DEFINATION AND OBJECTIVE OF TAXATION

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Course : Introduction to Taxation

Course Code: ACC 233

Learning Objectives

Students are expected to understand the followings:

- Nature and Purpose of Taxation
- Definition of Taxation
- Objective of Taxable
- Principles of Taxation

Nature and Purpose of Taxation

INTRODUCTION

In every country, the government must provide essential services to its citizens. These services are so important that even if individuals are allowed to provide them, they cannot monopolize their supply or production. To ensure equal distribution, individuals and corporate entities contribute through taxes, fees, and levies. These contributions serve as the main source of government revenue for providing these essential services.

Definition of Tax

1. Tax is a compulsory contribution from individuals and or business organizations for the purpose of financing the expenditure of the government.

Definition of Tax

2. Tax is a compulsory levy or financial charge imposed on a taxpayer or upon his property by the government to provide security, social amenities and other amenities for the well-being of the society. The main purpose of taxation is to raise funds to defray the expenses incurred for the common interest of the country without reference to special benefit conferred.

Definition of Tax

3. Oxford Advanced Learner's Dictionary defines 'tax' as: "Money that has to be paid to the government so that it can pay for public services". Black Law Dictionary defines tax as: "Monetary charge imposed by the Government on persons, entities or property, levied to yield public revenue".

Objective of Taxation

1. Revenue generation:

The primary objective of taxation is to raise money to meet government expenditure. Thus, taxation has always been employed to raise sufficient revenue to satisfy the needs of the government, such as in the provision of services like defence, law and order, health services and education.

Objective of Taxation

2. **Redistribution of income and wealth**:

This can be looked at from two angles. The first is the doctrine that taxation should be based on the ability to pay, so that the burden of taxation ought to be heavier for rich men than for the poor, with the taxes collected being used to pay for social services for the less fortunate. This is achieved by the graduation or "progressiveness" of the rates at which the taxes are levied.

Objective of Taxation

3. Management of the economy

Taxation is important in planning of savings and investments and by harmonizing it with development strategy and changing economic structure. The government can use taxation as a powerful fiscal weapon to plan and develop a country. A tax system can also provide the government with effective and flexible instruments for the day-to-day management of the economy.

Objective of Taxation

4. Harmonization of economic objectives

Harmonization of diverse trade or economic objectives of different countries can be achieved through a good tax system. For example, tax system can be employed by members of regional economy to achieve the philosophy of the single market (free movement of people and goods) within the region.

Objective of Taxation

5. Protection of Infant Industry

The Government imposes tax on imported goods in the form of customs duties, in order to make their prices higher than locally produced items, with a view to protecting infant industries which are not matured enough to favorably compete with their foreign counterparts.

6.Prevent Dumping

Tariffs are usually imposed by the Government on imported goods to prevent deliberate attempt by foreign firms to kill local infant industries with a view to possessing monopoly power in the supply of certain goods

Principles of Taxation

These are the rules, conditions by which the goodness of a tax system is measured and by which a good tax policy can be formulated.

Adams Smith was noted to have been the first person to mention the principles of taxation, but he called them cannons of taxation in his book “The Wealth of Nations” in 1776.

Principle of Equity

All human beings are equal before the law. They shall enjoy, without any discrimination, equal protection of the law. This principles maintained that taxation must be applied impersonally to all individuals regardless of their status or background.
This principles means that the same tax system must be applied without discrimination to all taxpayers who are in the same situation.

Principle of Economy

A good tax system ensures that the cost of collecting taxes does not outweigh the benefits derived from tax revenue.

Principle of Certainty

Taxpayers should be fully informed about the amount, timing, mode, and location of tax payments, preventing confusion and ensuring transparency.
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he certainty principle is very important in tax affairs. Tax-payers should be able to anticipate the possible amount of their tax obligations and plan for payment of them in due course. For this reason, tax rates should be relatively stable from

Principle of Convenience

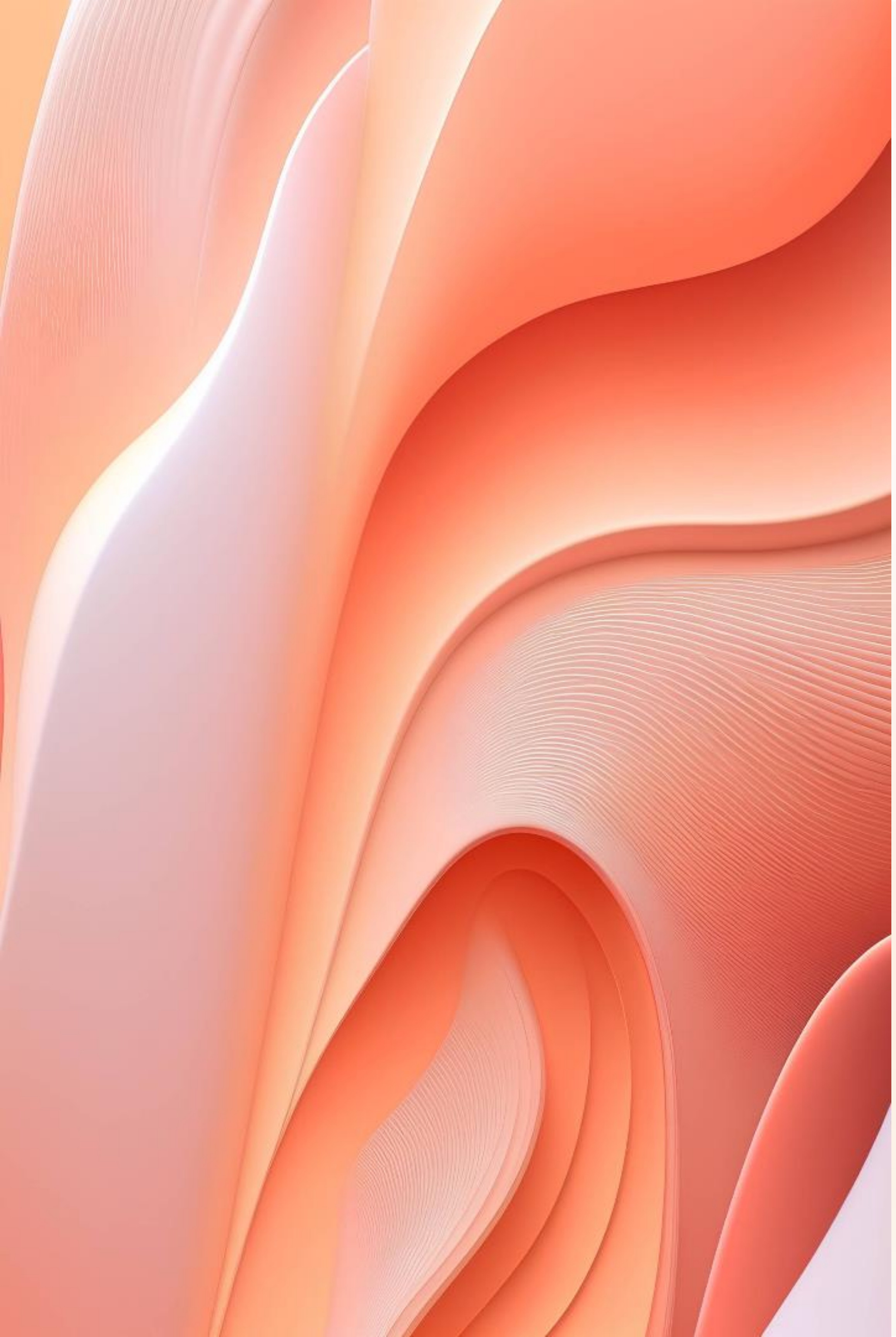
Taxes should be imposed at a time, manner, and place that is convenient for taxpayers, facilitating ease of collection for tax administrators.

Principle of Simplicity

A good tax system should be simple to understand and apply, particularly in developing economies with high illiteracy rates and limited record-keeping practices.

Principle of Neutrality

A fair tax system should not interfere with individuals' decisions regarding work, production, consumption, saving, or investment.



Principle of Efficiency

A good tax system should be designed to make it difficult for individuals to evade taxes or unlawfully reduce their tax liabilities.

Flexibility in Taxation

A well-designed tax system and tax laws should allow for easy amendments when the need arises, without unnecessary bureaucratic barriers.

Thank YOU