

## **TAX**

Tax may be defined as a compulsory levy or contribution imposed on tax payers (individuals, corporate bodies) by the government which is not imposed as penalty for any legal offence.

It is also a compulsory financial contribution made by private individuals, groups and institutions toward government expenditure irrespective of the exact amount of services rendered to the tax payers in return, and not imposed as a penalty for any legal offence.

### **FEATURES OR CHARACTERISTICS OR ATTRIBUTES OF A TAX**

1. Tax is a compulsory.
2. It is not refundable
3. The money realized from tax is for the good of all
4. Tax is charged irrespective of the exact amount of services rendered to the tax payer in return.
5. Tax is not imposed as a penalty for any legal offences.
6. It is levied by the government or its agent.

### **PRINCIPLES OR ATTRIBUTES OF A GOOD TAX SYSTEM**

1. **Equity or fairness or ability to pay:** Tax should be based on a person's ability to pay and there should be equality of sacrifice; that is the burden of tax should be according to one's ability. The equity principle says that the tax payer should be levied in accordance with their ability to pay.
2. **Certainty:** Tax payers should know the exact amount they are expected to pay as tax, when and how to pay it.
3. **Convenience:** The method and time of tax collected should be convenient to the tax payer P.A.Y.E is considered the most convenient method of tax system because workers are meant to pay when they receive their salaries and at their various work place.

4. **Impartiality:** There should be no dissemination in the imposition and collection of taxes i.e people of equal financial positions should pay the same amount as tax.
5. **Flexibility:** A good tax system change with the charging circumstances in the area it is charged. It should be responsive to Economics realities.
6. **Simplicity:** A good tax system should be simple enough for everybody's understanding.
7. **Easy to collect:** People collecting the tax should not find it difficult to collect.

## **REASONS FOR THE IMPOSITION OF TAXES BY THE GOVERNMENT**

1. **General Administrative Purposes:** The administrative machinery of a country may collapse if there is no money to maintain it tax therefore, forms one of the sources of such money.
2. **Defense Purposes:** Taxation contributes part of the money used in maintaining a country's armed forces.
3. **The maintenance of Internal Law and Order:** For Internal peace and stability of a country to be guaranteed, laws must be made and executed, which requires money.
4. **Taxation is used to Redistribute Income:** To achieve this income tax is made to be progressive in nature.
5. **Provision of Social Amenities:** The money government uses in providing social amenities to the public does not come from heaven, part of it comes from taxation.
6. **For the Protection of Infant Inclusions:** This is done by heavily taxing foreign-made goods in order to discourage their importation.
7. **To Stop the Importation of Dangerous or Harmful Goods:** Taxes imposed on such goods are high in order to discourage their importation.

## **Assignment**

Define Direct tax and type of direct tax.