

## "Tax Burden: Concept of Equal Sacrifice"

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Economics (Major)  
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### Concept of Equal Sacrifice: —

#### Introductory: —

Equal Sacrifice as a measure of just distribution of tax burden was stated by J.S. Mill. He laid great stress on the dictum that all should be treated equally under the law as well as in all affairs of the Govt. is a maxim of politics. This should be applied in taxation.

Mill argued that the real burden of taxation should be equal for all and that "Similar and Similarly Situated persons are to be treated equally." But the concept of "equal" in equal sacrifice has been interpreted differently.

Concept: — Three distinct concepts of

Equal sacrifice were advanced by Cohen - Stuart and Edgeworth. These includes equal absolute sacrifice, equal proportional sacrifice and equal marginal sacrifice. To illustrate these concepts, we accept the necessary assumption that interpersonal utility comparisons are admissible.

Equal absolute sacrifice implies that the total loss of utility as a result of tax should be equal for all taxpayers. For example, if there are two taxpayers but with different incomes, the one who has more income will pay more tax and the one who has less will pay less tax; but the sacrifice to both as a result of the tax should be equal.

Equal proportional sacrifice implies that the loss of utility as a result of tax should be proportional to the total income of tax-payers. Here too, the

tax payers with a higher income will pay more but the ratio of sacrifice to the income will be the same for all. This can be expressed as

$$\frac{\text{Sacrifice to taxpayer A}}{\text{Income of A}} = \frac{\text{Sacrifice to taxpayer B}}{\text{Income of B}}$$

This Proportional Sacrifice Principle attempts to relate the sacrifice of tax payment to the capacity of enjoyment or satisfaction resulting from income. Every taxpayer's loss in proportion to his income should be the same as everyone else's.

Equal marginal sacrifice  
implies that the marginal sacrifice for the different taxpayers should be the same. Since marginal utility of higher income will be very low as compared to that of a low income, equal marginal sacrifice will imply that the person with a higher income will be expected to bear

the most burden. In fact, it is under the minimum sacrifice principle, that the total sacrifice of all tax payers will be the lowest. Hence, this principle is also known as the least aggregate sacrifice principle of taxation.

To sum up: The problem is to choose one of these interpretations as the best. The classical economists failed to distinguish these terms clearly. Later writers, however, clearly distinguished the three concepts of equality of sacrifice but were not agreed upon the merits of the various concepts. Writers like Cohen - Stuart preferred equal proportional sacrifice since that would leave the relative position of total utility of tax-payers unchanged. Marshall and Sidgwick preferred equal absolute sacrifice. However, Edgeworth and Pigeon rejected the absolute and proportional sacrifice principles on the ground that there was no logical or intuitive choice between them. They argued in favour of equal marginal sacrifice principle as the

ground of welfare, viz, that it satisfies  
the welfare objective of least aggregate  
sacrifice. There has thus been a shift  
from equity to welfare.

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