is labor supply separable from goods? This is an empirical question. According to research, leisure can be separated from commodities weakly. This is possible except for one commodity that is needed for work. Hence, taxes should be differentiated on all commodities if individuals pay for the commodities themselves. Because some items have a high income elasticity, the tax system should discourage their consumption. According to Mirrlees' analysis, it is optimal to apply uniform taxation if the commodity is provided publicly.

Moreover, the structure of commodity taxation optimality depends on government spending, especially public provisions. Increasing the level of government spending is known as *expansionary fiscal policy*. It is mostly applied during periods of recession (Warrier et al., 75). It is generally used to increase aggregate demand, which increases the rate of employment and output in the economy. To pursue this, the government has to increase the spending rate and, in turn, reduce the tax rate, usually simultaneously. As a result, the optimal tax structure is influenced by public provision, although consistent commodity optimality is required. This is the best way the government could reduce the poverty level during the COVID-19 period.

In conclusion, there should not be a uniform tax on commodities even with the effects of COVID-19 pandemic. This should not happen even if all the goods other than goods used during work can be separated from leisure. Instead, during this pandemic, consumers should be discouraged from consuming goods with large elasticity. The rate at which the government spends determines the optimal commodity tax system. For example, the government can decide

to subsidize goods used for working, then the uniformity levying of goods can be done in a standardized way.

Works Cited

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