

Again, for simplicity, suppose each intermediary adds 10% to the selling price:

5%
UNDER SALES TAX

assuming ultimate consumer cannot shift the burden of the tax back.

1%
UNDER TURNOVER TAX

assuming every seller can shift the burden forward except 1% on the turnover tax itself.

				<u>Actual tax received</u>
A sells at 100	A sells at 101			1
	B adds 10%	10.1		
		<u>111.1</u>		
	and turnover tax	1.11		
B sells at 110	B sells at 112.21			1.12
	C adds 10%	11.22		
		<u>123.43</u>		
	and turnover tax	1.23		
C sells at 121	C sells at 124.66			1.24
	D adds 10%	12.46		
		<u>137.12</u>		
	and turnover tax	1.37		
D sells at 133.1	D sells at 138.49			1.38
	E adds 10%	13.84		
		<u>152.33</u>		
	and turnover tax	1.52		
E sells at 146.41	E sells at 153.85			1.53
	F adds 10%	15.38		
		<u>169.23</u>		
	and turnover tax	1.69		
F sells at 161.05	F sells at 170.92			1.70
	G adds 10%	17.09		
		<u>188.01</u>		
	and turnover tax	1.88		
G sells at 177.15	G sells at 189.89			<u>1.89</u>
plus Sales Tax 5%		8.85		<u>9.86</u>
		<u>186.00</u>		
	Final Selling Prices			
Final Tax yield	<u>8.85</u>			