

FISCAL MANAGEMENT

(CLASS LECTURES)

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Page 1 of 21

including the 17th-century English philosophers John Locke and Thomas Hobbes and a number of present-day tax specialists. The early dissenters believed that equity should be measured by what is spent (i.e., consumption) rather than by what is earned (i.e., income); modern advocates of consumption-based taxation emphasize the neutrality of consumption-based taxes toward saving (income taxes discriminate against saving), the simplicity of consumption-based taxes, and the superiority of consumption as a measure of an individual's ability to pay over a lifetime. Some theorists believe that wealth provides a good measure of ability to pay because assets imply some degree of satisfaction (power) and tax capacity, even if (as in the case of an art collection) they generate no tangible income.

The Benefit Principle

Under the benefit principle, taxes are seen as serving a function similar to that of prices in private transactions; that is, they help determine what activities the government will undertake and who will pay for them. If this principle could be implemented, the allocation of resources through the public sector would respond directly to consumer wishes.

Economic Efficiency

The requirement that a tax system be efficient arises from the nature of a market economy. Although there are many examples to the contrary, economists generally believe that markets do a fairly good job in making economic decisions about such choices as consumption, production, and financing. Thus, they feel that tax policy should generally refrain from interfering with the market's allocation of economic resources. That is, taxation should entail a minimum of interference with individual decisions. It should not discriminate in favor of, or against, particular

corporations and local government units, before making any payments to private individuals, corporations, partnerships and/or associations.

LOCAL TAXES IN THE PHILIPPINES

- ✚ Tax on Transfer of Real Property Ownership – tax imposed on the sale, donation, barter, or on any other mode of transferring ownership or title of real property.
- ✚ Tax on Business of Printing and Publication – tax on the business of persons engaged in the printing and/or publication of books, cards, posters, leaflets, handbills, certificates, receipts, pamphlets, and others of similar nature.
- ✚ Franchise Tax – tax on businesses enjoying a franchise, at the rate not exceeding fifty percent (50%) of one percent (1%) of the gross annual receipts for the preceding calendar year based on the incoming receipt, or realized, within its territorial jurisdiction.
- ✚ Tax on Sand, Gravel and Other Quarry Resources – tax imposed on ordinary stones, sand, gravel, earth, and other quarry resources, as defined under the National Internal Revenue Code, as amended, extracted from public lands or from the beds of seas, lakes, rivers, streams, creeks, and other public waters within its territorial jurisdiction.
- ✚ Professional Tax – an annual professional tax on each person engaged in the exercise or practice of his profession requiring government examination.
- ✚ Amusement Tax – tax collected from the proprietors, lessees, or operators of theaters, cinemas, concert halls, circuses, boxing stadia, and other places of amusement.
- ✚ Annual Fixed Tax For Every Delivery Truck or Van of Manufacturers or Producers, Wholesalers of, Dealers, or Retailers in, Certain Products – an annual fixed tax for every truck, van or any vehicle used by manufacturers, producers, wholesalers, dealers or retailers in the