

Taxation

Principles of Taxation - Part 2

Principles of Taxation

4. Canon of Economy:

- Every tax has cost collection. To maximise tax revenue, cost of tax collection should be minimum.
- Taxes which are too widespread and difficult to administer, should be avoided.
- This would save the national resources from getting wasted on tax administration.

Principles of Taxation

5. Canon of Productivity:

- Also known as canon of fiscal adequacy.
- The principle advocates the taxation should be such as to yield enough revenue to meet the needs of the government.
- Need to avoid deficit financing

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6. Canon of Buoyancy:

- Responsiveness of change in tax revenue to change in tax base is called tax buoyancy.
- Inherent tendency to increase with increase in national income and other tax base without change in tax rates or coverage.

To be Continued -----