

A Brief

History

Of

Taxation

Samuel Blankson

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ISBN 10: 1-9057-8900-9

ISBN 13: 978-1-9057-8900-9

Acknowledgements

Thanks to God, my wife, and all the people who helped me write this book.

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Introduction

Taxation goes back as far as recorded history. However, it was not until the start of the great civilizations that we see tax collected for a Kingdom by an organized group, dedicated to that sole task. There have been taxes to help maintain resources like boats, cities, safe passage, ports, palaces, construction projects, and perhaps the most popular reason, to fund conflicts.

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Egypt (Pre 3000 BC To 300 BC)

In ancient Egypt, the ruler Pharaoh, who was considered the highest authority of the land, a god, instructed his chief minister, the vizier, to organise thousands of scribes to collect taxes from all citizens of the Kingdom. It was the responsibility of the citizen to declare their livelihood. Failure to do this or inaccurate declarations were punishable by flogging or death. These scribes assessed each declaration of livelihood, and also assessed the harvest of crops in March and April to determine the tax due to Pharaoh.

In ancient Egypt's heyday, those owing taxes were forced to handover portions of their land, livestock etc, to the scribes and courts. The Ancient Egyptians taxed grain, cooking oil, livestock, beer, other farm produce, personal livelihood (beku), Nile usage for transportation of merchandise, and foreign trade. Local officials (apu) were also taxed.

An example of the unfairness of this early tax system is the means by which citizens were forced to renew their cooking oil. People were not allowed to recycle old cooking oil. Scribes literally searched homes for used oil and forced the household to buy new cooking oil, and thus pay the associated tax.

The rich nobles and even the tax collectors were not exempted from the collection of taxes. The vizier kept a tight reign on his scribes and local administrators through a network of spies and regular reports from all regions of the Kingdom. If a local minister or scribe was found to be holding back in the payment of collected taxes, they were punished severely by flogging or death.

China (2100 BC To 1911 AD)

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Ancient Chinese history is dominated by a mainly agrarian economy with heavy taxes levied by the Emperors that ruled during the 2000 year Imperial Period (see Appendix 1), from the Qin (Chin) dynasty in 221 BC, to the Xinhai Republican Revolution in 1911 AD. Throughout the period, the emperors of the various feudal dynasties held a monopoly on political and economic powers. The government was unitary, and utilized local magistrates appointed by the imperial court to collect taxes. Preset quotas were assigned to each magistrate, but they were allowed autonomy as to how the revenues were raised.

Revenues were used to finance state expenditures such as the Great Wall, military expenses, imperial palaces, public security, construction of public works and tombs, expenses related to the conduct of religious ceremonies, and expenses of maintaining the imperial court, such as the making of gifts and entertaining.

Whilst virtually closed to the outside world until the Opium Wars of 1840 AD, China remained self-reliant and self-sufficient. The emperors collected tax revenue on salt, which was mainly levied on households until the Ming dynasty when the tax shifted to salt production and distribution monopolies; natural produce when handicraft industries gradually developed; land, which was the main revenue source throughout the Imperial Period, charged mainly at 4% to 10% depending on the soil quality; business transactions; and on people.

Excise taxes were levied on producers of gold, silver, tin, lead, copper, tea, liquor (rice wine), and tobacco. Tobacco was introduced into china during the Ming Dynasty, and the Tobacco Tax was introduced in 1853. Taxes were paid in kind until the mid-Tang dynasty 618-907. After this period, silver and even paper was utilized for the payment of taxes. At the end of the Opium Wars when westerners forced China to open its doors to the world, customs duties were levied. Customs duties never

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become a big earner for the Chinese; however, they levied them from the Western Zhou Dynasty (see Appendix 1).

After the breakout of the Taiping Rebellion in 1850, a general tax on goods (Lijin) was introduced in 1853. Lijin literally means “1% tax,” and was levied on general merchandise, salt, opium (Western medicine), and Chinese medicine. In practice, Lijin was charged at varying rates from province to province and ranged from 1% to 9%. It was collected at the place of production, the place of internal customs, and at the place of sales.

An obligatory imperial military tax called “Fu” could be paid in order to avoid doing military service with silk, grains, or money. There also existed a head tax (Poll Tax), which was first levied under the Qin dynasty 221-207 BC, and was retained by many other dynasties afterwards. It was sometimes charged on only males, but it was mainly imposed per head.

The Republican Period began when the Xinhai Revolution, under the leadership of Dr. Sun Zhongshan (Sun Yat-Sen) overthrew the Qing dynasty in 1911. Dr Sun’s government established a western style republican government the following year, but the period was plagued with wars. This was because prior to 1927, the country was partly controlled by warlords.

In 1927, Jiang Jieshi (Chiang Kai-Shek) took control of the Nationalist party (Kuomintang) and attempted to unify the country. Shortly afterwards the Japanese invaded the northeastern regions of China on September 18th in 1931, and the War of Resistance against Japanese Aggression (Anti-Japanese War) ensued, ending in 1945. Immediately afterwards, civil war broke out between the Communist party and the Nationalist party.

China did not introduce income taxes until 1950, and even then it was only levied on previous capitalists until 1959. Because the state controlled all production, it was unnecessary to tax

China (2100 BC To 1911 AD)

incomes. Income Tax was eventually introduced in 1980 after an economic reform in the 1970s. Today China levies a Product Tax which is levied on most agricultural and industrial products; Value Added Tax (VAT)¹, which is levied on selected industrial products; Business Tax, which is levied on services and trades; and Salt Tax, which is levied on salt producers and distributors. Apart from the VAT, these taxes were all charged on goods and services at each stage of production and marketing.

Agriculture Tax, mainly collected in kind, allowed the Chinese government to literally feed the nation. This tax contained a “concealed tax,” allowing the government to benefit from making it compulsory to purchase grain at very low prices. China’s tax system, like its political system, is constantly undergoing reform, and the future can only promise further developments in this area for China.

¹ Value Added Tax, a tax on some manufactured goods.