How Tax Systems Work

Accounting & Finance

The structures a tax can take, and what each does to incentives.

Structure and effect.

Structure	Rate as income rises	Example
Progressive	Increases	Income tax bands
Proportional	Constant	A flat corporate rate
Regressive	Falls as a share of income	Consumption taxes, in effect

Educational reference. A tax can be proportional in law and regressive in effect, which is the usual criticism of sales taxes.