

Abstract

The Earned Income Tax Credit scheme is a refundable tax credit which designed to encourage low income workers where people earning below a certain amount or below subsistence level incomes after filing a tax return receive supplemental pay from the government as to reduce income disparity. This measure follows the Negative Income Tax scheme which is the harmonization of income tax and welfare system. Not only personal income tax payers would benefit from this tax relief scheme but the system also supports low income and poor earners according to the proportion of their income gaps. Therefore, tax is not only the government's instrument to collect the money but distribute welfare benefits to the low income earners or earned lower than minimum income tax bracket. This is to renew the distribution of income by distributing the money via the tax system.

The concept behind this measure is that tax relieve scheme is benefit for only earners in tax system but for the ones who are out of system such as negative income earners or earn lower than minimum income tax bracket would not benefit from this measure. When adjusting tax to the principle of justice, it is a part of distributive justice which means the distribution of money or honor or other resources among members of society which is to be distributed equally by recognizing the tax equality principle as one of the principle of a good tax and ability to pay principle as a distribution instrument between government and tax payer and between tax payers themselves. This is to admit that ability to pay is not an equality measure which the person with the greater ability to pay has no right to seek the benefit as his wish but ability to pay is an instrument to equalize income distribution and reduce social disparity. In the sense of justice, the distribution justice is about sharing an "opportunity" to earn income equally. While every person is "liable" for tax, the "right" to benefit from tax relief scheme should also granted to everyone. In other words, when tax payers benefit from tax relief measure the low income workers or earned lower than minimum income tax bracket should also benefit from the system. Therefore beneficiaries under the

harmonization of personal income tax and Earned Income tax Credit scheme is not only for workers who have liabilities to pay tax but also for workers and disadvantaged whose earnings are too small to have paid personal income tax or earned lower than minimum income tax bracket.

This thesis aims to study the concept and present the view point of Earned Income Tax Credit scheme which is the harmonization of personal income tax and welfare to low income earners and disadvantaged as a choice of government to show a concrete attempt to build a more justice society.