**ABSOLUTE AND RELATIVE TAXABLE CAPACITY**

INTRODUCTION

Taxation on people must be levied with great care and rationality. In order to practice this rationality and care, the taxing agency must follow certain code of conduct in the form of principles of taxation while determining the type and amount of tax.

‘Taxes’ are the compulsory payments made to government without expectation of any direct return or benefit to the tax payer. The term ‘taxable capacity’ occupies an important place in public finance particularly in the domain of taxation.

Meaning of taxable capacity:

According to Josiah Stamp “taxation capacity is the total production minus the amount required to maintain the population at subsistence level”. According to this definition total production refers to the total volume of income produced and available for the people.

Taxable capacity is normally used into two senses;

(a)The absolute taxable capacity and

(b) The relative taxable capacity.

(a) The absolute taxable capacity

The absolute taxable capacity indicates the amount of money or the proportion of national income that can be taken away by the government from people in the form of taxes without producing unfavorable effects. The concept of absolute taxable capacity is not to be assumed as a constant entity.

(b)The relative taxable capacity

In the relative sense, the reference is to the proportion in the two or more nations or groups of persons or states in a federation contribute towards the common expenditure through taxation. The relative taxable capacity refers to the proportion in which two or more community can contribute in the form of taxes in order to meet some common expenditure. In other words, relative taxable capacity of the community to contribute to some common expenditure in relations to the capacities of other communities.

CONCLUSION

It is true that we cannot measure the absolute taxable capacity of a country with any degree of accuracy. But it would be wrong to deny the existence of the concept of absolute taxable capacity in public finance. There are a number of concepts in economics which cannot be measured accurately and yet they play an important role in the formulation of economic laws. Concept of absolute taxable capacity is one of such concepts

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***FACTORS DETERMINE TAXABLE CAPACITY***

Taxable capacity may defined as the maximum amount which the citizen of a country can contribute towards the expense of public authorities without having undergone an unbearable strain. The taxable capacity of a country depends on number of factors .The major factors which affecting the taxable capacity are summarized below,

 Size of the National Income

The taxable capacity of a country is primarily depends on its size of a national income which in turn on the proper use of natural resources, skill, technology, investment pattern.

 Size and rate of growth of population

Size and rate of population affects the taxable capacity to a great

extent. The larger the population the lower the taxable capacity. Countries like India

and China have a lower taxable capacity because of high population.

 Distribution of income and wealth

The distribution of income and wealth also influence the taxable capacity of the people. If the wealth and income is unequally distributed, taxable capacity is high because it will be easy for the Government to raise the bulk of revenue

From the richer by imposing high and progressive taxation.

 Stability and growth of income

Taxable capacity of the country will be lower if there are economic fluctuations with serious ups and downs especially during the period of depression.

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 Pattern of taxation

Taxable capacity depends upon the pattern and method of taxation. If the tax system is well planned and broad based, it will bring more revenue, similarly if it observes the canons of economy and convenience, taxable capacity will certainly be greater.

 Purpose of taxation

The purpose of taxation has to do much with the extent of taxable capacity.

 Psychology of taxpayer

Psychology of taxpayer plays a vital role to determine the taxable capacity of a country. Incase the people are psychology depressed; the taxable capacity will be reduced automatically.

 Nature of public expenditure

The nature of public expenditure also determines the extents of taxable capacity. When it is used on productive projects, it increases the wealth of the country which in turn increases the taxable capacity.

 Standard of living of the people

Higher consumption expenditure, higher would be the standard of living. It is the best measure to determine the taxpaying ability of people.

 Price level If price level is reasonably low and stable, it means the higher taxable capacity. If price are rising fast, it will lower taxable capacity in real terms.

 Stability of income Stability of income increases taxable capacity.

 Administrative efficiency

If tax collecting machinery is efficient and the taxes are uniformly enforced, tax evasion can be avoided and can increases taxable capacity.

 Economic situations

During the time of prosperity the taxable capacity will be high. During depression the people face many problems it decreases taxable capacity.

 Political situations

Stable political system creates confidence in the mind of tax payer it increases taxable capacity.

**Characteristics of a good system**

Tax

Taxation is the biggest source of public revenue of the modern government. It is the legal duty of every citizen of a country to pay honestly; it may be levied on income, property and even at the time of purchasing a commodity. In simple words, it is a compulsory payment by the people. If a person refuses the tax payment, he may be punished by the law. Different economist tried to define taxation in a different style as stated.

Characteristics

Tax is an important tool in the development of the economy. The idea of taxation is not only difficult, but, hard.

1.a good tax system would cause minimum aggregate sacrifice. The allocation of taxes among tax payers is made according to *the ability to pay.*

2.it should ensure maximum *social advantage*.

3.in a good tax system, taxes are universally applicable with the same ability to pay, are treated *without any discrimination*

4. A good tax must follow most of the *canons of the taxation* to the possible extent.

5. A good tax system should have the *quality of simplicity* so that it may not be impossible to enforce them.

6. The tax should be *acceptable to the public* it should be consistent with the peoples capacity.

7. *The balance* should be maintained by imposing all type of taxes .

8. It should be designed *to tap the surplus* resources and properly utilised for the common welfare

Canons of taxation

Tax is the main source of income. Every tax is an additional burden on the tax payer thus it is essential that the burden of tax should be divided in equal manner. Canons of taxation are as follows

**1.** Canon of equity: according to this it states that a tax is that which is based on the principle of equity. It is maintained that the tax must be levied according to the tax paying capacity of the individuals.

2. Canon of certainty**:** this implies that the tax payer should determine the following manners carefully

The time of payment, Amount to be paid, Method of payment

Place of payment, The authority to whom the tax to be paid

3. Canon of convenience**:** the taxes should be levied and collected in such a manner that it provides the maximum of convenience to the taxpayers. This canon is important for both the tax payers and the government

4. Canon of economy**:** it implies the minimum possible money should be spent in the collection of taxes. The maximum part of the collected amount should be deposited in the govt treasury.

The above mentioned *canons of taxation* are most significant and have an important place. The other canons which have been added by modern economists.

1. Canon of productivity**:** the principle of taxation must be based on the productive lines. Taxation believed in order to accumulate enough money for the govt to run its administrative efficiency

2. Canon of elasticity**:** this canon signifies that the taxes should be levied in such a way that the amount to be procured by them can be increased or decreased with the convenience of the government time to time. It is an index of efficiency and the stability of the government.

3. Canon of diversity**:** this refers that diversity should exist in the tax system of a country. The burden of the tax should be scattered among different kinds of people. The burden of paying tax should be diversified in such a way that every tax payer must pay according to his ability.

4. Canon of simplicity**:** every tax should be simple, easy and understandable to a common man. Its procedure must be simple in nature so that tax payer is able to understand and calculate it.

5. Canon of expediency**:** a tax should be such that it requires no justification and it should not be a subject of any criticism. In other words, tax payer should have no doubt about its desirability.

6. Canon of coordination**:** there must be coordination between different taxes that are imposed by various tax authorities.

7. Canon of neutrality**:** it means that a tax should avoid interference with the attainment of optimum allocation and getting of maximum satisfaction.

Conclusion

These canons are considered as the essential requirements of a good tax system. Practically no tax system in the world to satisfy the above canons .But making these canons in practice leads to provide maximum social welfare for the people.

**Impact and incidence of taxation**

An airedy mentiont at the beginning of this lesson section for the Act charges every person to tax in respect of his total income and section five of the Act define the scope or extend of total income. The scope of total income varies according to the residential status. Sec.5 the taxability of different taxable unity will be assessed on their total income computed on the basis of their residential status

Scope of total income a resident- Income received, Income which accrues or arise,

Income which accrues or arise out side India

Scope of total income of a person not resident- Income received or deemed to be received in India.Income which accrues or arises or is deemed to accrue or arising India previous year

Scope of incidents of taxation

a) Income received in India

Receipt of a particular income in India attracts tax liability. All person are assessable

on income received in India, Irrespective of their residential status

b) Income deemed to be received in India

Certain incomes are deemed to be received by the person even they are not actually received. The expretion deemed to be received consideration means that income is not actually received by the provision of the Act

c) Tax deducted at sources

If any tax is deducted at sources from the income payable to any person the tax so deducted

d) Transferred balance

When a provident fund is recognized by the income tax the balance standing to the credit of the member is unrecognised balance

e) Annual recogninsed provident fund

f) Income which accures or arises in india

Income is said to be received when it reache the asses

g) Incomeaccuring or arising outside india

Income may be earned from any source outside india

**INDIRECT TAX MERITS AND DEMERITS**

INDIRECT TAX

An indirect tax is imposed on one person, but is paid either party or whole by another person. Indirect tax affects the income at the time when the consumer goes to buy goods. Example :sales tax ,excise duty

Merits of indirect tax

1. Convenience - The indirect taxes are convenient than direct taxes

2**.** Elastic

Indirect taxes are elastic initiative as the revenue from there taxes can be increased as and when desired.

3**.** Equity

Indirect taxes are equitable, became there taxes are paid by the consumer on the commodity.

4**.** Social welfare

Heavy indirect taxes on articles like with opium, liquor etc.

5. progressive in nature

Indirect taxes can be said more progressive in nature. If the taxation commodities are heavy taxed and the essential commodities are exempted from tax

6.Easy to collect

Indirect taxes are easy to collect from every member of the community

DEMERITS OF INDIRECT TAX

1.Regressive in nature

Indirect taxes are centrally regressive in nature because they fell on all persons indiscriminately

2.Uncertainity **-** The revenue collected by the government is very difficult to be anticipated

3.Discourage saving

Indirect taxes discourage savings became the taxes are included in the price

4.Un economical

Indirect taxes are uneconomical they involve more cost of collection then actual amount of the taxes

5.In equitable

Another weakness of indirect taxes is that it is inequitable and unfair

6.No direct link with the government

Indirect taxes being invisible loss direct tax between the tax payer and the public authority

**PROPORTIONAL AND PROGRESSIVE**

A progressive tax is imposed so that the effective tax rate increase as the amount to which the rate is applied increase. The opposite of a progressive tax is a regressive tax were the effective tax rate decrease as the amount to which the rate is applied increases.

Proportional tax were the effective tax rate is fixed, while the amount to which the rate applied increases. The terms can also we used to apply to meaning to the taxation of select consumption.

PROGRESSIVE TAX

It is a tax by which the tax rate is increases as the taxable base amount increases. Progressive describes a distribution effect on income or expenditure referring to the way the rate progresses from low to high. Progressive tax attempt to reduce the tax incidence of people with a lower ability to pay as they shift the incidence increasingly to those with a higher ability to pay.

PROPORTIONAL TAX

It is a tax imposed so that the tax rate is fixed. The amount of tax is in proportion to the amount subject to taxation. Proportional describes a distribution effect on income or expenditure referring to the way of rate remains consistent where the marginal tax rate is equal to the average tax rate. Proportional taxes maintain equal tax incidence regard less of the ability to pay and do not shift the incidence disproportionately to those with a higher or lower economic well being.

**Taxation During British Rule**

The tax system of British India reflected characteristics of a traditional agricultural economy. Revenues of the Central Government were dominated by customs duties as domestic requirements for manufactured goods were met mostly by imports, chiefly from Britain and other commonwealth countries. Import duties were levied on almost all items of imports whereas major items subject to export duties were jute and tea in which India enjoyed near-monopoly in the world market. Various customs and tariff enactments were passed from time to time but the following two were the main

1)T he sea customs act, 1872

2)The Tariff Act, 1934

Excise Duty

Another important source of tax revenue for the Central Government was excise duty levied on a few commodities Excise at the rate of 6 annas [4] per Imperial Galton was imposed on motor sprit in 1917 and on kerosene at the rate of 1 anna per Imperal Galton in 1922. Another Landmark in the history of excise taxation was the year 1934 when excise duties were imposed on sugar, matches, and steel. Duties were imposed on tyers in 1941 and on vegetable products and tobacco in 1943, mainly to meet the exigencies of war finance .The year 1944, excise duties being imposed on coffee, tea and betel nut . Cigarettes came within the excise net in 1948 and mill made cotton

Income Tax

As for the British Indian Province, the chief source of income was land revenue followed by Provincial excises, mainly on liquor. Although under the Government of India Act ,1935. The province of Bombay levied a tax on the sale of tobacco in 1938. A retail sales tax on motor sprit and lubricants was imposed by Central Provinces (now Madhya Pradesh) in the same year.

**Topic : Public revenue**

The necessity of raising public revenue follows from the necessity of incurring public expenditure

SOURCE OF PUBLIC REVENUE

Taxes are not the only source of public revenue there are various other source of revenues like Fees, Price, Special Assessment, Fines & Penalties, Gift, Profit from government enterprises

1. TAXES

Tax is a compulsory charge imposed by a public authority on an individual or corporation

2. FEES

The other important source of public revenue is the fees charged for rendering services

3. PRICE

The third important source of public revenue is the price The government sells some goods & services and receives price in payment for them

4. SPECIAL ASSESMENT

A compulsory contribution levied in proportion to the special benefits derived to defray the cost of a specific improvement to property undertaken in the public interest

5. FINES & PENALTIES

Fines & penalties are the payment made for the contravention of law

GIFTS

A small portion of the revenue of the government is also derived from the gifts made by individuals, private organisations & foreign governments

**TAXATION AFTER INDEPENDENCE**

After independence in 1947,the Indian tax system has undergone major structural changes. It has been successfully used to mobilise resources to finance administrative and developmental activities of public authorities. under Article 246 read with seventh schedule of the constitution, these powers have been defines through precise entries in the three lists in the schedule. Thus, the centre has exclusive powers to legislate in respect of matters contained in List 1(union list). Entries 82-92c of this list pertain to taxation powers Entries 45-63 of this list relate to taxation power of the states. The parliament and the state legislatures have concurrent powers to make laws on any matters in List3(concurrent list).However, this list does not contain any head of taxation which means the centre and the states have no concurrent powers of taxation. Residency powers of legislation including taxation belongs center as per entry 97 to list 1.

On April 1,1953 ,the govt. of India appointed the Taxation Enquiry Commission under the chairmanship of Johan Mathai.It is a systematic and comprehensive study of the incidence of central and state indirect taxes. The commission dealt at length with the administration of income tax and found staggering levels of tax evasion.

In mid 1950,british economist Nicholas kaldor carried out, at the request of the govt. of India,a review of the indian tax system.

An integrated direct tax system was introduced in India.

In 1957 and 1958,three new taxes were introduced, viz. wealth tax, expenditure tax, and gift tax.

On March 2,1970 , govt. of India constituted the Direct Taxes Enquiry Committee, under the chairmanship of K.N Wanchoo.

The Indirect Taxation Enquiry Committee was set up the govt. of India on July19 ,1976 ,under the chairmanship of L.K JHA.

1. Computation of the committee revealed poor elasticity of the indirect tax system, except import duties.

2. Recommended the introduction of VAT at the manufacturing stage.

SINCE 1991

The main focus of the tax reforms has been on simplification & rationalization.

Tax reforms committee.

Committee on reviewed of central, excise collection system.

Expert grouped on taxation of services.

Task forces on direct & indirect tax should be created.

In September 2002,govt of India set up two task forces to recommend measures for simplification & rationalization of direct & indirect taxes. In this 2006-2007 budget speech, the union Finance minister hoped for a phased move towards a fully integrated national level Goods & Services Tax(GST) by april1,2010.

**TAXABLE CAPACITY-MEANING**

Introduction

Taxes are imposed so that a may perform its traditional functions, undertake welfare and developmental activities, and make provisions for public goods to satisfy collective needs of the people.

Taxable capacity

Taxable capacity is of great significance in modern days for the administration of public finance. It is used for the growth of public welfare. Taxes are major source of public income. That leads to increase in the revenue of public authority.

Definitions

The concept of taxable capacity has defined in different manner by different economist. In simple words ,taxable capacity refers to the maximum capacity of a community to contribute by the way of taxation. Taxation enquiry commission report defined as “taxable capacity of different sections of the community may be said to refer the degree of taxation broadly speaking beyond which productive efforts and efficiency as a whole being to suffer. Some economist defined taxable capacity as:

Huge dalton:my general conclusion is that relative taxable capacity is a reality, which can, however ,be equally expressed in other terms, while absolute taxable capacity is a myth.

Dr.fraser:the taxable capacity of a nation is surely reached when tax payers are forced to borrow from the banks to pay their taxes

R.n bhargava:the limit of taxation as also of expenditure, is indicated by the principal of the public finance and should be called the optimum of public finance

Absolute and relative taxable capacity

Normally, taxable capacity is used in two senses named as;

Absolute taxable capacity

Relative taxable capacity

The absolute taxable capacity refers to the maximum amount that can be collected from a community without causing any unpleasant effect. Whereas relative taxable capacity implies to one community as compare to another. Even unlike other concepts, it must be considered as a major tool in formulating of economic laws. In fact, from the practical point of view, relative taxable capacity is more definite and intelligible

Significance

In the modern era, almost all the welfare countries that have the object of maximisation of social order to achieve sustained and higher level of growth under developed countries should mobilise all the possible sources of revenue. In other words, taxes are major sources of revenues in underdeveloped as well as developing countries which manifest the importance of the taxable capacity. Thus, all governments are keen to assess the taxable capacity of the people.

Conclusion

Tax is the major source of public income or revenue and high taxation lead to increase in the revenue of the public authority. So taxable capacity is a great significance in modern days for the administration of the public finance.

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**HISTORY OF TAXATION SYSTEM IN INDIA**

India’s history of taxation suggests existence of a large and composite taxable population. With the advent of the Mugals in India the country witnessed a sea of change in taxation system of India. Although they also practical the some num of taxation but it was more homogeneous in structure and collection the period of British rule in India witnessed some remarkable change in the whole taxation system of India. Although, it was highly in favor of the British govt. and its exchequer but it incorporated modern and scientific method of taxation tools and systems 1922 the country witnessed a paradigm shift in the over all Indian taxation system.

TAXATION SYSTEM IN INDIA

India has a well developed tax structure with clearly demarcated authority but between control and state govt. and local bodies. Central govt. levies on income, customs duties, central excise and service tax.

Value added tax (VAT), stamp duty, state excise,

Land revenue and tax on professions, octroi and for utilities like water supply, drainage etc.

Since 1991 tax system in India has under gone a radical change, in line with liberal economic policy and WTO commitments of the country some of the changes are:

1. Reduction in customs and excise duties

2. Lowering corporate tax

3. Widening of the tax base and toning up the tax administration

Since APRIL 01, 2005, most of the state govt. in India have replaced sales tax with VAT. RIGIL

***TAX***

Tax is a compulsory payment made by the tax payer to government without any expectations of special return .Tax revenue has occupied the most important place in the revenue system of almost all the government.

Characteristics of good tax system

\*compulsory payment

Tax is a compulsory payment made by the tax payer to government without any expectations of special return. It is a part of the total budget of the government.

\*Dimensions

A tax system has many dimensions; they are on the basis of volume, composition, rates, coverage, timing of collection, mode of collection. Each system will have its merits and demerits in terms of these social and economic effects and therefore, quite a number of these sets will claim our attention as possible.

\*Attitude of the tax payer

It is an important variable determining the contents of a good tax system. It may be assumed that each tax payer good like to be exempted from tax paying, while he would not mind if others bear that burden

\*Changes in tax system

Changes in a tax system can be brought about only slowly in stages. If it is decided to have on an entirely new tax system the authorities cannot suddenly disrupt the whole old system.

\* Tax system must be convenience

There are various difficulties both conceptual and practical. Apart from this it is generally assumed that the administrative machinery is efficient and honest. Again some taxes though theoretically round may involve a heavy cost of collection.

*CONCLUSION*

A good tax system should run in harmony with important national objectives and if possible should assist the society in achieving them. It should also yield adequate revenue for the treasury and should be flexible enough to move with the changing requirements of the state and the economy.

A good tax system recognizes the basic rights of the tax payer. The tax payer is expected to pay his taxes but not undergo harassment.

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PRINCIPLES OF TAXATION

Taxation is the biggest source of public revenue of the modern government. In a democratic political set up taxation is responsible for shaping the political activities of the government. Tax is a compulsory contribution of the wealth of a person or body of persons for the service of the public powers. In a simple word it is a compulsory payment by the people.

Economists have suggested various principles regarding taxation.

EQUITY PRINCIPLE

Equity principle refers to the fairness or justice in the distribution of burden of taxation. Therefore equity principle requires that taxation should be just and based on equality and justice. This theory has two aspects,

HORIZONTAL EQUITY

Which implies the persons who are equally well of from economic point of view and they should pay and equal amount as taxes.

VERTICALLY EQUITY

Which implies the person who is better off should pay more as taxes than others.

This principles call for a distribution of the tax burden in line with horizontal and vertical equity. To attain the both taxpayer with equal ability to pay should contribute equally and taxpayer with unequal capacity should contribute different amount.

**PUBLIC FINANCE**

Introduction

Public finance is a field of economics concerned with paying for collective or governmental activities, and with the administration and design of those activities.

Definition

Public finance is defined as collection of taxes from those who benefit from the provision of public good by the government, and the use of tax fund towards production and distribution of the public good. Public finance is closely connected to issues of income distribution and social equity.

Elements of Public Finance

1. Public finance Management

Collection of sufficient resources from the economy in an appropriate manner along with allocating and use of these resources efficiently and effectively constitute a good financial management.

II. Government expenditure

Economists classify government expenditures into three main types.

Government purchases of goods and services for current use.

Government purchases of goods and services indented to create feature benefits.

Government expenditures that are not purchases of goods and services and instead.

III. Government operations

Government operations are those activities involved in the running of a state or a financial equivalent of a state for the purpose of producing value for the citizen.

IV. Income distribution

Some forms of Government expenditure are specifically indent to transfer income from some groups to others.

Financing of Government expenditures

Government expenditures are financed in two ways.

1. Government Revenues

a) Taxes :-

Stamp duty, levied on documents

Excise tax (tax levied on production for sale, of a certain goods)

Sales tax (tax on business transaction, especially the sale of goods and services )

Value Added Tax (VAT),Services tax on specific services.

Road Tax, Gift Tax, Duties, Corporate income Tax on corporations

Wealth Tax, Personal income tax.

b) Non Tax Revenue :-

Revenue from Government owned corporation, Sovereign wealth funds, Sale of assets or seigniorage.

1. Government Borrowings

Government’s, like any other legal entity, can take out loans, issue bonds and make financial investments.

**SINGLE OR MULTIPLE TAXES**

INTRODUCTION

Tax is the main source of Government's revenue. Taxes are compulsory payments made to government without expectation of any direct return or benefit to the taxpayer. The various taxes may be classified under the following major heads.

1. Direct and indirect tax

2. Proportional, progressive, regressive and digressive.

3. Specific and advalorem taxes

4. Single and multiple taxes

Single taxes:

A single tax occurs in a system in which the taxes are levied only on one subject. There is only one tax which constitutes the source of public revenue. The entire tax burden on rent which in their view was purely a surplus accruing to the landlords.

A single tax on income can be devised with advantage. It can yield adequate revenue and unfairness in the distribution of the burden of taxation by means of graduation, differentiation and other devices.

Following are the three major advantages;

It would be difficult and expensive to collect, particularly in relation to small incomes.

It would secure no special contribution from the inheritors of wealth.

It would check savings more than other taxes would do.

Following are the disadvantages of single tax system;

It would not produce adequate revenue.

It would mean a very unsatisfactory distribution of the burden of taxation.

Multiple taxes:

Multiple taxes refer to the tax system in which taxes are levied on various items. It is absolutely against the single tax. A modern economy is not one or single objective economy. Since no single tax can be expected to help the economy on all fronts, choice for a multiple tax system becomes inevitable.

Following are the advantages of multiple tax system;

It is efficient in checking the tendencies of frequent tax evasion.

It can be made in discriminatory and the inequality of incomes and wealth can be reduced.

It increases the tax income of the govt.

It is more flexible than the single tax system

Following are the disadvantages of multiple tax system;

It is undesirable and should be avoided.

It would involve a high cost of collection.

**Carucate**

Farm-derived units of measurement:

1. The [rod](http://en.wikipedia.org/wiki/Rod_%28length%29) is a historical unit of length equal to 5½ yards. It may have originated from the typical length of a mediaeval [ox-goad](http://en.wikipedia.org/wiki/Goad).
2. The [furlong](http://en.wikipedia.org/wiki/Furlong) (meaning furrow length) was the distance a team of oxen could plough without resting. This was standardised to be exactly 40 rods.
3. An [acre](http://en.wikipedia.org/wiki/Acre) was the amount of land tillable by one man behind one ox in one day. Traditional acres were long and narrow due to the difficulty in turning the plough.
4. An [oxgang](http://en.wikipedia.org/wiki/Oxgang) was the amount of land tillable by one ox in a ploughing season. This could vary from village to village, but was typically around 15 acres.
5. A [virgate](http://en.wikipedia.org/wiki/Virgate) was the amount of land tillable by two oxen in a ploughing season.
6. A **carucate** was the amount of land tillable by a team of eight oxen in a ploughing season. This was equal to 8 oxgangs or 4 virgates.

The **carucate**("wheeled plough") or **ploughland** was a unit of assessment for tax used in most part of [England](http://en.wikipedia.org/wiki/England). Carucate was based on the area a plough team of eight [oxen](http://en.wikipedia.org/wiki/Ox) could [till](http://en.wikipedia.org/wiki/Tillage) in a single annual season (**Tillage** is the agricultural preparation of the [soil](http://en.wikipedia.org/wiki/Soil) by [ploughing](http://en.wikipedia.org/wiki/Plough), ripping, or turning it.). It was sub-divided into [oxgangs](http://en.wikipedia.org/wiki/Oxgang), or "bovates", based on the area a single ox might till in the same period, which thus represented one eighth of a carucate; and it was analogous to the [hide](http://en.wikipedia.org/wiki/Hide_%28unit%29), a unit of tax assessment used outside the Danelaw counties

The **hide** was originally an amount of land sufficient to support a household, but later in Anglo-Saxon England became a unit used in assessing land for liability to cattle or land tax.

The tax levied on each carucate came to be known as "[carucage](http://en.wikipedia.org/wiki/Carucage%22%20%5Co%20%22Carucage)".

**Weregild** (also spelled *wergild*, *wergeld*, *weregeld*, etc.) was a value placed on every human being and every piece of property in the Salic Code ([Salic Law](http://en.wikipedia.org/wiki/Salic_Law%22%20%5Co%20%22Salic%20Law)). If property was stolen, or someone was injured or killed, the guilty person would have to pay weregild to the victim's family or to the owner of the property.

The **Danegeld** :- was a [tax](http://en.wikipedia.org/wiki/Tax) raised to pay [tribute](http://en.wikipedia.org/wiki/Tribute) to the [Viking](http://en.wikipedia.org/wiki/Viking) raiders to save a land from being ravaged. It was called the *geld* or *gafol* in eleventh-century sources;[[2]](http://en.wikipedia.org/wiki/Danegeld%22%20%5Cl%20%22cite_note-1) the term *Danegeld* did not appear until the early twelfth century. A **tribute** (from [Latin](http://en.wikipedia.org/wiki/Latin) *tributum*, contribution) is wealth one party gives to another as a sign of respect or, as was often the case in historical contexts, of submission or allegiance. A **tributary** or [tributary state](http://en.wikipedia.org/wiki/Tributary_state) is a state, colony, region, or people who pay tribute to a more powerful, [suzerain](http://en.wikipedia.org/wiki/Suzerain) [state](http://en.wikipedia.org/wiki/Sovereign_state).

Ancient [China](http://en.wikipedia.org/wiki/China) received tribute from various states such as [Japan](http://en.wikipedia.org/wiki/Japan), [Korea](http://en.wikipedia.org/wiki/Korea), [Vietnam](http://en.wikipedia.org/wiki/Vietnam), Cambodia, Borneo, Indonesia, South Asia and Central Asia. [Roman republic](http://en.wikipedia.org/wiki/Roman_republic) also exacted tribute in the form of equivalent to proportional [property taxes](http://en.wikipedia.org/wiki/Property_tax) for the purpose of waging [war](http://en.wikipedia.org/wiki/War).

THALLAGE:-

Tallage is a type of feudal tax. In its origins tallage is not clearly distinguishable from [aids](http://www.questia.com/library/encyclopedia/101228054) (a type of feudal due), and in Germany it never developed beyond an occasional "voluntary" gift from vassal to lord. The main burden of the taille, which had become the most important direct tax, fell upon the peasantry and was lifted only by the French Revolution. The English tax known as tallage, introduced by the Norman kings as a partial substitute for the [Danegeld](http://www.questia.com/library/encyclopedia/101239972), was levied by the kings and lords on their demesne lands under Richard I and John it became a common source of royal revenue. In 1297 a petition of Edward I prohibited tallage collection. . As other means of raising money grew common, tallage disappeared in the reign of Edward III.

SCUTAGE ..It was normally possible to make a payment, known as scutage or shield money, in place of performing [feudal](http://www.answers.com/topic/feudal-service) military service. The practice is best documented in England. The earliest reference to scutage dates from 1100. A normal rate in the reign of Henry I was 30 shillings for each knight's fee. By Edward I's reign there was much argument, as tenants-in-chief resented being asked to pay scutage on the old assessment of knights' fees, when they had in fact provided service based on the new reduced quotas. At the same time, tenants-in-chief benefited from scutage themselves, for they could, and did, collect it from their own tenants.

**CAUSES OF LOW TAX IN INDIA**

There are many cause which affecting the low tax in India, they are as follows;

1. Standard of living: In India the standard of living of is very low, because the per-capita income of the people is very low. So, the standard of living of the people is small whose incomes are low but the propensity to consume is high. Hence the low level of income and standard of living are responsible for low tax in India.

2. Unemployment: the raising of population leads to decrease the employment opportunities; therefore the unemployment level will increase. If there is no employment, there is no income in the hands of people. So it leads to the low taxation.

3. Lack of quality education: Now a day our education system was very poor. Through the poor education system, their earning of income also decreases. By lower rate of income the tax also decrease

4. Non-monetised sector: Non-monetised sector is that part of the economy in which money is not the media of exchange and the value of production is not measured in term of money. A substantial part of production does not come into the market and is consumed by the producers themselves. In India, for example, a substantial part of food grains is consumed by the agriculturists themselves or is exchanged for goods, wages are paid in kind.

5. Lack of administrative efficiency: If the administration power of a state is more efficient then they can collect tax in efficient and suitable ways. Other ways the administration power is not efficient, then their tax rate become decreases. Now, this stage was held in India.

6. Unstable political condition: In India the maximum period of a government is five years. In our society many political parties are exisits. If there is no stability in political condition the tax rate become down wards. If there is stable political condition the tax rate will very high. This system was not exisits in India so the tax rate become low

7**.** Psychology of tax payer: India is not a developed country but it is a developing country. The major portion of national income is vested in the hands of some person. They are not willing to pay tax. Some times they cheat the government and make corruption in tax. This may leads to low level tax in India.

8. Volume of International trade: International trade offers a good scope for commodity taxation like import and export duties. But in India, proportion of foreign trade to national income is small in comparison with some industrially advanced countries and therefore, the income from import and export duties is not very large. More over, the small ratio of foreign in trade to national income restricts the area of large scale commercial sector. This limits the scope of taxation, because the commercial sector is small and revenue from this sector in the form of commodity tax like sales tax can’t be raised much.

**FACTORS AFFECTING TAXABLE CAPACITY**

INTRODUCTION

The taxable capacity of a country depends on number of factors. Taxable capacity means the maximum amount that can be collected by the govt. from a citizen without affecting production. The major factors which influence the taxable capacity are summarised below.
**1.** SIZE OF NATIONAL INCOME
The size of national income depends upon the natural resources &human resources. If the national income is high the taxable capacity is also high. If the national income is less the taxable capacity is also less.
**2.** SIZE OF POPULATION
When the population is large the taxable capacity is high. When the taxable capacity is small the taxable capacity is less.
**3**. DISTRIBUTION OF INCOME
In this the national income is distributed on the basis of even & uneven. When the income is equitable the taxable capacity is less. When the taxable capacity is inequitable the taxable capacity is high.
**4.** STABILITY OF INCOME
If the income is stable the taxable capacity is high. If the income is unstable the taxable capacity is low. Stable income includes salary.
**5.** PATTREN OF TAXATION
Taxable capacity depends upon the pattern and methods of taxation. If the tax system is well planned and broad based, it will bring more revenue.
**6.** NATURE OF PUBLIC EXPENDITURE
Amount spend by govt. to public is known as pubic expenditure. If the govt spend money for developmental activities, the taxable capacity is high. if the govt spend money for repayment of loans, the taxable capacity is low.

**7.** PSYCOLOGY OF TAX PAYER
Psychology of the taxpayer plays a vital role to determine the taxable capacity of a country. If the tax payer is willing to pay the tax the govt. can collect more tax. If the tax payer is not willing to pay the tax the govt cannot collect more tax.
**8.** ADMINISTRATIVE EFFICIENCY
If the administration is efficient the taxable capacity is high. When the administration is not efficient the taxable capacity is less.
**9.** STAGES OF ECONOMIC GROWTH
During the boom and recovery periods the taxable capacity is high. But, the recession &depression period the taxable capacity is low.
**10.** POLITICAL STABILITY
Political conditions also determine the taxable capacity. In a stable political system the taxable capacity is more. If the political conditions is not stable the taxable capacity is less.
CONCLUSIONWe concluded that these are the major factors for determining the taxable capacity. These factors help to collect maximum tax from the tax payers.

**JIZYA**

Jazzy was a poll-tax charged only from the non-Muslims. There is a difference of opinion among scholars regarding the nature of this tax. One view is that it was a relegious tax levied on the non-Muslims “in return for which they received protection of life and property and exemption from military service, as non-Muslims were not entitled,”according to orthodox jurists, to live in a Muslim country.Critics point out that whateve might have been the original intention with which Jizya was leived in Islamic lands, outside India,there is no doubt that by the time the Arabs conquered sind,Jizya had acquired a relegious importance.Jizya was levied on the non-Muslims as the state gave them “protection of life and property and exemption from military sevice.” It was considered to be a relegios duty by the Sultans to realise the Jizyawith all the regour they could command.

Jizya was not levied from women, children, monks, beggars the blind and the crippled. It was not levied even from the Brahmans. The entire Hindu population was devided in to three grades for the purpose of Jizya. The first grades paid at the rate of 48 Dirhams the Second 24 dirhams and the third 12 Dirhams. The Zakat on importe was a fortieth of the value of the merchandise. It was 50% and horses. These charges were doubles in the case of non-Muslim traders. Sikander Lodi abolished the Zakat on gain and it was not renewed by any subsequent sultan. The spoils of war were known as Ghanimah-Legally, out of all the booty collected, one fifth was to be kept for the state and rest was to be distributed among the soldiers. The share of the state was known as khams. Against the Islamic law, a practice grew up that only a fifth was distribited amongst the soldiers and four-fifthes were kept by the state. The property of a Hindu dying in similar circumstaces was handed over to his community.

**REGRESSIVE TAX &DEGRESSIVE TAX**

INTRODUCTION

Economists have classified tax from different analysis thereby providing us a long list of different kinds of taxes. The various taxes may be classified under the following major heads.

1. Direct & Indirect taxes

2. Proportional, progressive, regressive & digressive taxes

3. Specific and ad valorem taxes

4. Single &Multiple taxes

REGRESSIVE TAX

In regressive taxation, the higher the income of taxpayer, the smaller is the proportion of his income which be contributes to the government in terms of tax, thus a regressive tax is just the opposite of the progressive tax. Under this system of taxation, the poorer sections of society are taxed at higher rates than the richer sections. As the income of an individual increases, the rate of tax diminishes.

DEGRESSIVE TAX

This tax can be called a mild progressive tax .In a digressive tax, the rate of progression does increases in the same proportion as the income. The rate of tax increases up to a certain limit beyond which a uniform rate is charged. The result of this tax is that the higher income groups make less scarifies than the lower income groups

**SINGLE OR MULTIPLE TAXES**

INTRODUCTION

Tax is the main source of Government's revenue. Taxes are compulsory payments made to govt without expectation of any direct return or benefit to the taxpayer. The various taxes may be classified under the following major heads.

1. Direct and indirect tax

2. Proportional, progressive, regressive and digressive.

3. Specific and advalorem taxes

4. Single and multiple taxes

Single taxes:

A single tax occurs in a system in which the taxes are levied only on one subject. There is only one tax which constitutes the source of public revenue. The entire tax burden on rent which in their view was purely a surplus accruing to the landlords.

A single tax on income can be devised with advantage. It can yield adequate revenue and unfairness in the distribution of the burden of taxation by means of graduation, differentiation and other devices. Following are the three major advantages;

It would be difficult and expensive to collect, particularly in relation to small incomes.

It would secure no special contribution from the inheritors of wealth.

It would check savings more than other taxes would do.

Following are the disadvantages of single tax system;

It would not produce adequate revenue.

It would mean a very unsatisfactory distribution of the burden of taxation.

Multiple taxes:

Multiple taxes refer to the tax system in which taxes are levied on various items. It is absolutely against the single tax. A modern economy is not one or single objective economy. Since no single tax can be expected to help the economy on all fronts, choice for a multiple tax system becomes inevitable.

Following are the advantages of multiple tax system;

It is efficient in checking the tendencies of frequent tax evasion.

It can be made in discriminatory and the inequality of incomes and wealth can be reduced.

It increases the tax income of the govt.

It is more flexible than the single tax system

Following are the disadvantages of multiple tax system;

It is undesirable and should be avoided.

It would involve a high cost of collection.

**TAX**

A good or ideal tax system is one which fulfills all the canons of taxation. What we mean by a good or ideal tax system is simply the predominance of good taxes, taxes which fulfill most of the canons of taxation, taxes which provide sufficient revenue, which affect the economic position of people.

THE CHARACTERISTICS OF A GOOD TAX SYSTEM ARE,

* OBSERVE ALL THE CANONS

It should be imposed that are equitable. Convince to pay. certain, economical, productive, elastic and simple. The argument is that majority of the taxes should observe most of the canons.

* THE BASIS OF FUNDAMENTAL PRINCIPLES OF TAXATION

It implies that the allocation of taxes between different groups of persons should be made in accordance with the principle of least sacrifice, cost and benefit and above all, ability to pay.

* ENSURE MAXIMUM SOCIAL ADVANTAGE

To ensure maximum social advantage or least aggregate sacrifice is not the tax of onetax, but it is from the combination of all the taxes.

* BALANCED

A tax system is simply that there should exist not one kind of taxes but all kind of them in a proper balance.

Eg, both direct and indirect tax system have their advantage and disadvantages and it is required of a good tax system to have both kinds of taxes in a proper balance.

* UNIVERSAL APPLICATION OF TAXES

It should ensure universal and uniform application of taxes to each individual of the society without any discrimination.

* EFFECTS ON PRODUCTION AND DISTRIBUTION

It should ensure a rapid economic development of the country. A good tax system always promotes production encourages people to work, save and invest and increases national income and its equitable distribution.

* SOURCES OF PUBLIC REVENUE

Tax is an important part of the total revenue of the budget. It is a source of public revenue and hence it should provide necessary revenue to the govt.

* FREEDOM FROM HARRASMENT

Tax laws should be simple in language and the tax liability should be easily determinable with certainty .The mode and timings should suit the convenience of the tax-payer to the extent possible .He should feel happy in paying the taxes.

**PROBLEM OF DOUBLE TAXATION**

MEANING

Double taxation means taxing authority taxes the same base in more one way and taking the same income twice. Double taxation of same thing twice either by the same authority or by different authority.

PROBLEMS

1. Obstacles in economic development

Double taxation creates obstacles in the optimum utilization of national resources and hence the economic development of the country

2. It increases the cost of compliance

The taxpayers are not conversant with different laws, it create difficulties for them and also and subject them to harassment

3. No same sue and no same tax

Double taxation also creates because all the state does not follow the same suet for the same tax.

4. It effects on both parties

Double taxation by same authority may arise when debtors and creditors are both taxed on the amount of a loan