

Why it is important to pay taxes

Tax is a compulsory payment or contribution made by citizens of a country to the government for the general benefit of the society in which they live. We pay taxes at different levels through different ways, but the major tax burden we face is the personal income tax which all workers pay on their income or revenue. This tax is taken out of our earnings before we get paid.

Why taxes are important for economic growth

It is a fact that governments need sustainable funding for social programs, and public investments to promote economic growth and development. Such programs provide health, education, infrastructure, and other amenities which are important to achieve the common goal of a prosperous, functional and orderly society. Moreover, there is an obligation on the part of the government to maintain the stable economy. Generally, wild fluctuations in prices are harmful to the economy of a country. Declining prices for example, as witnessed during the Global Financial Crisis, causes depression which leads to a fall in company profits, saving, investments, employment and the Gross Nation Product (GDP). Conversely, constant rising price creates problems of discouraging savings and further weakens incentives to improve efficiency on the part of entrepreneurs. In order to support the government program, there is a need to raise revenues from potential sources, and Internal Revenue Service (IRS) is one such agency to manage tax collection. IRS is the revenue service agency of the federal government and is part of the Bureau of the Department of the Treasury.

Tax collection or payment is not merely a payment against availing public and services. It is a key ingredient of the social contract between citizens and the country. By paying tax you are contributing to nation building, as well you are creating a record about your financial activities. This will help you to improve your creditworthiness in order to process your request for financial assistance/loan from public agencies.

Here is a quick glance over how tax payment plan of federal, state, and local governments utilized.

Federal

Largest national expense is payments to seniors for Social Security.

The next largest service is defence. That includes support agencies like Homeland Security and the Veterans Administration.

Another large service is Medicare. Personal contributions through tax pay for a large proportion of these expenses.

Social welfare draws significant funds from the federal government - you are paying for services you'll receive after you turn 65 or fall into illness or unemployment (it is a bit like insurance). There are many welfare and government support programs catering to the unemployed, disabled, those suffering chronic illness, aged care, etc.

Other government agencies that support citizens by directing funds to state for specific expenditures include health, Education, Vocational Training, tertiary education, infrastructure (harbours, rail, roads, etc.).

State

One of the largest state expenditures is for social services, including health (e.g. hospitals), police, education, welfare, and public housing.

Other provided services that attract federal funds include the roads and rail systems (transportation), harbour infrastructure and water supplies (e.g. building dams).

Local

Local governments also receive funds from the Commonwealth Government. These may go towards:

- Water and sewer infrastructure
- Roads and public transport

Conclusion

Taxes ensure that government can build and maintain the necessary infrastructure – education, healthcare, transportation systems – to attract investment and businesses, and thrive in a competitive global economy and allow citizens, residents and businesses to do things together that we could never do on our own.

By paying taxes we live in a comfortable environment with access to health, education and security. Imagine what it would be like if these were all not available.