Semester V

MJC 9

PUBLIC Finance

Unit 2

Sources of Revenue

Topic

Problem of Justice in Taxation

Any standard book on Public Finance or Indian Economy holds chapters related to Cannons of Taxation.

We will pick up a relatively easier topic namely Grant in Cannons of Taxation.

Any student can cope with it on his own provided that he reads the right text in the form of books/articles and the contents provided in the link below.

Not much economics knowledge would be required to navigate through this chapter but would require some common sense appreciation .

The problem of justice in taxation revolves around designing a system perceived as fair and equitable in distributing the financial burden of government, while simultaneously meeting public funding needs and broader social goals. This involves complex ethical debates, economic principles, and practical challenges.

The two main principles of fairness/justice involves

Horizontal Equity: This principle asserts that individuals with similar incomes and economic circumstances should pay similar amounts in taxes (equal treatment of equals).

Vertical Equity: This principle holds that those with a greater ability to pay should contribute a higher proportion of their income in taxes than those with a lower ability to pay. This is the primary justification for progressive tax systems, which aim to reduce income inequality through wealth redistribution.

Below are given two links to follow for basic appreciation of this topic

https://chicagounbound.uchicago.edu/cgi/viewcontent.cgi?article=1026&context=occasional_papers

and

https://thedailyeconomy.org/article/taxation-as-social-justice/

And

https://arxiv.org/pdf/1910.04155

After having gone through the content you should be able to answer the following questions

1. Expand upon the idea of Justice in Taxation? What is its relevance in government finance today?
2. Is the Idea of Justice/Fairness antagonist to the idea of Efficiency? Explain.