International Journal of Education, Business and Economics Research (IJEBER)

ISSN: 2583-3006

Vol. 3, Issue.6, Nov – Dec 2023, pp. 8-18

To cite this article: Visemih William Muffee (Ph.D) (2023). The Role Played by the Canons of Taxation in the Economy of Cameroon. International Journal of Education, Business and Economics Research (IJEBER) 3 (6): 8-18

THE ROLE PLAYED BY THE CANONS OF TAXATION IN THE ECONOMY OF CAMEROON

Visemih William Muffee (Ph.D)

Professor of Finance and Accounting
Higher Institute of Commerce and Management
The University of Bamenda, Cameroon

https://doi.org/10.59822/IJEBER.2023.3602

ABSTRACT

This article carefully examines the problems encountered, when implementing the canons of taxation in the developing countries. The main objective here is to explain to the third world leaders, why they are failing in their implementation of the canons of taxation. The article, in a reflectional mode, explains why the third world economies are persisting in poverty. It points out that, it is necessary to note that taxes will keep them in the most poverty-stricken situation, given the advice of the developed world economies. The article also examines the various canons of taxation, explaining why they are not necessary to be implemented in the third world environment. The third world leaders should use the Demand for Money Model in order to improve on their economies and emerge from the lasting poverty situation.

KEYWORDS: Equity, Certainty, Convenience, Economy.

1. INTRODUCTION

Taxation is a very common term from ancient times. They form the most important source of revenue of all the governments of the world. The process of levying taxes on corporations and individuals is called taxation. A tax is a compulsory charge or fees imposed by government on individuals or corporations. The persons who are levied taxes have to pay the taxes irrespective of any corresponding return from the goods or services by the government. This means that you may pay as you earn, but do not benefit as you pay. The taxes may be imposed on the income and wealth of individuals or corporations and the rate of taxes may vary depending on your environment or earning power. A tax is a compulsory financial charge or some other type of levy imposed on a taxpayer by any government organization in order to collectively fund government spending, public expenditures, or as a way to regulate and reduce negative externalities it is the imposition of some compulsory levies on individuals or organizations by their various governments. Taxes are levied in almost all countries of the world, primarily to raise revenue for government expenditures and also serve other needy purposes. All taxes levied as guided by various principles called the canons of taxation. Taxation is used for a number of purposes, the most important being to raise revenue for the government. To increase government revenue, the taxes to be imposed must meet certain necessary conditions. These conditions are often referred to as "principles". By principles, we simply mean quality tax policies and rules to by follow by the tax authorities, when levying taxes. Thus, a tax is good when it meets such quality policies and rules. It is bad when it fails to meet such quality tax policies and rules. This article is concerned with the applicability of the canons or principles of taxation which are the policies and rules as implemented in the third world environment, its objectives and its effects. In particular, the article discusses the nature and purposes of taxation, whether taxes should be levied on individuals and corporations in developing economies. The article highlights the various consequences of the canyons and criteria of taxation and their economic effects on the developing economies of Africa, particularly, Cameroon. It is important to note that quality tax policies and rules and their various objectives can only be achieved, depending on the environmental and economic conditions of the people. The economic and financial conditions of the people in the third world countries are very bad and discouraging. The income of the majority of people in the third world economies are very low and does not warrant any tax incidence, hence taxing them, is impoverishing them. This article is written in a reflectional mode, with the ideas requesting that someone somewhere should do something concerning the bad situation in which we find ourselves, in the third world.

2. The Objectives of Levying Taxes

The various objectives of levying taxes by the various Governments, especially in developing economies are shown in table 1.

Table 1: Objectives of Taxation in an Economy

S.N	Objective	Explanation
i	To raising Revenue	Raising Revenue for necessary Government expenditures
ii	To regulate the consumption and production	Regulating the consumption and production of the various economies, to suit the population
iii	To help encourage domestic industries	Helping to encourage domestic industries to grow and improve on the balance of payments
iv	To help in reducing income inequalities	Helping in reducing income inequalities in various societies
v	To help ensure price stability	Helping to ensure price stability in order to help the poor
vi	To promote social welfare	The promotion of social welfare, by making sure that communal services reach the have nots.

Source: Visemih (2023)

In Cameroon, none of these objectives are achieved by the levying of taxes on persons. The money raised by the Government is utilized by only a handful of people that is the 5% that are the privileged few. They misuse the money for their selfish aims, allowing the masses to suffer. It strongly lacks the redistribution of income and wealth effect, since all money raised ends in the hands of the rich and the poor stay in abject poverty and end up in Churches, singing and praying to no avail. Cameroon's economy depends on agriculture and mining for most of their revenue, hence, there is no protection, since farmers and extractors are forced to accept the buyer's price, rather than the seller's price. Furthermore, Cameroon is heavily dependent on imports from other countries, to function properly.

3. Sources of Government Revenue

In all modern economies, taxes are the most important source of government revenue. Taxes differ from other sources of revenue in that they are compulsory levies and are unrequited— that is, they are generally not paid in exchange for some specific thing, such as a particular public service, the sale of public property or the issuance of public debt. Taxes are not cost to the taxpayers; they are an appropriation of profit or income. The Government is a stakeholder to whoever earns income. The general rule of taxation is that, whoever earns income must divide and give the Government's share. This share to be given to the Government by income earner is decided upon by the Government and not the income earner. While taxes are presumably collected for the welfare of all taxpayers, the individual taxpayer's liability is independent of any specific benefit received. There are, however, important exceptions: payroll taxes, for example, are commonly levied on labor income in order to finance retirement benefits, medical payments, and other social security programs—all of which are likely to benefit the taxpayer. Because of the likely link between taxes paid and benefits received, payroll taxes are sometimes called "contributions". Nevertheless, the payments are commonly compulsory and the link to benefits is sometimes quite weak. In this case, the taxpayers may not truly benefit from their taxes or contributions. As they pay and contribute to Government coffers, they expect end benefits, which sometimes never materialize.

However, Government revenue comes in, in the form of direct and indirect taxes. Direct taxes are taxes which are levied directly on the persons paying the taxes. A direct tax is that tax whose burden is borne directly by the person paying. Such a person is levied directly by the Government. Hence, the taxpayer bears the burden of the tax levied on them and must pay. Examples of direct taxes are – corporation tax, personal income tax, gift tax and property tax. The indirect taxes are taxes that are not paid directly. An indirect tax is a tax which is initially paid on the purchase of goods and services. This tax is initially paid by one person who passes the burden to another person, known as the final consumer. Examples of indirect taxes are – excise duty, sales tax, custom duty and value added tax. The direct and indirect taxes from the sources of Government revenue, which must all comply with the various canons or principles of taxation.

4. The Canons of Taxation

The canons of taxation are the various the characteristics or qualities which a good tax system should possess. The canons of taxation are related to the administrative part of a tax. It was Adam Smith who first devised these principles or canons of taxation in 1776 and they have been actively used, right up till date. Any economy that is not using them has very bad taxation policies. The following are the various types of Canons of taxation as shown in table 2:

Table 2: Canons of Taxation

S.N	Name of Canon
I	Equality or Equity
Ii	Certainty
Iii	Economy
Iv	Convenience
V	Productivity
Vi	Elasticity
vii	Simplicity
viii	Diversity

Source: Visemih (2023)

There were originally four canons of taxation, is the first four. Modern writers have added the last four, which are still very precious to all modern economies in the formulation of taxation policies. It is very necessary to discuss them, in order to see how they impact the standard of living in developing economies.

I. Canon of Equality or Equity

The canon of equality or equity states that the burden of taxation must be distributed equally or equitably in relation to the ability of the tax payers. It states that the burden of taxation must be distributed equally or equitably among the taxpayers, but this sort of equality is not properly implemented in the developing economies, because all the taxpayers do not have the ability to pay taxes. In most developing economies, 95 % of the people are poor, hence, should be exempted from tax payment. This approach will greatly drive developing economies to grow and develop. To establish equality in sacrifice, taxes are to be imposed in accordance with the principle of ability to pay, but that ability to pay does not exist in developing economies. Only the 5 % rich people should come under the canon of equality and equity.

The canon of equality and equity mean that the rich people should pay more taxes and the poor should pay less. This is, because the amount of tax should be in proportion to the abilities of the various taxpayers. It is one of the fundamental concepts to bring social equality any economy. The canon of equality states that there should be justice, in the form of equality, when it comes to paying taxes. Not only does it bring social justice in the economy, it is also one of the primary means for reaching the equal distribution of wealth in an economy. In Cameroon, being a developing country, only 5 % of people fall under the canon of equality and equity. These group people are shown in table 3:

Table 3: Persons with Very High Incomes in Cameroon

S.N	Type of Persons
i	Ministers of the Government and their assistants
ii	All the Directors in the various ministries and their deputies
iii	Governors and their collaborators
iv	Senior Divisional Officers
v	Sub divisional Officers
v	All the Mayors and their deputies
vi	All the Parliamentarians and their deputies and
vii	All the Public limited liability companies

Source: Visemih (2023)

All the small and medium sized enterprises and all the lower-level workers should be totally exempted from the taxpayer's list, their incomes are very low and hence, below the tax limit. All such persons in the in the developing economies fall in the tax-exempt brackets. Such a taxation policy would greatly promote and encourage greater and fast development in the developing economies of Africa. This lets us to the canon of certainty. Looking at its implementation in Cameroon.

ii. Canon of Certainty

The canon of certainty states that a tax which an individual has to pay should be certain and not arbitrary. This means that the time of payment, the manner of payment, the amount to be paid, i.e., tax liability, should be clear and specific to the taxpayer and to everyone. It is very necessary that, the tax which an individual has to pay should be certain and not arbitrary. The canon of certainty embraces a lot of things which must be made clear and certain to the taxpayer as well as to the tax-levying personnel.

This means that, not only taxpayers should know when, where and how much taxes are to be paid, they should also have certainty of the liability that they should pay. Similarly, there must also be certainty of revenue that the government intends to collect from the population over the given time period.

In Cameroon the certainty aspect is totally not implemented. Taxes are charged to persons arbitrarily and without a basis for the tax levy. Taxes are charged to taxpayers on the basis of their purchases and sales invoices and other very unusual methods used. The taxpayer is always in doubt as to how much taxes would be paid and why such amounts being paid. In some areas the tax authorities collect the levies in a piece meal manner, without providing any evidence. Having seen this, let us look at the canon of economy and its implementation in the Cameroon tax system.

iii. Canon of Economy

This canon of economy implies that the cost of collecting a tax should be as minimum as possible. Any tax that involves high administrative cost and unusual delay in assessment and high collection cost should be avoided, altogether. This principle is highly violated in Cameroon, which greatly disturbs both the taxpayer and tax collector. In Cameroon, mostly in the agriculture sector, farmers are suffering. Their products are not sold according to the cost that they have incurred in the production process. Prices are not determined by the market forces of demand and supply. Here farm products prices are dictated by the final consumers, who do not know how the cost of input has been. This applied to most cash crops and minerals produced in Cameroon. It is not reasonable that a farmer spends about 1,000,000 CFA€ in the farm, to produce crops and at the selling point, it is the buyer who dictates price. Experience has shown that in such a situation the buyer, who dictates the price, has always done so with enormous bias. Offering the farmer far less than the cost that he has put in, on order to produce the crops and minerals. We know that, if the farmer is to progress, what has been put in as cost, must be recovered, plus a markup. In Cameroon, most farmers are very discouraged at this situation, because they do not benefit anything from effort put in the farm and at the end of every season, they are asked to pay taxes from the small income that they receive, which is even less than the cost that was put into their farms. Farmers should be treated, properly, hence, our food shortage situation shall continue and people shall keep on dying from starvation. There is no economy in taxation in the agricultural and mining sectors in Cameroon. The buyers always dupe the producers or sellers by paying very little for their produce and against all odds, they are still asked by the Government to pay taxes. Now, we move to the canon of convenience and see how it is implemented in the Cameroon tax system.

iv. Canon of Convenience

The canon of convenience states that the tax should be levied at the time and the manner that is most convenient for the taxpayer to pay it. This means that, if the tax on cocoa is collected, after the crop is harvested and sold, it will be more convenient for farmers to pay it. However, in Cameroon, some taxpayers are being requested to pay taxes in advance. This is against the canon of convenience. This type of fiscal policy deters investors from coming into the country. This policy is detrimental to foreign direct investors and prevents them from coming into the country to invest; hence, it delays development prospects. It is necessary that, taxes should be levied and collected in such a manner that it provides the greatest convenience to both the taxpayer and tax authorities. Thus, it should be painless and trouble-free as far as practicable and possible. The taxpayer must not suffer in order to pay tax. In Cameroon, taxpayers are forced to pay taxes, even without the adequate means of paying the taxes. In Cameroon, the Government is trying to tape water out of stones. It is a very inconveniencing situation, making the population to suffer under the burden of taxes which they are unable to pay. Let us look at the canon of productivity.

v. Canon of Productivity

Taxes must be productive or cost-effective. This implies that the revenue yield from any tax must be a sizable one. This canon states that only those taxes that are productive should be imposed that do not hamper productive effort of the community. A tax is said to be a productive one, only when it acts as an incentive to production. In Cameroon, the taxes on the agricultural and mining sectors are not productive, because they do not act as an incentive to production. They are out to discourage the production of food in particular and aim at a strategic reduction of the population. Hence, more and more people keep dying of starvation, year in, year out and yet heavy taxes discourage the adequate production of food and minerals in Cameroon. Productivity cannot be improved when the producers cannot even recover their costs of production. The canon of productivity implies that productivity should be seen from the point of view of the Government and also of the point of view of the taxpayers. We should not try to tape water out of a stone. It is very, very impossible. The taxpayer should be productive enough to pay taxes and Government should use the tax revenue productively, in order to benefit the needed population. We now, look at the canon of elasticity in the Cameroon tax system.

vi. Canon of Elasticity

This canon implies that a tax should be flexible or elastic in yield. It should be levied in such a way that the rate of taxes cans be changed according to the needs of the situation. Whenever the government needs money, it must be able to extract as much income as possible without generating any harmful consequences through raising tax rates. In Cameroon income tax satisfies this canon; it is levied mainly on the poor who cannot afford to pay. The 95 % of population, who cannot afford to pay, are levied income tax, while the 5 % who carry most of the money in the economy, pay very little in the form of taxes. This result in the inequality of income distribution in the economy, making the rich, to be richer, while the poor stay in abject poverty and cannot afford to live comfortably. The canon elasticity is not properly implemented in Cameroon, because the poor pay more taxes than the rich. When a tax is proportionate, it is only fair amongst the same income group. A discriminatory tax system is better, where the income levels are not the same. For appropriate income distribution, where the income levels are largely not the same, we should apply discriminatory tax system (see table 4).

Table 4: Discriminatory Tax System for Cameroon

S.N	Income Level	Tax Rate in Percentage
1	40,000 to 100,000	10
2	101,000 to 200,000	20
3	201,000 to 300,000	30
4	301,000 to 400,000	40
5	401,000 to 500,000	50
6	501,000 and above	60

Source: Visemih (2023)

Where the discriminatory tax system is implemented in Cameroon, it will solve the problem of poverty, which is rampant. In Cameroon, high level appointed officials receive a lot of money that is never taxed at all. This lets to too much income inequality, because of the lack of the application of the canon of elasticity. Let us look at the canon of simplicity, as applied in the Cameroon tax system.

vii. Canon of Simplicity

Every tax system must be simple and intelligible to the people, so that the taxpayer is able to calculate it without taking the help of tax consultants. A complex as well as a complicated tax system, like the one in Cameroon, is bound to yield undesirable side-effects. It may encourage taxpayers to evade taxes, if the tax system is found to be complicated. The Cameroon tax system is expensive, in the senses that even the most honest and educated taxpayers will have to seek advice of the tax consultants. Such a tax system has the potentiality of breeding corruption in the society. It is mainly the situation in Cameroon, with taxpayers worried about how to pay the consultants and the taxes. It is too expensive both for the tax collector and the taxpayers, hence, some taxpayers find all possible ways not to pay taxes. Let us look at the canon of diversity, as applied in the Cameroon tax system.

viii. Canon of Diversity

Taxation must be dynamic, that is, the Government should create several avenues for which tax revenue should be collected. The country should have tax structure that is dynamic or diverse in nature rather than having a single or two taxes which may not raise the required Government revenue. Diversification in a tax structure will demand involvement of the majority of the sectors of the population. If a single tax system is introduced, only a particular sector will be asked to pay to the necessary taxes, leaving a large number of the population taxed. The incidence of such a tax system will be greatest on certain taxpayers and others going scoot free. A dynamic or a diversified tax structure will result in the allocation of burden of taxes among the vast population resulting in a low degree of incidence of a tax in the aggregate. This is not the case in Cameroon and the lack of diversity in the tax system is causing the taxpayers to suffer heavy burdens of tax levies which they cannot easily pay. In Cameroon, the secondhand car sector suffers this fate. An importer of secondhand cars is levied to pay taxes which are three times the amount of money, he paid to buy the cars.

Third world leaders are poorly implementing the canons of taxation, because they do not know what they are and how they should be implemented. These canons are implemented by the developed world nations, to reduce the too much amount of money that they have injected into their economies. Hence, taxes mainly come in to reduce the amount of money in circulation, in order to check on the level of inflation, persisting in the economies. Where the standard of living of the people is very low and poverty is the order of the day, taxes should be set aside. Taxes are a very big burden, placed on the shoulders of third world population. The majority of the third world populations are dying under the weight of poverty, only to be forcefully levied taxes, which they cannot afford to pay. The third world leaders should implement the Demand for Money Model, in order to help in the improvement of the standard of living of the people.

It is necessary that we look at the demand for tax money in an economy.

5. Demand for Tax Money in an Economy

Money is generated from taxes in order to help support Government expenditure for social goods and services.

There are three main reasons why the Government demands tax money as shown on table 5:

Table 5: Government Demand for Money

S,N	Type of Demand for Money	Explanation
I	Transaction Demand	Money that the Government needs in order achieve it budgetary measures
Ii	Precautionary Demand	Money that the Government needs for financial emergencies.
Iii	Speculative Demand	Money that the Government needs as reserves

Source: Visemih (2023)

The demand for money is influenced by several factors, including the level of income, interest rates and inflation as well as uncertainty about the future. These factors are all incorporated in the Government budget for the ensuing year. In this light it is reasonable for the Government to use its plan and budget for the next ten years to print the amount of money (coins and banknotes), required to run the economy properly. The Government of every country has the mandate to print its coins and banknotes required in a predetermined period. We should note that the demand for money is determined by the Government's ten years development plan. The ten years development plan is what dictates the volume of coins and banknotes that should be in the economy during a budgetary year.

The ten years development plan provides a basis for making a budgetary estimate, based on the envisaged activities for the ten ensuing years. The ten years development plan provides the authorization for the Government to print enough coins and banknotes, to enable the economy to run smoothly during the period.

Enough coins and banknotes should be brought in on a yearly basis in order to solve the yearly budgetary problems. The Government, at the beginning of the ten years should use the following model:

Md = TYDE

Where:

Md = Demand for Money

TYDE =Ten Years Development Estimate.

The demand for money is resulting from the Government budget, after considering all sources of income and expenditure. It is therefore the net requirement of Government expenditure, if there is a deficit of income over expenditure. In making this decision, taxes should not constitute a source of Government income. All other sources should be carefully considered, but taxation. Visemih (2023) states that taxes should only be levied on foreigners and foreign companies operating in the national territory. Hence, taxes are redundant in the national territory for nationals.

It is important to note that the era of taxation is long gone. We are in a new era of free taxes, hence, we should encourage the population to work hard and reduce unemployment as much as possible. It is an approach to push forward development in the third world environment. The Government should print enough coins and banknotes to enable it to run smoothly, hence Government borrowing is not allowed. Individuals and businesses are allowed to borrow, but not the Government. Government coins and bank notes are legal tender and backed by the Government's honesty and trust. It possesses the features of gilt-edge securities, issued by the Government. It is important to note that Government can never default on its promise to pay. All independent third world countries should use this model in order to print enough coins and banknotes to serve their various populations. It is a key development strategy, which should be use by all developing countries. Taxation is a disturbance to growth and hence, should be eliminated in this new era. The Government should print enough coins and banknotes, and not borrow from any International Financial Institutions. The banks are there to serve the private sector and not the Government. We now conclude by explaining to tax authorities the reason why the canons of taxation are not properly implemented in Cameroon.

6. Conclusion

Third world countries need development strategies that are feasible, not failed strategies poorly directed by any international monetary institutions, which have no interest on their development and growth. America has no debts to pay to anybody and yet, it is believed that America is the largest owing nation. That is not true. They print enough notes and coins, to solve their budgetary and fiscal problems. The canons of taxation are not properly implemented in the third world environment. The canons of taxation are the basic prerequisites for an effective tax policy, but cannot be implemented, properly in the less developed world. Their careful implementation means that the tax policy of that economy would be perfect. Unfortunately, such a perfect tax system does not exist in the actual world. In the third world economies, they help to slow down development prospects. It is necessary to abandon the canons of taxation in the third world countries, that is, do not levy taxes on the population, but use the Demand for Money Model to solve all budgetary and fiscal problems and encourage growth and development. By during this, we shall have a debt-free economy, with fast and steady growth and development.

REFERENCES

Forbe H. N., Vukenkeng A. W. and Adamu P. (2019), Analysis of the Socio-economic Consequences ofthe Crisis in the North West and South West Regions of Cameroon on the Economy of the two Regions(2016-2018), International Journal of Economics, Commerce and Management, United Kingdom

Francis N. Kimeng (2012), Making a Difference in Sustainable Development, High Calling Publishers,Port Harcourt, Nigerian.

Jeffrey A. Goldstein (2000), Roundtable Discussion –Policies to Prevent future Crises, Federal ReserveBank of Boston, Boston, USA.

Kothari S.P. (2000), Building an Infrastructure of Financial Stability, Federal Reserve Bank of Boston,Boston, USA

Masaru Yoshitomi (2000), Roundtable Discussion – Policies to Prevent future Crises, Federal ReserveBank of Boston, Boston, USA.

Njimanted G. F. (2007): Strike, Political Protests and Economic Development: Evidence from Cameroon. Journal of Applied Social Sciences, Vol. 6, No. 1 & 2

Stanley Fischer (2000), Roundtable Discussion –Policies to Prevent future Crises, Federal Reserve Bankof Boston, Boston, USA.

Tegwi Pius Ngoh (2014), Financial Management for Financial Education, University of Calabar, Calabar, Nigeria.

Visemih William Muffee (2022), Financial Management in the Decentralised Crises Economy of Cameroon, World Wide Journal of Multidisciplinary Research and Development, UK.

Visemih William Muffee (2023), Government Budgeting, the Demand and Utilisation of Funds, International Journal of Latest Research in Humanities and Social Science (IJLRHSS) Volume 06 - Issue 06, UK

The Citizen's Budget (2023), published by the Directorate General of Budget of the Ministry of Finance,Director of publication: Minister of Finance, Directorate General of Budget, Building B, Ministry of Finance, Secretariat of the Director General of Budget, Yaounde, Cameroon