Efficient Taxation

Economics

What makes one tax less economically damaging than another.

Principles of tax design.

Efficiency principles

- Broad base, low rates
- Tax inelastic bases where possible
- Avoid taxing intermediate inputs
- Minimise compliance and admin cost
- Neutrality between similar activities

Other criteria

- Equity, vertical and horizontal
- Certainty and predictability
- Administrative feasibility
- Political acceptability

> Deadweight loss rises roughly with the square of the rate, which is the case for broad bases and low rates.