PRINCIPLES OF TAX LAW pdf

1: General Principles of Taxation

directly related to tax: (1) general legal principles as applied outside the tax law, (2) legal history both generally and in the tax law, and (3) academic view- points on statutory interpretation.

Tweet Multifaceted system of tax principles and concepts may seem bewildering at first. However, most tax systems have developed around fundamental concepts that do not change much and thus provide a deep structure to tax rules as I will discuss through this post. While these tax principles and concepts cannot be used to provide guidance on all tax rules, they generally explain why many tax laws are structured the way they are throughout the world. For easier understanding, each principle [and concept] is illustrated with fairly light examples. Advertisement Ability-to-Pay Principle Under the ability-to-pay principle, the tax is based on what a taxpayer can afford to pay. One concept that results from this is that taxpayers are generally taxed on their net incomes. Corporation X will pay more taxes, because it has greater net income and cash flows, and thus can afford to pay more. This concept does not apply to every tax in every jurisdiction. Nor do the rest of the concepts presented in this post. Furthermore, those that do most often are understood rather than explicit. That is, they are unofficially applied administratively rather than mandated by primary sources of law. These concepts are more likely to have developed in more industrialized societies where tax laws have become more complex, the foremost example being the United States. Nevertheless, by suggesting what the tax rules ought to be, these concepts can help people understand current rules and anticipate what the rules will most likely be in the future. Entity Principle Under the entity principle, an entity such as a corporation and its owners for a corporation, its shareholders are separate legal entities. As such, the operations, record keeping, and taxable incomes of the entity and its owners or affiliates are separate. Doctrines are principles that, while often not officially appearing in the tax laws, carry the weight of law. In the United States, for example, doctrines are developed through a series of court cases. Assume that an entrepreneur sells an asset to his corporation and that the sale results in a loss. In applying the ownership test, constructive ownership is considered. That is, indirect ownership and chained ownership are considered. Pay-as-You-Go Concept Related to the ability-to-pay concept is the pay-as-you-go concept. Taxpayers must pay part of their estimated annual tax liability throughout the year, or else they will be assessed penalties and interest. For individuals, the most common example is income tax withholding. These taxes, and the requirements for withholding, can be imposed by local governments such as cities as well as higher levels such as state and national governments , but are more common of the higher levels. In many countries, the withholding is the tax; in the United States, it is only a prepayment, which is reflected as a credit against further liability when the relevant tax return for the period is filed. If the taxpayer also has nonwage income that is, income not subject to withholding , the taxpayer must remit one-fourth of the estimated annual tax due on this nonwage income every three months. Referring to Example-3, how should the entrepreneur pay U. If these estimated taxes are not paid in advance of the actual due date of the annual tax return, the taxpayer may be subject to penalties and interest. Under the same pay-as-you-go principle, corporations in the United States which typically do not have taxes withheld must remit one-fourth of their estimated annual tax every three months by making estimated tax payments. All-Inclusive Income Principle This principle basically means that if some simple tests are met, then receipt of some economic benefit will be taxed as recognized income, unless there is a tax law specifically exempting it from taxation. The tests are each test must be met if an item is considered to be income: Does it seem like income? Is there a transaction with another entity? Is there an increase in wealth? The first is a commonsense test meant to eliminate things that cannot be income. For example, making an expenditure cannot generate income. The second test is the realization principle from accounting; that is, for income to be recognized, there must be a measurable transaction with another entity. Therefore, accretion in wealth cannot generate income. A corporation owns two assets that have gone up in value. It sells the stock for its fair market value, but not the land. Income is recognized only on the stock; there has been no realization on the land. The increase-in-wealth test means that unless there is a change in net wealth, no income will be recognized. This eliminates a number of transactions from taxation. Although each of these transactions involves cash inflows and transactions with other entities, there is no change in net wealth. This because of each of the three cash inflows, there is an offsetting increase in liabilities or equity payable. Recovery Of Capital Concept Closely related to the income-realization concept are the concepts of recovery of capital, claim of right, and constructive receipt: Under claim of right, income is recognized once the taxpayer has a legal right to the income. Note that constructive receipt applies only to cash-basis taxpayers; accrual-basis taxpayers recognize income if it is realized regardless of whether it is received. The sale is for cash. The sale was at year-end. The corporation did not pick up the check from the client until the beginning of the next year, even though the money was available to it before year-end. On the second item, there is no income because there is no legal claim of right to the funds yet. If it is an accrual-basis taxpayer, when it receives the cash is irrelevant; income is recognized at the time of the sale. If it is a cash-method taxpayer, constructive receipt occurs this year because that is when the funds are available. Note that the concept of recovery of capital also implies that if the taxpayer does not dispose of the asset, the taxpayer can recover the tax basis over time through depreciation. The extant depreciation used, for federal income tax purposes, is the modified cost recovery system MACRS referred to previously. Generally, a capital expenditure cannot be expensed but instead must be depreciated over time. Legislative Grace Closely related to the income concepts already described is the concept of legislative grace. Here income that would normally be taxed under the preceding rules is either exempt from tax or subject to a lower tax rate due to special rules. In the United States, for example, these can be provisions in the law, such as the Internal Revenue Code enacted by Congress or its equivalent at the state level. For all taxpayers, one example is the federal exclusion of interest income from state and local obligations. For corporations, federal income tax law has a number of exclusions, the most noteworthy being: This applies for most, but not all, subsidiaries. Perhaps the most significant is the preferential tax rates given to long-term capital gains. As noted, the standard U. This rate can be even lower: In many countries, gains from the sale of long-held assets are exempt from taxation. An entrepreneur sells the shares in his company to a larger firm. The legislative grace concept applies to deductions as well deductions are expenses that can be used to reduce taxable income. In the United States, no deduction is allowed under federal and most state income tax laws unless it is specifically authorized by the law. For businesses and sole proprietors, the usual types of expenses are generally allowed for tax purposes. However, other deductions for individuals exist purely by legislative grace. For example, as already noted, there is a fixed standard deduction. If greater, however, individuals are allowed itemized deductions bounded by elaborate ceilings and floors for medical expenses, charitable contributions, state taxes paid, home mortgage interest expense, casualty and theft losses, and certain miscellaneous types of expenses. Business Purpose Concept Business purpose is closely related to legislative grace as it relates to deductions. Here business expenses are deductible only if they have a business purpose, that is, the expenditure is made for some business or economic purpose, and not for tax-avoidance purposes. The test is applied to a bona fide trade or business, or to expenses for the production of income. The former is a sole proprietorship, corporation, or other business entity. The latter generally includes investment-type income of individual investors. This rule typically is enforced only when the business deduction also gives some economic benefit to the owner; thus, the owner is trying to get something of value in after-tax dollars, when the item is not otherwise deductible. The rule typically is enforced only in the case of a closely held business. She has the corporation buy an aircraft to facilitate any out-of-town business trips she might make. The entrepreneur, who also happens to enjoy flying as a hobby, rarely makes out-of-town business trips. Since the plane will not really help the business, and there is a tax-avoidance motive the plane would generate tax-depreciation deductions , there is no business purpose to the aircraft. Accordingly, any expenses related to the aircraft, including depreciation, are nondeductible. The Accounting Methods As noted, some general rules apply when a taxpaying entity wants to choose among cash, accrual, or hybrid part cash, part accrual methods of accounting: For individuals, the election is made on their first tax return. Virtually every individual elects the cash method. For businesses, two rules apply. The first is that when inventory is a substantial income-producing factor, inventory including related sales and cost of goods sold must be accounted for by the accrual method. Note that this rule still permits the taxpayer to use the cash method for other items of income and expense. The second rule relates to entity type. Aside from the inventory and the entity-type rules, a business is free to choose any method of accounting. Tax-Benefit Rule Under the tax-benefit rule, if a taxpayer receives a refund of an item for which it previously took a tax deduction and received a tax benefit , the refund becomes taxable income in the year of receipt. Note that the rule applies only to items for which the firm has received a tax benefit. Accordingly, if the firm was in an NOL status in the prior year, or the amount paid was nondeductible say, a bribe to a lawmaker , the refund would not be taxable income the next year. Substance Over Form Under the doctrine of substance over form, even when the form of a transaction complies with a favorable tax treatment, if the substance of the transaction is the intent to avoid taxes, the form will be ignored and the transaction recast to reflect its real intent. An entrepreneur is the sole stockholder of his corporation. The doctrine of substance over form empowers tax authorities to tax at least part of the salary as if it were a dividend.

2: What are taxation principles? definition and meaning - www.enganchecubano.com

The course introduces students to the principles of tax law in Australia with a focus on income tax. The important provisions of the Income Tax Assessment Acts and about the concepts of income, capital gains, and deductions are considered in detail.

It is a method of apportioning the cost of government among those who, in some measure, are privileged to enjoy its benefits and must therefore bear its burdens. Essential elements of a tax 1. It is an enforced contribution. It is generally payable in money. It is proportionate in character. It is levied on persons, property, or the exercise of a right or privilege. It is levied by the State which has jurisdiction over the subject or object of taxation. It is levied by the law-making body of the State. It is levied for public purpose or purposes. Purposes of taxation 1. The primary purpose of taxation on the part of the government is to provide funds or property with which to promote the general welfare and the protection of its citizens and to enable it to finance its multifarious activities. Taxation may also be employed for purposes of regulation or control. It is possible for an exaction to be both a tax and a regulation. License fees are charges, looked to as a source of revenue as well as a means of regulation. The fees may properly be regarded as taxes even though they also serve as an instrument of regulation. If the purpose is primarily revenue, or if revenue is at least one of the real and substantial purposes, then the exaction is properly called a tax. SC upheld the validity of the law ruling that the tax imposed is not only a regulatory, but also a revenue, measure prompted by the realization that earnings of videogram establishments of around P million annually have not been subjected to tax, thereby depriving the government of an additional source of revenue. It is a user tax imposed on retailers for every video they make available for public viewing. Taxes may be levied with a regulatory purpose to provide means for the rehabilitation and stabilization of a threatened industry which is affected with public interest as to be within the police power of the State. The oil industry is greatly imbued with public interest as it vitally affects the general welfare. While the primary purpose of taxation is to raise revenue for the support of the government, taxation is often employed as a devise for regulation by means of which certain effects or conditions envisioned by the government may be achieved. The imposition of special duties, like dumping duty, marking duty, retaliatory duty, and countervailing duty, promote the non-revenue or sumptuary purpose of taxation. In return for his contribution, the taxpayer received benefits and protection from the government. Algue, the Supreme Court said that taxes are the lifeblood of the government and should be collected without unnecessary hindrance. They are what we pay for a civilized society. Without taxes, the government would be paralyzed for lack of motive power to activate and operate it. The government, for its part, is expected to respond in the form of tangible and intangible benefits intended to improve the lives of the people and enhance their moral and material values.

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3: Davies: Principles of Tax Law (8th edition) : - Hammicks Legal Information Services

Principles of Taxation Law. at tax law and responsibilities. Principles of T axation Law. Authors: C Coleman, R Hanegbi, Principles of T axation Law is a.

Principles of International Taxation Overview and learning objectives This tax course is designed to provide participants with all the essential aspects of international taxation. The first three days are dedicated to the fundamental concepts relevant to the interpretation and application of tax treaties. This introduction provides participants with the conceptual tools to fully grasp issues discussed on Day 4 and Day 5. Day 4 deals with the principles of transfer pricing and how these principles apply to business restructurings and intra-group services. This is an interactive course with a maximum of 32 participants. Field of study Who should attend? The course is suitable for practitioners in tax advisory firms, tax specialists in commerce and industry, government officials who regularly encounter issues related to cross-border taxation and anyone who desires to develop a comprehensive understanding of international taxation principles. Further information about this qualification can be found at the ADIT website. Course level and prerequisites This is an introductory-level course. Participants should have a basic knowledge of the domestic law of at least one country as it relates to corporate taxation, specifically, taxation of foreign income derived by resident companies and domestic-source income received by non-resident companies. In addition, a very basic understanding of the function of double tax treaties would be helpful, but the course will proceed on the assumption that course participants are new to dealing with tax treaties. This will ensure that they can get a full grasp of transfer pricing and tax planning issues on Day 4 and Day 5. Interactive course - "Group Live" To safeguard the interactive nature of the course, including group discussions and case studies, a maximum of 32 participants will be accepted. Early registration is therefore recommended. We invite you to send us in advance any technical, content-related questions you may have. During the course we will try to address your specific questions, but please note that this will depend on the amount of time available, the relevance of the questions and the order in which the questions are received. Should you have a question, please send it to taxcourses ibfd. The information provided during the course has been prepared solely for the instruction of course participants. This information is not intended to constitute advice on any particular matter. The costs of accommodation and transport are not covered. If you have any other questions regarding attendance of the course, travel arrangements, payments and cancellations, please consult our FAQ. Introduction to international tax law The concept of residence.

4: Important Tax Principles and Concepts [With Case Examples] | Accounting, Financial, Tax

The principle of neutrality requires that tax laws apply to all individuals and businesses the same without taking your economic choices (choices about how you spend your money) into consideration.

5: Davies: Principles of Tax Law - David William Williams, Geoffrey Morse, Sandra Eden - Google Books

Timing rules differ in income tax law and accounting principles [] Finally, a fifth major difference between accounting and tax law arises _'_V as a result of the different timing rules for when income receipts and expense payments are recognised.

6: Principles of Tax Law - ANU

Interpretation of tax law: The tax laws mean what the words in them say. which is particularly important in tax law. meaning thereby that tax laws pursue aims that are different from other laws.1 In addition to the general principles common to the interpretation of statutory provisions.

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7: Principles of International Taxation - Nov Course - IBFD

number of tax laws in order to raise financial resources to run the colonial of the principles that guide tax policy. Equity can be either, vertical or.

8: Principles Of Tax Law | Download eBook PDF/EPUB

Doctrines are principles that, while often not officially appearing in the tax laws, carry the weight of law. In the United States, for example, doctrines are developed through a series of court cases.

9: Principles - Tax Foundation

Basic Principles of Incomeâ€•tax The sections lay down the law of income tax and the schedules lay down certain procedures and give certain lists, which are.

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When he came back Suggestions for practical examinations preparation and execution Carlos the Jackal (Ilich Ramirez Sanchez) Katy perry roar sheet music Merry-Go-Round (World of Language) Evolutionary biology and economic behaviour : re-visiting Veblens instinct of workmanship Mark Harrison Martha stewart 2014 thanksgiving recipe Franz Marc (Postcard Book) Mojza imam jafar sadiq 22 rajab Business ethics by ferrell 9th edition Scorpion Scaloppine Chemie Wesentlich Erweiterte Auflage Covalent bonding: orbitals Ukrainian translations of Shakespeares sonnets A Little Tour in France (Large Print Edition) Dictionary of sacred and magical plants Aspects of Indian economic development All math in one book 9. Constructing gender in early-years education Glenda MacNaughton What is science for? Lmsw study guide 2018 The role of probation in providing safety for native women George Twiss. The opponents presentation Introduction to tensors and group theory for physicists Why? and other questions cancer makes you ask Theory and practice of credit risk modelling Finding courage after sexual abuse: Joan The 13 principles of faith = Maori women in the economy Msi ms 7507 motherboard manual The lost fiddler (Wales) Elidor (Odyssey Classics (Odyssey Classics)) National wildlife action plan OSCEs for Medical and Surgical Finals The Creative Unconscious Gtu ccc practical exam paper Preface: a generations journey back to health Photoshop 3 wow! book 12. Discretion and dilemmas in corrections Storeys Guide to Raising Meat Goats (Storeys Guides to Raising)