A. **Tax Revenue, and**
B. **Non-tax Revenue**

A. Tax Revenue

Taxes are compulsory payments to government without expectation of direct return or benefit to tax payers. It imposes a personal obligation on the taxpayer. Taxes received from the taxpayers, may not be incurred for their benefit alone. Tax revenue is one of the most important sources of revenue.

Taxation is the powerful instrument in the hands of the government for transferring purchasing power from individuals to government. The objectives of taxation are to reduce inequalities of income and wealth; to provide incentives for capital formation in the private sector, and to restrain consumption so as to keep in check domestic inflationary pressures.
From the above discussion we can conclude that the elements of taxation are as follows:

a. it is a compulsory contribution
b. government only imposes taxes
c. in payment of tax an element of sacrifice is involved
d. taxation is aimed at welfare of the community
e. the benefit may not be proportional to tax paid
f. tax is a legal collection.

The various types of taxes can be listed under three heads. First type can be titled taxes on income and expenditure which include income tax, corporate tax etc. The second is taxes on property and capital transactions and includes estate duty, tax on wealth, gift tax etc. The third head, called taxes on commodities and services, covers excise duties, customs duties, sales tax, service tax etc. These three types can be reclassified into direct and indirect taxes. The first two types belong to the category of direct taxes and the third type comes under indirect taxes.

B. Non-tax Revenue

This includes the revenue from government or public undertakings, revenue from social services like education and hospitals, and revenue from loans or debt service. To sum up, non-tax revenue consists of:

principle states that the minimum possible amount should be spent on tax collection and the maximum part of the collection should be brought to the Government treasury.

Taxation should be economical i.e. this should be much more than mere saving in the cost of collection. Undue outlay on the official machinery of levy is but one part of the loss that taxation may inflict. It is a far greater evil to hinder the normal growth of industry and commerce, and therefore to check the growth of the fund from which future taxation is to come. Thus the canon of '**Economy**' is naturally sub-divided into two parts viz.,

1. '*Taxation should be inexpensive in collection*', and
2. '*Taxation should retard as little as possible the growth of wealth*'.

It may also be remarked that there is a close connection between "**Economy**" and "**Productivity**", since the former aids in securing the latter.

3.4.2 Canons Advocated by Others

Other researchers of taxation at other times have added to Adam Smith's criteria. Some have noted that a tax should be adequate, meaning it should produce sufficient revenue to support whatever it is that citizens want their government to do. Some have argued for a "Benefit Principle" whereby the amount of tax each is called upon to pay bears some relationship to the benefits each taxpayer receives from government. Others have argued that a tax should be neutral in its effect on the way markets work. But Smith's Canons are the starting point for any serious evaluation of a tax. The various canons added by others are explained below:

A. Canon of Productivity

According to **C.F. Bastable**, the tax system should be productive enough i.e. it should ensure sufficient revenue to the Government and it should encourage productive activity by encouraging the people to work, save and invest.

B. Canon of Elasticity

The next principle advocated by **Bastable** is elasticity. The taxes should be flexible. It should be levied in such a way to increase or decrease the tax revenue depending upon the need. For example, during certain unforeseen situations like floods, war, famine, drought etc. the

- notification and publication of the budget; and
- allotment.

The budget process thus includes al these stages, which obviously are sequential (one after the other) and iterative. Peterson summarized the budget process into three phases: analyzing, fitting, and implementing. The analysis phase is the assembly and integration of financial data which might include processes from the formulation of macro-economic and fiscal framework to the allocation of expenditure budget between Federal and Regional governments the fitting phase is the process of prioritizing activities to fit with policy and reducing a budget to a ceiling. Referring to the budgeting processes outlined above this might range from the processes of allocation of Federal government expenditures budget between recurrent and capital budget down to the submission of the budget to the council of peoples' Representatives. The final paste, implementing, is distributing and using the allocation, i.e. the notification and publication of the budget, allotment and the monitoring processes.

Budget being a one-year plan prepared for the coming fiscal year it requires a time schedule (deadlines) for each and every processes hat should strictly be adhered to. The time schedule is usually handled through the budget calendar. In effect the budget calendar is the major instrument to manage the budgetary process. Thus far we don't have an authoritative and binding budget calendar that could force al public bodies involved in the process f budgeting. The only dates proclaimed by law are the final approval and notification dates of the budget. Financial proclamation 57/1996 states that "the budget appropriation shall be approved by the council of peoples; Representatives by sine 30th (July 6) and all public bodies shall be notified by Hamle 7 (July 13). "the other deadlines in the process of budgeting will be set by the MoF and MEDaC who are responsible for the preparation of the recurrent and capital budgets, respectively. The MoF and MEDaC will notify the spending public bodies well ahead of time about the important deadlines, the budget ceiling and other information through the budget circular. the budgeting process usually took between six to eight months, and the MoF and MoED will release the budget circular around November to December.