

*The Theory and Practice of Taxation [David Ames Wells] on blog.quintoapp.com *FREE* shipping on qualifying offers. This is a reproduction of a book published before*

Taxation scheme simply means a complete set of tax options, rules and conditions². Therefore, the following are the theories of taxation in relation to their application in Tanzania and their respective criticisms thereto. According to this theory, the state should levy taxes on individuals according to benefit conferred on them. This means that, the more benefits a person derives from the activities of the state, the more he should pay to the government. The application of this theory in Tanzania is such that there are various taxes levied that are collected in the local jurisdictions example, in market, bus stands which are collected by various local government authorities, at the end this fund is further used to develop various social facilities which results to social benefit to the society members. However, this theory faces various critics such as: The University of Dodoma¹ Firstly, if the state maintains a certain connection between the benefits conferred and the benefits derived, it will be against the basic principle of the tax. A tax, as known, is compulsory contribution made to the public authorities to meet the expenses of the government and the provisions of general benefit. There is no direct quid pro quo in the case of a tax⁴. Secondly, most of the expenditure incurred by the state is for the general benefit of its citizens. It is not possible to estimate the benefit enjoyed by a particular individual every year⁵. Thirdly, if we apply this principle in practice, then the poor will have to pay the heaviest taxes, because they benefit more from the services of the state. Thus, if we get more from the poor by way of taxes, it is against the principle of justice⁶. This theory attempts to determine the burden that rests upon an individual in virtue of his payment of taxes and how much of his or her income remains for purpose of his own subsistence. According to this theory payment of tax is a sacrifice that an individual makes towards the support of the government. Practically the sacrifice theory demands that individuals should only pay tax on that portion of income that is spent on luxuries, the sacrifice should only be in respect of 4 Ibid 5 Ibid 6 Ibid MAJURA Ibrahim W. Tanzania tax experts suggest that overall effect of the reforms has been to lower voluntary compliance by local taxpayers to reduce the tax handle by local tax administrators there for causing an overall decline in local revenues that exceeded the direct impact of the reforms, this act at the end has kept a low or no chance for the Sacrifice theories to develop. However, the application of this theory is shown under Section 38 in which provides that, it is mandatory to the suppliers of goods and services to be charged in accordance with the provisions of Value Added Tax Act. Thus, sacrifice theory has come in form of indirect tax. Applicability of this theory is conceptually difficult unless it is expressed in terms of income and consumption⁹. Ability to pay theory: This theory was developed due to inadequacies in benefit and sacrifice theories of taxation. This is the most popular and commonly accepted principle of equity or justice in taxation, that is, citizens of a country should pay taxes to the government 7 Luoga F. E] 9 Op. The University of Dodoma³ in accordance with their ability to pay. It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual. For instance, if the taxable capacity of a person A is greater than the person B, the former should be asked to pay more taxes than the latter. It seems that if the taxes are levied on this principle as stated above, then the justice can be achieved. However, there are still some difficulties putting this theory in practice. The trouble arises with the definition of ability to pay. Thus, the main viewpoints have been advanced in connection with the ability to pay which are as follow: This idea is outrightly rejected on the ground that, if a person earns a large income but does not spend on buying any property, he will then escape taxation. On other hand, another person earning income buys property; he will be subjected to taxation. So, the question here may arise, is this not absurd and unjustifiable that a person earning large income is exempted from taxes and another person with low income is taxed¹³? Tax on the basis of Expenditure: Some economists assert that ability to pay tax should be judged by the expenditure which a person incurs. The greater the 10 www. E] 12 www. The University of Dodoma⁴ expenditure the higher should be the tax and vice versa. The point of view seems unsound and unfair in every respect; for example, a person having a large family to support has to spend more than a person having small family. So this is unjustifiable¹⁴ Income as the basics: It appears very

just and fair that if the income of a person is a greater than that of another, the former should be asked to pay more towards the support of the government than the latter. That is why, in the modern tax system of the countries of the world, income has been accepted as the best test for measuring the ability of a person to pay. Apart from those three major theories of taxation, there are some other additional theories of taxation, these are: The cost of service theory: The cost of service principle can no doubt be applied to some extent in those cases where the services are rendered out of prices and are a bit easy to determine, such as, postal, railway services and supply of electricity. However, most of the expenditure incurred by the state cannot be fixed for each individual as it cannot be exactly be determined. For instance, how can we measure the cost of service of the police, armed forces and judiciary to different individuals?. Also, the theory is rejected because there is no quid pro quo in a tax. S Mill and other classical economists were of the opinion that if taxes are levied in proportion to the incomes of the individuals, it will extract equal sacrifice. The modern economists, however, differ with this view. They assert that when income increase, the marginal utility of income decreases. The equality of sacrifice can only be achieved if the persons with higher rates and those with low income at lower rates. They favour progressive system of taxation, in all modern tax systems. In conclusion, taxation in Tanzania is of virtue role in boosting up Tanzanians economy and the end product of taxation is seen in the development of the provision of various social services like building of Hospitals, Schools, development of infrastructure just to mention a few. E] Websites <http://www.14ibid15.com>

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