Direct & Indirect Tax

Who pays, and who actually bears the cost.

Accounting & Finance

Direct tax	Indirect tax
Levied on income, profit or wealth	Levied on transactions
Paid by the person assessed	Collected by the seller
Income tax, corporation tax	VAT, excise duties
Can be made progressive easily	Regressive unless exemptions apply
Harder to avoid, easier to see	Cost split between buyer and seller

THE DIFFERENCE THAT MATTERS

The split of an indirect tax depends on elasticity: the less price-sensitive side bears more of it.

Educational reference. This is why tobacco duty falls mostly on consumers — demand is relatively inelastic.