

Organized society
had some sort of
government

Sociology



**ASSIGN
BUSTER**

Throughout history every organized society had some sort of Government. In free society the goals of Government have been to protect individuals freedom and to promote the well being of society as a whole. To meet these Goals, Government needs income, which it thus raises through taxation. A penalty, on the other hand is imposed to stop people from doing certain things. Sometimes taxes may be levied which does both i. e. bring revenue and also check people from consuming harmful articles i. e. opium.

Besides certain taxes may be of the nature of protective duties i. e. import duties protect home / infant industries from foreign competition. At times taxes aim at removing inequalities in the distribution of wealth in a society, among other purposes like Economic stability and social welfare. It is thus crystal clear that without taxes to fund these activities and regulate the operation of the Government, Government could not exist.

However, hatred for tax by the tax payers is a well established fact world over making people debate the amounts and types of taxes that a Government should impose as well as how it should distribute the tax burden across society, unpopular taxes have caused public protests, riots and even resolutions. Yet in political campaigns candidates' views on taxation may partly determine their popularity with voters. Thus the need to ensure justice in taxation in order to avoid a disaster.

A number of objectives have been advanced to support the essence for taxation of which the following are the major ones.

Raising Revenue

The primary objective of taxation is to raise revenue to divert control of economic resources from the tax payer to the government for its direct utilization for the provision of public services or for transfer to others. Forcing taxpayers to surrender purchasing power money to the government usually accomplish this.

Redistribution of income and Wealth

In any country some people will be rich while others are poor due to limited opportunities and numerous hindrances to becoming wealthy. Taxes can be imposed to achieve equality in the distribution of national income. The rich are taxed at a higher rate and the amounts obtained spent in increasing the welfare of the poor.

Economic stabilization.

Externalities or deviations between private and social costs are obviously only one form of market failure. Business cycles or other fluctuations in the level of business activity as well as the failure of the economy to achieve full employment or maximum growth potential are other forms. However all these can be humbled through the governments fiscal and monetary policies.

Correcting market failures

Correcting market failures is yet another objective of taxation in which the government intends to correct the inability of competitive markets to achieve an efficient allocation of resources. This may concern the manager

of savings, investment and consumption behaviors of the economy with the view of criticized behaviour for the common good of the society.

Besides there are other subsidiary objectives, which amongst others include; protection, social welfare, immorality, increase in employment and promotion of economic growth.

In an effort to ensure that there is justice in taxation six theories were developed with the effort of making the earth a better place to live in and change the attitude of tax payers like " A tax collector should lead those people going to stay on the moon so as to make this earth a better place to live in".... In developing these tax theories several factors were considered and the factors were; the relationship between tax paid and benefits received, the link between the tax liabilities and state activities, and finally there need not to be any relationship between the tax liability and the state services.

The following are the Developed theories:

1) Expediency Theory:

This theory states that every proposal of a tax made should be tested practically and proved correct, In other words the proposal should be exercised practically and should be yield full, Yield worthy with the authorities in choosing a tax proposal. The authority should not have a tax which can not be levied and collected efficiently and should reshape the tax structure to accommodate the Economic, social or political pressures arising from different groups that try to promote their interest while disfavoring the

tax system/ structure. Much as the authorities will impose this theory of tax, it shouldn't deviate away from consideration of equity, Economic stability, Economic growth, Regional Imbalances and the tax administrators should endeavor to collect tax at a reasonable cost.

However, building an entire tax system safely on Expediency is full of Pitfalls. If a tax cannot be collected, it's ridiculous to impose it. The above theory by itself does not help authorities in deciding as between different practicable taxes. Worse still this theory is benchmarked on developed Economies leaving taxation in Developing Countries an outrageous desire, since taxation provides a powerful set of policy tools to authorities and should be effectively used for remedying Economic and social ills of society ie income inequality Regional disparities, unemployment, cynical fluctuations among others.

2. Social Political Theory.

According to Adolph Wagner, Social Political objectives should be the deciding factors in choosing taxes. He advocated that each Economic problem should be viewed in its social and political context and an appropriate solution found there of, but not to be designed to serve individuals members of society. Indeed it should be designed to cure all the ills of society as a whole. He maintained that private property and Inheritance were as a result of state policies and not because of God given rights. The state therefore had the right to control the ownership of property and its inheritance in the interest of the society as a whole.

Wagner's ideas though much criticized at the time are these days widely accepted by modern states in their Fiscal Policy ways of curbing inequalities. The most purpose of this theory is to share the burden of state fairly among the society and equitable distribution of tax burden.

The modern Government believes that tax policy should be effectively used for several purposes i. e. fighting cynical Fluctuations, Unemployment, Production of undesirable goods, monopolists and restrictive trade policies, hoarding and that it can also be used to bring about a more balanced growth as between different regions. In this way, the social political theory is far meritorious than the expediency.

However, both Expediency and social political theories have their merits, but by themselves they don't provide a complete basis for structuring a tax system. At most they only highlight limits, which no tax system should attempt to across. First and foremost the essential purpose a tax is to share burden of state equitably and fairly among all individuals. History has many examples of severe consequences of unfair taxation thus the reason of unrest and disaster in societies. Should tax burden be thought to be shared inequitably, taxpayers will seek means to evade taxes. We are thus convinced that scrupulous fairness in taxation must override all other objectives.

3. The benefit received theory

This theory maintains that justice in taxation is secured by taxing each citizen in proportion to the benefits he derives from the activity of the state (also known as insurance theory or the quid-pro-quo of taxation). Ideally, this <https://assignbuster.com/organized-society-had-some-sort-of-government/>

theory is considered to be fair because it appeals to those who believe that unless one pays for certain services, one should not be offered such services. However the theory is open to the following objections because of these failures.

Firstly, the weak and the poorer people receive great benefits from the Government in the form of free Education as in the case of Uganda. Though they receive the greatest benefit they are however, least able to bear the burden of taxation. I. e. it would be unjust to tax the poor in proportion to the benefits derived by them.

Secondly, it would be impossible to determine the proportion of the general benefits of government Expenditure that accrue to particular individuals. The benefits received theory therefore has failed to apply to taxes but to other public charges like fees, special assessment, etc which are generally levied in proportion to benefits received by persons making these payments. More so, the theory overlooks the possible use of tax policy for bringing about economic growth or economic stabilization in the economy. It is equally questionable to assume that income received by a member of society is directly connected only with the benefits received from the state.

4. Cost of service or purchase Theory.

The first and the simplest principal for the distribution of taxation would be to treat it as a payment for public services and not payment equal to the cost of services rendered.

In this approach, the state is being asked to give its basic protective and welfare function and not to be concerned with the problem of income distribution. No effort is to be made to improve income distribution and no more notices are to be taken if the policy of levying taxes according to the cost of service principal deteriorates it further.

First there is a problem of measuring the cost of service and assigning them to the beneficiaries, also it's not possible to have a conceptual clarity of the cost of service.

For the above-mentioned reasons, however, the theory is open to the following objections because of these failures.

Secondly, the method of specific payment for public services does not result in justice in the distribution of burdens of taxation. Example National defense, judiciary or legal economic activities of the state. In all these cases it is not possible to distribute advantage.

Thirdly, the theory implies that citizens are at liberty to refuse the services of the state and by doing so they are able to escape the necessity of paying taxes. But both these implications are unsound in the case of modern world.

5. Ability to Pay Theory

This principal states that people should pay taxes in accordance with their "ability to pay" just because they can. This concept of ability to pay is and has been a highly ambiguous one and presents no sure guide for practical application. However it's supported by the socialist thinkers who appreciate its conformity with the idea and with the concept of justice and equity since <https://assignbuster.com/organized-society-had-some-sort-of-government/>

the theory addresses that the burden of taxation be shared by socialist members and be apportioned according to their ability to pay. Example one person may possess one dozen houses from which he receives a monthly rent of Shs. 100, 000 whereas another person may have one centrally situated building from which he gets Ush. 2, 500, 000 as rent. We cannot be guided by merely the extent of a man's property while imposing a tax.

Another measurer of a person's ability to pay is said to be his expenditure, it is argued that if a man is able to spend very large amount, he must be in a position to pay a very high tax. This is wrong conclusion; a man may have spent a large amount of money because he has a large number of dependants but not necessarily that he has the ability to pay tax.

Therefore It's clear that, one cannot base taxation on any single test of ability to pay, for each criteria has some defects from its point of view of equality. Thus a conclusion that the theory of ability to pay cannot be as effective as anticipated before

6. The Theory of Equal Sacrifice.

This was a subject of an attempted criterion of just taxation, which is now decidedly going out of fashion. The many variants of the " sacrifice" approach are a kin to a subjective version of the " ability - to - pay" principle.

Utility and " sacrifice" theory has generally been used to justify progressive taxation, although sometimes-propositional taxation has been upheld on this ground. Briefly a dollar is alleged to " meaningless" or is worthless in utility to a rich man than to a poor man and therefore payment of a dollar by a rich

man imposes less of a subjective sacrifice on him than a poor man. Hence the rich man should be taxed at a higher rate. The theory of equal sacrifice is divided into two main branches,

* The equal sacrifice principle and the minimum sacrifice principle.

The former states that everyman should sacrifice equally in paying taxes, where as the latter that society as a whole should sacrifice the least amount. Both versions abandon completely the idea of government as a supplier of benefit and treat government and taxation as simply a burden, a sacrifice that must be born in the best way we now know. Here we have a curious principle of justice indeed based on adjustment to hurt. This reasoning defeats all attempts to establish canons of justice for taxation, the problem of the justice of taxation itself.

The equal sacrifice theory asks that equal tax be imposed on all. As a criterion of Justice, this is as unattainable as asking for equal slavery. One interesting, aspect of the equal sacrifice theory however is that it does not necessarily imply progressive income taxation. For although it implies that the rich man should be taxed more than the poor man, it does not necessarily say that the former should be taxed more than proportionately. .

Conclusion

The Development of the above theories were as a result of tax by the taxpayers, unrest in the society and a cause of disaster. However, the proposed theories have deviated from their expected roles and have tended to be contradictory, do not create uniformity and worse still were

benchmarked on developed Economies at the time. The Expediency, social political. Cost of service, and the theory of equal sacrifice have left justice in developing countries an outrageous desire due to their contradictory nature together with contradicting the basic principles of taxation.

Theories also have no uniformity as they are benchmarked to developed Economies putting no provisions for the developing countries. As per the local consultants view we highly concur with him and advise that stringent measures be put in place to see to it that the original theories are re-analyzed to ensure that justice in taxation overrides the theories to enhance change in taxpayers' attitude about taxes.