

Benefits principle of taxation essay examples

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This tax is based on the benefit principle of taxation. In this principle, the amount of taxes collected from the citizens is based on the benefits that the citizens receive from the use of the goods or services financed by the tax money. The higher the taxes the higher the benefits that the people expect to receive. The principle is however challenging to implement since by the nature of public goods, it is difficult to measure their benefits to the consumers. In cases where the benefits can be measured and quantified, it normally encourages governments to apply this principle. The benefits principle of taxation advocates for the people to pay for the benefits that they get proportionally. The people who use more of the public goods should pay more for the goods and services while those who use less of the goods and/services should pay less for them. The principle therefore advocates for equity of taxation in the society .

The demand for gasoline is relatively elastic. If the increase in gas tax raises the price beyond a certain level that some consumers cannot afford, they may be forced to reduce their gasoline consumption and take other measures to cater for their travel needs. This will include use of public transport, cycling to work for those who not so long distances. The reduction in consumption will result into deadweight loss for those consumers who will forego the benefit of using their vehicles for other cheaper means of transportation. The deadweight loss will increase for the many consumers who will continue using gasoline while paying more than the benefit that they are getting for the gasoline that they buy at higher prices due to taxes .

Works Cited

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