## Q. What do you understand by common of taxation ? Discuss various common of taxation as pronounces by various jurist ?

### Introduction :-

The term "cannon of taxation" refers to the set of principles or rules that guide a good tax system. The concept of first introduced by his famous work "The wealth Nation" (1776). These cannon help government design a taxation policy that is fair, efficient, and beneficial for the both and taxpayers. later several jurist and economist like J. S. mill, Dalton and Bastable also contributed additional cannon to modernise tax principles.

### IMPORTANT :

★ Father of cannon of Taxation : Adam Smith

★ Book : "The Wealth of Nations" (1776)

★ First four cannon given by Adam Smith :

1. Equality (or Equity)
2. Certainty
3. Convenience
4. Economy

### Key Points

★ Meaning : Fundamental principles of a good tax system.

★ Father of cannon of Taxation : Adam Smith.

★ Book : "The Wealth of Nations" (1776).

★ Purpose : To establish a taxation system that is fair, efficient, simple and beneficial to both the Government and taxpayers.

★ Later Contributors : J. S. Mill, and C. F. Bastable.

### About Adam Smith

★ Adam Smith (1723–1790) was a Scottish economist and philosopher.

★ He is regarded as the Father of Modern Economics.

★ In his book "The Wealth of Nations" (1776), he explained the principles of public finance and taxation.

★ He emphasized that taxation should be based on justice, certainty, convenience and economy.

### Conclusion of Introduction :-

Thus, the cannon of taxation are the guiding principles that ensure a just, simple, and efficient tax system for the welfare of the state as well as the taxpayers.

# Canons of taxation by Adam Smith

Adam Smith laid down four basic canon known as the classical canons of taxation.

## 1 Canon of equality or equity :—

According to Adam Smith, every citizen should contribute to state revenue in proportion to his ability to pay. This means the burden of taxation must be just and fair. This cannon establishes the principle of progressive taxation.

## 2 Canon of convenience :—

Taxes should be levied and collected in a way that is most convenient to taxpayers. This cannon ensure smooth collection without resistance. Example — income tax is deducted at source (TDS) from salary, which is easy and timely.

③ Canon of certainty :-

A taxpayer must know how much tax, when to pay, and how it will be collected. If there is any uncertainty related to tax payer it leads to harassment, corruption and evasion. This canon ensures transparency and accountability in taxation.

Example → Income tax law prescribes the exact rate, time of payment, and method making it clear to the taxpayers.

④ Canon of economy :-

The cost of tax collection should be as low as possible. A good tax system ensures that a major portion of tax collected goes to the government and not wasted in the collection process.

This canon leads efficiency and minimal administrative expenses. Example → If the government spends ₹280 to collect ₹100 tax is economical; but if it spends ₹280 to collect ₹100, it is inefficient.

## Summary of Adam Smith canon

- → equity → fairness in taxation
- → certainty → clarity and transparency
- → convenience → easy payment for taxpayers
- → economy → low cost of collection.

## Other canon by later jurist

1 According to (J.S. Mill) – canon of productivity – a tax should yield sufficient revenue to the government without much difficulty. A tax system that bring in very little revenue is useless, even if it is fair. Example → GST in India is highly productive because it contributes a major share of revenue.

to government revenue.

2. According to 'Prof. Dalton, canon of elasticity :- Tax the system should be flexible and able to generate more revenue whenever the Government needs extra funds (eg- during war, disaster, or economic crisis.

3. According to Bastable canon of simplicity :- Tax law should be simple, clear, and easily understable to taxpayers. Complicated taxation leads to confusion, errors and corruption. Example- simple direct tax filing system (online portal).

4. According to modern jurist canon of diversity :- The Government should not depend on a single source of taxation. A mix of direct taxes (income tax, corporate tax) and indirect taxes

(GST, excise, custom) ensure stability of revenue.

example → if the Government depends only on custom duty and imports fall, revenue will suffers. A diverse tax system avoid risk.

⑤ According to Modern view canon of expedienty :-

a tax must be acceptable to the majority of the people and should not face strong public resistance. example → Taxes on luxury goods are more acceptable than taxes on essential goods like food and medicine.

Conclusion :-

The canon of taxation ensure that a tax system is fair, certain, convenient, economical and productive. Adam Smith classical canon still remain the foundation, while later jurist expanded them to meet the needs of a modern economy. A good tax System must bala-nce equity, efficiency, and revenue needs.