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Topic- Benefits-Received Principle
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Benefits-Received Principle :

A principle of taxation which states that the burden of tax on an economic entity should be directly proportional to amount of benefits it receives from the use of public goods or services provided by government. In other words, consumers and businesses should pay to the government, the value of the public goods and services they have benefited from as if they were buying those goods and services.

This means, **for example**, that people who travel by road more should pay more of the taxes used to construct and repair those roads and those who use roads less should pay small portion of the taxes to be spent on the roads.

Examples:

Most of the taxes or revenue collected by government at the point of provision of public goods or services follow benefits-received principle of taxation. Examples include highway tolls, bridge tolls, park tickets and train fares.

Arguments in Favor:

Proponents of benefits-received principle argue that:

- People are motivated to pay taxes when they perceive that the money they pay to government is actually being used for their own benefit. In other words, benefits-received principle results in lower tax evasion.

- It is a fair way to levy taxes since it does not result in one person receiving benefits at the expense of other person.

Arguments Against :

Arguments against this principle are mostly focused on applicability:

- Benefits received from public goods and services provided by government are difficult to estimate on two grounds: Firstly, services such as defense, justice, research etc. benefit a nation as a whole and it is difficult to allocate them to individuals and business. Secondly, even when someone does not directly benefit from a particular public good or service, they may indirectly benefit significantly, for example, roads benefit businesses by bringing them workers and customers.

- It conflicts with income redistribution programs. Imagine a government asking homeless people to pay for their own welfare.