

Taxing system of governance: An Overview

Tax is imposed to provide the government a source of money from the citizens who are benefitted from the government endeavour. Tax is a way of collection of money for the benefits accrued by the citizen. Tax is a channel of activity which binds both the citizen and the government to economic activity. The money of the government invested into various activities etc is made to recover by subjecting to taxes in a long term procedure. The various business activities supported by the government are also subjected to taxes such that prosperity does not become part of rich only but poor people are equally benefitted from the business activities. Taxes are a way to achieve equity among masses such that it is prevented that some business activities may generate more wealth while other business activities generate less wealth. Taxes are a source of money to the government for investments into other avenues for welfare of mankind or developmental purposes.

Taxes are a major source of money to the government. Among the major taxes imposed by the government are income tax, sales tax, excise duty and custom duty. Corporate taxes are largest contributor to the government exchequer. The money generated out of taxes becomes part of annual budget where they are highlighted in new avenues of government investment. The annual budget demarcates new developmental folds for the country's prospects. As such it is essential that taxes are substantially contributed such that investments into other fields can be done. Thus we see that taxes are important to be imposed and set the base for the country's developmental folds. Besides taxes for the central government there are taxes imposed by the state government as well. Taxes of the state government set the developmental grounds of the state government. The major source of money through taxes for the state government is the sales tax.

The tax liability should be duly accepted by the people. Tax evasion is a crime on the part of the person who evades taxes. The fall out of tax evasion is that liberties of the people increases manifold. The money saved out of tax evasion is utilized for luxuries and showy grounds in the society which leads to increase of appeasement to the social man who thus far has been dedicated to government base. The type of liberties associated may be purchase of car, air conditioner and fashionable clothes. These liberties divert the mind of tax defaulter from his business activities and he is wholly occupied into luxuries. Next time also he will default on taxes and as such menace of unaccountable money to his personal fold will increase and the holding of black money increases the degree of black marketing into the business activities. The liberties of the people increases manifold and have bad impact on persons who are tax-payers.

Tax evasion leads to increase of black money such that black economy of the country increases to manifold. Perspectives such as citizens having 50% white money (money for which tax is paid) and 50% black money can be easily seen at various places. Money for which tax is paid is accounted in government folds and various perspectives of the government developmental folds are designed keeping accounted money into mind. As such the developmental folds work on less monetary folds where as persons have more money to their folds. The disparity between rich and poor increases drastically and tax evasion thus distorts the economic governance principles badly. The unaccounted money called black money transactions increases in the market and henceforth has bad impact on persons who are regular tax payers. The tax payers bear the brunt of black economy thus do not entail benefits of safe life prospects as black money has broken the backbone of economic principles in the country.

The whole purpose of taxes is to achieve equality among masses. By subjection to taxes equality of wealth is to be achieved. Equality of wealth is made up to be achieved by making rich persons to pay more taxes and poor persons to pay less tax. Moreover equality of wealth is made to be achieved by imposing taxes on various commodities such that some commodity may not generate disproportionate revenue from the market. The purpose of taxes is that person who entails more benefits under a government should pay more and thus be at about same grounds with persons who entail fewer benefits. Thus all tax payers are graded on equal basis as such disproportionate income may not become their part and they do not try to overrule the general spirit of the society. The taxpayers being kept at about uniform level leads to equality of wealth amidst masses.

Taxes are made to be paid for all services rendered by the government and various economic activities supported by the government. The tax structure is such that it starts from your house to your professional life or business activity. The various household taxes are water tax and house tax. In the professional field are telephone service tax and electricity supply tax. Then taxes are imposed on manufacture of commodity called excise duty and for sale of commodity called sales tax. Then inter-city trade tax called municipality tax is imposed and inter country trade tax called custom duty is imposed on various commodities. Taxes are imposed on luxuries, taxes are on entertainment and taxes are on property inherited by the person. An overall tax is on the net income accrued by the citizen which is called income tax. The tax structure is designed such that rich persons are made to contribute more into government exchequer and poor persons contribute less to government exchequer. The tax planning is done keeping in mind volumes of business achieved by various commodities and also on the rank and file of the commodity. Tax planning is such that important household commodities are subjected to less tax and commercial commodities are subjected to more taxes.

The tax payment principles are that you abide by the government rules and regulations thus achieve social equity in the society. Taxes are imposed to generate a social man for the society. Tax evasion leads to social turmoil in the society. By being regular tax payer the person remains attached to his business activity or his professional stream remains sound and he being a social man is always devoted whole heartedly to business activity. By being regular tax payer there is no threat to his business or professional life and he is always into safe hands to conduct his business or professional life. By being tax defaulter person diverts his mind from business or professional life and there is bad impact on his business culture or professional stream.