

TAXATION THROUGH THE AGES: COMPARING NATIONAL POLICIES AND THEIR ROLE IN SOCIETY

Academic supervisor: **Dilafroz Nasirxojayeva**
Berdiyeva Durdonabonu

BIA-51i/24, Banking Tashkent State University of Economics

Abstract. *This article delves deep into the importance of tax and evolutionary changes. Besides, this paper mainly searches for better approaches in controlling tax policy to improve countries' growth by comparing different kinds of policies among countries. To give it to more understanding, it is included some of the sophisticated scholars' quotas about tax role in life.*

Keyword: *taxation, asset, economic stability, income tax, value-added cost, progressive tax system, flat tax policy, transaction*

INTRODUCTION. Taxation is not only an important governmental structure, but also one of main drivers to keep economic stability to any country. Also, it is devoted to explain the importance of various taxation types and regulatory approaches, comparing the policies of developing country and several developed countries. In fact, taxation systems is imposed to generate revenue for public services, infrastructure, and potential inner problems, even if it may seems a barrier for some sort of people.

Methods: This article employs numerous methods to clarify its core meaning, including comparison among countries in terms of its approaches, evolutionary growth of taxes in many countries and the results of the inquiry, asking its role in society. These dates are derived from different websites like, Investopedia, the wealth of nations and etc.

Results: [1] Many of our most basic tax types like income taxes, property taxes, sales taxes, and tariffs have been around since early civilization, around 5,000 years ago.

In ancient Egypt, before they were even using coined currency, the Pharaoh collected a 20 percent tax on all grain harvests. [2]Throughout history, governments have raised revenues in many ways. They have seized the assets of their enemies-and their subjects. They have created monopolies to sell to the highest bidder. They have taxed land, production, transactions, income, and consumption-and in most cases still do. Indeed, income taxes are fairly recent. The first income tax, levied by the Dutch Batavian Republic, dates from 1797 but the United States did not have a corporate income tax until 1909 or an individual

income tax until 1913. The value added tax (VAT) is even more recent-the first was levied in France in 1948, and it did not become common until 1970s and 1980s.

	Share of countries where firms report tax rates as key obstacle		
	Biggest obstacle	Among top three obstacles	Among top five obstacles
All countries	18	56	82
Upper-middle-income	40	90	100
Lower-middle-income	12	35	71
Lower-income	11	56	83
Eastern Europe & Central Asia	14	62	86
Sub-Saharan Africa	33	67	83
Asia	14	29	71
Latin America	50	50	50

Note: Reports share of countries where firms rank tax rates as a top constraint in a list of 18 possible obstacles.
Source: World Bank Investment Climate Surveys.

Pic.1.Firms report that tax rates are one of their top concerns[3]

For as long as governments have levied taxes, those who pay them have complained. Firms in developing countries are no exception, and cite tax rates as a major constraint on their operations (Pic.1.). Taxes affect the incentives for firms to invest productively by weakening the link between effort and reward, and by increasing the cost of inputs used in the production process. Tax rates and compliance costs both matters. When levied or applied unevenly, taxes can also distort competition.

The analysis reveals three main tax types:

1. Direct Taxes:

Income Tax – A tax on individual or corporate earnings (e.g., 12% in Uzbekistan [4], 20%-45% progressive rates in the UK). [5]

Corporate Tax – Levied on business profits (15% in Uzbekistan, [6], 25% in the UK).

Property Tax – Applied to real estate ownership, varying by country.

2. Indirect Taxes:

Value-Added Tax (VAT) – Applied to goods and services (12%. in Uzbekistan [7], 20% in the UK [8]).

3. Regulatory Approaches:

Progressive vs. Flat Tax Systems – The UK uses a progressive system, while Uzbekistan follows a flat tax model. Given the below information we can differentiate one developing country (Uzbekistan) with developed countries tax regulation systems:

1. Uzbekistan (developing country) Tax Rate: Flat 12%.

o Note: Resident individuals are taxed at a flat rate of 12% on their income.

2. Germany [9]

Income Tax: Income tax (Lohnsteuern) is calculated from the 8 gross monthly income. There are four tax brackets in the German tax system. The first tier allowed individuals with

an income of up to EUR 11,604 to be exempt from taxation. The second bracket covers income up to EUR 62,810, and the rate increases from 14% to 42%. The third and fourth brackets apply to income from

€62,810 to €277,825, or more than €277,825, and are taxed at rates of 42% and 45%, respectively.

Note: A progressive tax system applies, meaning the tax rate increases as income rises.

3. [10] In the U.S., there are seven federal income tax rates: 10%, 12%, 22%, 24%, 32%, 35%, and 37%. These rates will remain the same for both 2024 and 2025 because of the Tax Cuts and Jobs Act (TCJA).

Contrary to popular belief, your income isn't generally taxed at a flat rate. Instead, parts of your earnings can be taxed at different rates, depending on how much you make as well as your filing status.

4. Canada (developed country) [11] O Tax Rates:

15% on the first \$55,867 of taxable income

20.5% on taxable income over \$55,867 up to \$111,733 26% on taxable income over \$111,733 up to \$173,205 29% on taxable income over \$173,205 up to \$246,752 33% on any taxable income over \$246,752

□□ Note: Provinces also impose their own income taxes, which vary.

Economists try to solve these type of economic questions scientifically, for example, the formula of effective tax rate . Effective tax rate is the average tax rate of a corporation or individual. It is the percentage of taxes owed from the corporation's total revenues or the individual's total income. It relates to the company's overall tax rate rather than its marginal tax rate.[12]

Pic.2.Effective tax rate[13]

However, it is not always easy to find answers when it comes to controlling whole system of tax due to controversial concepts.

In this regard, there are some concepts about tax from famous economist. [14] Several theories of taxation exist in public economics. Governments at all levels (national, regional and local) need to raise revenue from a variety of sources to finance public-sector expenditures. Adam Smith in The Wealth of Nations (1776) wrote: "The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or

inequality of taxation.” Warren Buffett: “If anything, taxes for the lower and middle class and maybe even the upper middle class should even probably be cut further. But I think that people at the high end - people like myself - should be paying a lot more in taxes. We have it better than we’ve ever had it.”[15]

Discussion. The means of taxation have developed over the time and nowadays it is derived by different kinds, which has emerged in recent decades. In the past years of first implementation, means of tax was as a grain but now it has different types ranging from cash to digital money ,but also in terms of types of tax itself has been newly added, for instance, in the late 19th and 20th century, the adoption of value added tax (VAT) in France .It suggests that tax policies are continuing to evolve in response to economic needs. However, this evolution was seen as a barrier at first according to the above given table, describing sentiments of firms. According to the above given table, we can see that tax rates play discouraging role to invest without fear. As a consequence, sellers increase the cost of their products and in turn it leads to the decline of their customer, debilitating strong market competition for those sellers. Even in the worst cases, that high price on the product may arise inflation . Moving into tax policies, there is two main types, direct and indirect. When it comes to regulatory approaches, whether it is flat or progressive plays crucial role in economic growth. To make it clearer, I exemplify value added cost which is regarded as flat tax.

A value-added tax is a flat tax levied on an item. It is similar to a sales tax in

some respects, except that with a sales tax, the full amount owed to the government is paid by the consumer at the point of sale. With a VAT, portions of the tax amount are paid by different parties to a transaction.

Wealthier consumers could ultimately come out ahead if a VAT replaced the income tax. As with other flat taxes, a VAT’s impact would be felt less by the wealthy and more by the poor, who spend most of their income on necessities. In short, lower-income consumers would pay a much higher proportion of their earnings in taxes with a VAT system, according to critics such as the Tax Policy Center[16] .The reason why flat tax may not seem very fair system due to the fact that, particularly, lower- income consumer suffer from this system. Similarly, according to 4 countries comparison, developed countries like Germany, Canada, US don’t use flat tax approach when it comes to Income taxes instead, they use progressive tax policies and developing country, Uzbekistan is exception from this, namely, this country uses flat tax approach. It seems obvious that progressive tax system is more favorable, leading to economic growth. Apparently, unlike valueadded-tax (VAT), income tax is direct and it cover much more scale of income than VAT.

Conclusion:. By evaluating comparison of tax policies among developed countries and developing country, progressive tax policy is more beneficial to countries’ growth due to income inequality. In fact, any government need to get taxes to improve its weaknesses. In this respect, Governing tax policies without caring leads to detrimental effects to the economy, at the same time, deliberate ones help any country to boost its overall economic industry in many aspects. The fact that wealthy people need to pay more is even further supported by Warren Buffett. Apparently, every tax policy is in and of itself play crucial role in either failure or growth for each country. Over the history revenue generating from society by this by is undeniable necessary to improve countries’ weaknesses.

References:

- [1] An introduction to the history of taxes
<https://taxfoundation.org/taxedu/videos/history-of-taxes-introduction/>
- [2] World Bank Open Knowledge Repository (Regulation and tax) pdf Page 106, Chapter 5
https://openknowledge.worldbank.org/bitstream/handle/10986/5987/9780821356821_ch05.pdf
- [3] Firms report that tax rates are one of their top concerns, World development report 2005, Chapter 5 ,page 107
https://openknowledge.worldbank.org/bitstream/handle/10986/5987/9780821356821_ch05.pdf
- [4] Uzbekistan personal Income tax rate- trading economics - January01.2025 <https://tradingeconomics.com/uzbekistan/personal-income-tax-rate>
- [5] Income Tax rates and personal allowances- GOV.UK. HM Revenue & Customs, Department for Work and Pensions, Department of Health and Social Care, HM Treasury, Student Loans Company, Office for National Statistics and Welsh Government, Published 8 February 2024
<https://www.gov.uk/income-tax-rates>
- [6] Uzbekistan, Republic of Corporate - Taxes on corporate income, 09 February 2025
<https://taxsummaries.pwc.com/republic-of-uzbekistan/corporate/taxes-on-corporate-income>
- [7] VAT in Uzbekistan, 09 February 2025
<https://taxsummaries.pwc.com/republic-of-uzbekistan/individual/other-taxes>

[8] UK VAT Rates Explained – Wise <https://www.gov.uk/vat-rates>

[9] Germany Global Payroll and Tax Information Guide -pay slip [10]2024 and 2025
Federal Tax Brackets& Income Rates- NerdWallet

<https://www.nerdwallet.com/article/taxes/federal-income-tax-brackets>

[11] Canadian tax brackets for 2024,by editors wealthsimple,updated march19.2025
<https://turbotax.intuit.ca/tips/an-overview-of-federal-tax-rates-286?srsId=AfmBOoo6ttqF-R6YpF5A2Pds72cCT4CcKYxPFuSc7r-sWh3vqftj4J76>

[12] How the effective tax rate is calculated from income statements, by TROY
SEGAL,updated November 08.2024,reviewed by AMANDA BELLUCCO CHATHAM
<https://www.investopedia.com/ask/answers/102714/how-are-effective-tax-ratescalculated-income-statements.asp>

[13] Effective tax rate,step-by-step guide to understanding effective tax rate,updated
january 6.2024.

<https://www.wallstreetprep.com/knowledge/effective-tax-rate/>

[14] The Wealth of Nations Book V: Of the Revenue of the Sovereign or
Commonwealth,from Wikipedia, the free encyclopedia

https://en.wikipedia.org/wiki/Theories_of_taxation

[15] Brain quota about Warren Buffett

https://www.brainyquote.com/quotes/warren_buffett_413412

[16] What is value-added tax ,By investopedia team updated June12.2024,reviewed by
LEA D.Uradu,Fact checked by Amanda Jackson.

<https://www.investopedia.com/terms/v/valueaddedtax.asp>