These are the rules, qualities, conditions, standards or yardsticks by which the goodness of a tax system is measured and by which a good tax policy can be formulated. Adams Smith was noted to have been the first person to mention the principles of taxation, but he called them cannons of taxation in his book "The Wealth of Nations" in 1776. Although Adams Smith mentioned only four principles, scholars that came after him made some generally accepted additions. Some of these principles include the following: 1. Principle of Equity: This principle states that a good tax system should be as just as possible by ensuring that all persons who ought to pay the tax are covered by the tax and that each taxpayer pays exactly what is just and equitable considering his circumstance and ability. There are two types of equity i.e. vertical and horizontal equity. Vertical equity is the unequal treatment of taxable persons with varied taxable income. While horizontal equity is the equal treatment of tax payers with the same taxable income. 2. Principle of Economy: This principle states that the cost of collecting tax should not be too high so as to outweigh the benefits derivable from the imposition of tax. For example if it costs a government N9milliom to collect tax revenue of N10million, the tax system is said to lack economy. 3. Principle of Certainty: This principle states that the amount to collect as tax, the time of payment, the mode of payment and the place of payment must be made clear to the tax payer, so that the tax payer is not left at the whims and caprice of the tax authorities. In other words, the taxpayer should be fully informed about taxes to be able to arrive at a conclusion as to the amount of tax payable by him with reference to the provision of the tax law, as well as, to preventing him from being subjected to cheating by unwanted people and dishonest tax officials. 4. Principle of Convenience: This principle states that tax should be imposed at a time, in a manner and at a place that the taxpayer is in position to pay, so that collection of tax would be easy for the tax administrators. E.g. salary earner should be asked to pay tax when he receive his salary and not at the middle or the end of the month when the salary may have been exhausted. This is why the PAYE (Pay-As-You-Earn) is deducted at source, because it is more convenient than requiring the taxpayer to pay after collection of salary and a farmer should be asked to pay tax when he harvest his crops and not when he is doing the planting or clearing the farm. 5. Principle of Simplicity: This principle states that a good tax system and the tax law should be as simple as possible, both in interpretation and application. This requirement is particularly important in developing economy where the rate of illiteracy is high and where the culture of record keeping has not been imbibed by most small scale entrepreneurs. 6. Principle of Neutrality: This principle states that a good tax system should neither distort the consumption habit nor the production decision of a tax payer. In other words, a good tax system should not interfere with people's willingness to work, produce, consume, save and invest. 7. Principle of Efficiency: This principle states that a good tax system should make it difficult for tax evasion (i.e. should make it difficult for nonpayment of tax or illegal reduction of one's tax liability).8. Flexibility: This principle states that a good tax system and tax law should be such .that it can be easily amended when the need arises, without unnecessary protocol