

# Taxation

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## Principles of Taxation - Part 3

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## 7. Canon of Flexibility:

- Fluctuations in economic activity and government requirement is quite common.
- It should be possible to change the structure in coverage or rates without delay in accordance with the needs of the treasury and of the economy.

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## 8. Canon of Simplicity:

- Tax structure shouldn't be too complicated.
- Simple to understand and administer.
- Difference in interpretation and understanding breeds legal disputes.
- Leading to wastage of time and resources besides mental stress.

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## 9. Canon of Diversity:

- Not appropriate for the state to depend upon few resources.
- Few sources creates uncertainty for the treasury.
- Also likely to be inequitable between different sections of the society.
- More stability in tax revenue as adverse change in any sector would have only small aggregate effect.
- Too much multiplicity of taxes should also be avoided as it contradicts to canon of economy and convenience.

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In short, a tax system should be such that it should fulfill the needs of the government, of the private sector without creating inconvenience to any stakeholders and without wasting much of economic resources.

**THANK YOU**