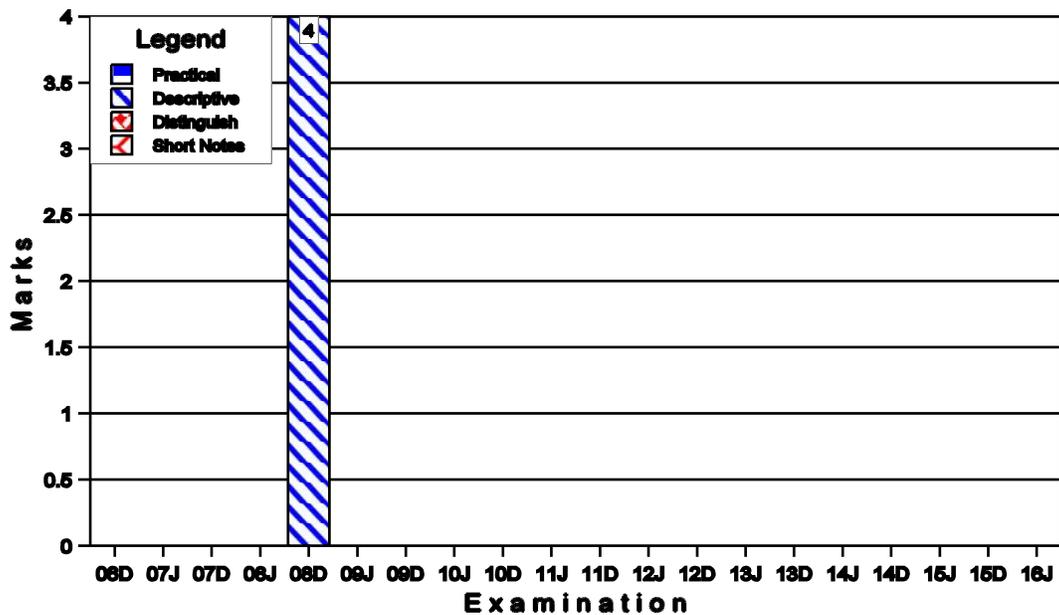


1

Canons of Taxation

This Chapter Includes : Basis for Taxation, Direct Taxes and Indirect Taxes, Constitutional Validity, Administration and Relevant Procedures.

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions



CMA Gr. I

DESCRIPTIVE QUESTIONS

2008 - Dec [8] (c) Ability to pay is one of the most important canons of Taxation. (4 marks)

Answer:

Adam Smith who is regarded as the father of Political Economy was the first Economist who enunciated the canons of taxation. He rightly placed ability to pay as most important one. He stated that every body ought to contribute towards the support of the state as nearly possible. Ability to pay is a relative concept. It increases with increase in income and ability to save. No body can pay more than he earns less his sustenance. Hence it is reasonable and practical proposition to tax according to the paying capacity e.g. rich should contribute more.

