

THE CONTEMPORARY APPROACH OF TAXATION, FROM THE POINT OF VIEW OF ITS HISTORICAL EVOLUTION. THEORETICAL FRAMEWORK

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Abstract: *The topic of this research focuses on the study of the taxation process, which is one of the oldest activities in human history and has played a key role in civilized societies for thousands of years, developing its roots with the emergence of the state and trade relations between people. The research methodology is mainly based on the method of theoretical research and the method of reading the literature, being mainly a qualitative research, designed to provide a generous substrate in addressing the process of taxation in economic life. Thus, this theoretical research aims to briefly cover the most important historical stages of taxation in order to provide a comprehensive definition of the concept of tax. The tax system, through compulsory levies, plays a complex role in any state, being one of the pillars of influencing the economy. The government plays an important role in the economic growth and development of emerging countries, as it provides indispensable public services, so we believe that the approach of taxation as a clear proof of fiscal civilization can provide significant theoretical resources for the literature. Given that tax levies are the basic components of tax revenues and are means and levers of budget revenue formation, this research aims to address them conceptually, so that the main purpose of this paper to be achieved. This article concluded that over time, the concepts of taxation have evolved and been transmitted to other cultures, where, later, fiscal ideas took root. This model continues to this day, as nations are influenced by the evolution of taxes in other countries, which are perceived in order to cover the financing needs of the state, in order to achieve the primary objective, namely economic stability. The value of the obtained results can be quantified by broadening the spectrum of theoretical research, providing an additional knowledge, significantly in the fiscal literature.*

Keywords: *historical evolution; taxation; tax system; fiscality; theoretical approach.*

JEL Classification: *E61; H20; N00.*

1. Introduction

This research is divided into four sections, namely *section one*, which includes the introductory part, which briefly presents the research objectives, research methodology and the central topic of the study.

Starting from the fact that the taxation process is one of the oldest activities in human history, which has played a key role in civilized societies for thousands of years,

developing its roots with the emergence of the state and trade relations between people, the *second section* refers to the presentation of the historical evolution of the fiscal systems.

The government plays an important role in the economic growth and development of emerging countries, as it provides indispensable public services. However, these public services need significant financial resources, which in most countries depend mainly on the accumulation of tax revenues, respectively on the proper functioning of the tax system, through its components. Thus, *the third section* considers the study of the concept of tax. The *last section* of this study is the presentation of the main conclusions.

This study is a first step in discovering the influence that history had in shaping the modern tax systems, and the approach of taxation as a clear proof of civilization, can provide significant theoretical resources for the literature. Thus, the timeliness of this study is conditioned by the importance of taxes in the economic life of nations. Achieving the main goal of this qualitative research, respectively offering a comprehensive definition of the concept of tax system and taxation, starting from its historical roots, is based on the extensive study of literature, through the method of theoretical research and the method of reading the literature.

As a first step of the research is the presentation, from an etymological point of view, of the taxation process. Thus, taxation comes from the Latin word 'impositum' or 'taxation', both meaning to constrain, to set, and the tax comes from the Latin 'tributum', meaning tribute. The correspondents of the Romanian term "impozit" are: "impôt" in French, "imposta" in Italian and "tax / fee" in English. These words had the objective of defining taxation, and from their meanings some of the synonyms of taxes can be highlighted, namely tribute, contribution, gift or debt. Thus defined, taxation is a very rich and varied subject and over time states have resorted to all kinds of taxes in history.

2. The historical evolution of fiscal systems

Taxation is evidence of civilization and tax systems were developed independently in the great ancient empires. The concepts of taxation have evolved and have been transmitted to other cultures, where, later, fiscal ideas took root. This model continues to this day, as nations are influenced by the evolution of taxes in other countries, which are perceived in order to cover the financing needs of the state and in order to achieve the primary objective, namely economic stability. Thus, this sub-point of this research begins with a brief history of the taxation process, briefly going through the most important historical stages, namely:

A. Egyptian Empire (1000 - 300 BC)

The exact time when the first tax was instituted is not known exactly, not only because of poor historical records, but also because of the cultural and social structure of ancient empires such as the Egyptian and Mesopotamian empires, where religion and government were mixed - the king / the emperor was seen as a god, and he owned everything.

According to Samson (2002) in those regimes, the king's own resources were not enough to secure the lives of his priests, court and army, so he had to resort to taxes.

As the use of money was still rare, most of these taxes were paid in kind. Thus, the peasants who made up the majority of the population had to bring to the emperor a fixed proportion of their crops. In addition, they had to represent the labor force needed to maintain public equipment, but also to build pyramids and temples or to work the emperor's fields.

The earliest writings on paying tribute to the pharaohs are found in the Bible, so that during the Egyptian empire, paying tribute to the temple and to the pharaoh was both a religious and a governmental contribution.

B. Ancient Greece (500 BC)

Greece was a nation that had a lot of wars, and they used taxes to finance them. Their tax was known as "eisphora", and public activities were funded directly and exclusively by prominent members of the community. A unique feature of the Greek fiscal system was their ability to cancel a tax once the war ended, and if too much money was raised from these fees, they returned the surplus funds back to the citizens (Petraakis, 2019).

C. Roman Empire (27 BC - 800 AD)

Again, the Bible refers to taxation, in memory of the disciple Matthew, who was a tax collector of the local government in Rome, under the leadership of Caesar Augustus. The Roman Empire went further, being the first of the oldest civilizations to impose a tax on both imports into the empire and exports from the empire. These were known as "portoria".

Taxation in the provinces of the Roman Empire was known for its severity, being charged for financing the central administration, as well as for expensive military campaigns. This period was characterized by a dramatic fiscal burden, in which there were laws on the obligation of the people to continue the work of the field, as well as trade, so that donations to the administration cannot be avoided (Smith, 2015). Also, during this period, attempts were made to tax capital and property, but to no avail. However, the Roman emperors imposed taxes, which are still valid today, namely inheritance tax (Emperor Caesar Augustus) and tax on the sale of property (Julius Caesar) (Günther, 2016).

D. Medieval Europe (1000-1700 AD)

The emergence of the feudal system imposed the principle that everyone, from the peasant to the duke, had to provide military service or work in exchange for the right to his land. Thus, in feudal Europe, the two main forms of wealth were land and labor. Labor was used as currency, in the form of military service, and the wealth of a feudal lord was measured by the size of his land holdings (Hodgett, 2006).

As monarchies and the era of imperialism grew throughout Europe, so did the need for cash - that is fees. Across Europe, cities and nations have taxed their citizens to support their armies and weapons, but also to explore new lands in the economic age of mercantilism and the age of exploration. In this way, in a somewhat official way, indirect taxes paid on goods transactions and direct taxes, paid on wealth or income were born (Salanie, 2011).

E. Early Modern Europe (1700-1900 AD)

Fiscal systems did not change much until the French Revolution, and governments, in order to obtain higher revenues, largely increased taxes on specific goods, called excise duties and customs duties, both domestic and foreign. But times have

changed, and the period of mercantilism and the era of exploration have been replaced by capitalism and the importance of individual wealth.

In 1776, Professor Adam Smith published the book *Wealth of Nations*, which was a groundbreaking work, and the world order began to change again as it changed the way individuals and governments viewed the economy and the use of taxes in providing public goods. He supported the idea of free initiative and considered money the value of a certain amount of labor, and the wealth of a nation was quantified by the volume of its production and consumption. Thus, as Smith's ideas of sharing and accumulating wealth spread, the powers of the monarchs began to wane.

The French Revolution, from 1789 to 1799, originated in the resentments of French citizens about taxes caused by Napoleon's changes in the fiscal system. He created a more centralized system, with private citizens, not government agents, as tax collectors, paying them a commission for the taxes they collected on behalf of the French government (Dieterle, 2020).

This revolution had important consequences, because in European countries there was a need to finance wars and determined governments to create the first modern income taxes. However, they were abolished when peace returned. The growing influence of liberal ideas on free trade was reflected in the nineteenth century in a marked decline in customs duties, which reduced fiscal revenues. To cope with low incomes, Robert Peel, the Prime Minister of England, reinstated the income tax in 1842, and out of a desire for equality, but also out of the need to finance the elements of state welfare, other countries followed suit. Thus, the income tax was a tax on social classes, being progressive, just like the profit taxes that appeared in the same period (Salanie, 2011).

As far as Romania is concerned, the most valuable fiscal reform instituted was carried out by the Organic Regulation of 1831, which stipulated new provisions regarding the abolition of internal customs between principalities, the collection of revenues and the adjustment of public expenditures, by including modern administrative regulations of the country's budget, by creating a National Bank.

F. Modern Europe

The first major world event of the twentieth century was the First World War, which brought about changes in taxation in several nations, especially in the United Kingdom, where an additional profit tax was imposed on companies that profited from the production of war materials.

Another important event was the Great Depression of 1930, characterized by an increased level of unemployment and a decreased level of productivity, phenomena that led, consequently, to significant decreases in government fiscal revenues. The book published by John M. Keynes in 1936, entitled "The General Theory of Employment, Interest and Money," was a source of inspiration for President Roosevelt's plan to get out of depression.

Keynes's ideas change the role of government and the use of taxation and fiscal policy to manage an economy. In his paper, Keynes suggests that the government should intervene in the development of the national economy by:

- (a) the application of saving in periods of economic growth, and in periods of recession and depression it is desirable to resort to loans and expenditures;

- (b) investments in infrastructure;
- (c) adopting proactive fiscal policies, such as increasing fiscal spending, reducing taxes and issuing government bonds, to increase fiscal budgets for housing, roads and other public projects (Chen, 2020).

Following the Second World War, there was a high enthusiasm for building and rebuilding Europe, and this meant the need of high public revenues to cope with public infrastructure expenditures. Thus, there were the implementation of several taxes, but also the provision of several public services. Many of the tax-paid public programs were designed more to redistribute wealth than to provide a public good or service. Among the most important fees existing after this war are: the profit tax on war, the profit tax, the income tax, the turnover tax, consumption taxes, customs duties and excise duties.

During each world war, military spending reached or exceeded half of national revenues in the major war countries. Some countries have financed this explosion of public expenditures through loans, but most countries have resorted to tax increases (Salanie, 2011). Both world wars seem to have given a significant boost to public spending, but also to taxation.

Throughout history, the taxation process has seen a path of ups and downs, making it difficult to find its precise origin, because the state, regardless of its form at one time, has always been looking for financial support, either on the part of its citizens or on the part of those who crossed its borders.

Modern fiscal systems involve much greater clarity and transparency than the arbitrary revenue-generating systems of the past. And, according to what was presented, taxes were the basis of every major event in the history of the world. The truth is that the fees and taxes can be used for good or evil, in order to punish or secure and create a civilized society, in which economic, social and financial well-being is the primary goal. As the section presented shows, current fiscal systems are the product of a long evolution, marked by important historical events. Given this, it is not surprising that they vary greatly from one state to another state.

3. The essence of taxes and fees

The fiscal system, through compulsory levies, plays a complex role in any state, being one of the pillars of influencing the economy. Given that fiscal levies are the basic components of fiscal revenues and they are levers in the formation of budget revenues, it is necessary to approach them conceptually, so that the main purpose of this paper to be achieved. Broadly and unanimously accepted, the *tax system includes all mandatory levies, intended to participate in the formation of public fiscal resources of the state.*

It is very important to differentiate the notion of compulsory levies from that of fiscal levies. According to the specialized literature, the compulsory levies represent "the totality of taxes, fees and contributions levied on the public budgets component of the general consolidated budget", and the fiscal levies represent the totality of taxes and fees "which determine revenues at the state budget and local budgets" (Dobrotă & Chirculescu, 2010).

It is necessary to establish a dividing line between the compulsory levies, in the first phase between the notion of fee and that of tax. The latter, unlike fees, represents the equivalent value paid by the taxpayer, natural or legal person, for the services provided in his favor, by the state and its institutions. The difference is summarized in the destination of the benefit, respectively:

- the direct benefit from the state to the taxpayer is specific to the tax,
- the collective benefit of public services is specific to fees.

The essence of taxes and fees is not very different, but the vision on them depends very much from one state to another, but also from one person to another, depending on the social, economic and cultural level in which they are. The study of taxes and fees, and the taxation process is not a new one, but it is very long, and over time many and different opinions have been addressed, as well as the people they have expressed, as can be seen in the summary in table no. 1.

Table no.1 Tax and fees exposures and their promoters

	The view of theorists and researchers on the concept of "tax"
Adam Smith 1776	The tax represents the payments that citizens bear for the services provided by the state.
David Ricardo 1817	Taxes offer the choice between several evils, because any newly introduced tax is an additional burden on production and price.
Alfred de Foville	The tax represents the regular levy, from private incomes, in order to subsidize public expenditures.
Charles de Montesquieu	The tax is a portion that each citizen gives of his property, in order to have the security of the other part of his fortune.
Paul Leroy-Beaulieu 1888	The tax is either a direct or a hidden contribution that the government demands from citizens to subsidize government spending.
Theodor C. Aslan 1905	Taxes serve to fuel the state budget and represent the sacrifice that the taxpayer must make to support the needs of the state.
D.Gh. Creangă 1909	Taxes are those donations, which are collected from individuals, by a public authority (...) by force, regulated in universal terms, to cover the expenses of the state, necessary for its purpose.
A. Wagner 1909	The tax exercises regulatory intervention in the distribution of national income.
A.Hansen 1941	Taxes are prices set by coercion for government services.
J.M Keynes 1936; W.J.Schultz and C.L. Harris 1954; R. Musgrave and P.Musgrave 1970.	Taxes, through the degree of taxation, can be used to influence the economy in several directions, respectively by affecting or stimulating investments, by affecting the decision to spend or save, but also by affecting or encouraging the incentive to work and leads an economic activity.

	The view of theorists and researchers on the concept of "tax"
Pierre Lalumière 1970	Taxes can be used to encourage or discourage, by way of surcharge, a certain economic activity, without ceasing to be a means of economic or social intervention.
I. Talpoș 1996	Both the tax and the fee are historical financial instruments, the appearance of which is related to the existence of the state and money.
Gh. Bistriceanu 1995	The tax is an instrument of state intervention in economic and social activity (...) and contributes to the intertwining of general interests with local ones, with the interests of economic agents and the population, for the defense of integrity.
N. Dobrotă 1995	The tax is a mandatory levy and without consideration made by public administrations, in order to support public expenditures, through the financial function, but also in order to regularize economic activities, through the political function.

Source: made by the author, based on the bibliographic study of Popescu et al. (2000, p.130-170) and Caprian and Djugostran (2012, p.116) research

It is very important to have a common definition of the term tax, and the definition that encompasses the basis of the concepts, presented in the previous table, is *that taxes and fees are the backbone in collecting public revenues, but they are not limited to their financial function.*

In the autochthonous literature of the last two decades, taxes are unanimously recognized as "a form of mandatory and final collection of a part of the income and/or wealth of individuals and business entities, in favor of the state budget, in the amount and within the deadlines established by law, in order to cover public expenditures and without the obligation on the state part to provide the taxpayer with a direct equivalent" (Văcărel et al., 2007; Comaniciu, 2010; Ungureanu et al., 2017, Vodă and Dobrotă, 2018).

The studies undertaken, over time, offer many definitions of tax, and following the definitions presented above, four key aspects can be identified, which we believe that they need to be understood so that taxation can perform its functions in any society:

- *firstly*, the tax represents a payment, price, donation, contribution of the citizens to the public authority;
- *secondly*, it is an obligation, a constraint made to subsidize public spending and services provided by the state, but in modern tax systems, the tax we consider should be seen as an agreement between the state and taxpayers to achieve the common good;
- *thirdly*, the payment of the tax cannot be equivalent to the benefits received, it is without consideration from the state;
- *fourthly*, the tax is seen as an instrument, an economic and social regulatory intervention.

Based on the previous definitions presented, it is obvious that a good fiscal structure plays a multiple role in the process of economic development of any nation, taxes having a historically binding, regulatory, legal and transparent character. Thus, from our perspective we can define the concept of taxation as representing the instrument of fiscal policy, used in order to intervene in the regularization of the economic and social plan of a state.

4. Conclusions

The present research has referred to the taxation process, in general, starting from its historical roots, and continuing, specifically, to its approach from the points of view of the great theorists in the economic and fiscal literature.

Thus, we concluded that from more rudimentary systems of income generation and the provision of forced labor within the feudal system, which inhibited both economic development and efficient governance, led to a gradual emergence of stable and regular levies based on transactions or property, from the period of monarchies. Democratic legitimacy in fiscal policy began to take shape in the early modern period in Europe, when rebellions in several European countries began to restrict the power of monarchs to impose taxation at will.

Over time, the world has evolved, and although taxes in developed countries at the end of the twentieth century have not seen much movement, changes to the privatization of public services have been in vogue, and the global economy has begun to emerge. As the twentieth century came to an end, spending, as a proportion of national wealth, did not fall, but in fact increased. In many countries, especially in Europe, state's expenditure on social welfare has increased, providing services and assistance to the poor, the disabled, the sick and the elderly. And in developing countries, where public infrastructure was poor, taxes and fiscal revenues remained minimal compared to expenditures (Dieterle, 2020).

Consequently, in the early days, taxation was either a price to be paid for protection, in particular for financing military movements, or a tribute to the central government, simply because people were members of an organized society.

Regarding the approach to the tax system, we can outline a definition of it, representing the legislative component and the main constituent of the fiscal system, which without an institution to deal with the collection of mandatory levies and without a mechanism to put this system into operation, taxation would be nothing more than new legislation.

Based on the definitions in the literature, from our perspective we can define the concept of tax as the main element of public revenue formation, with a long historical character, which is the mandatory financial compromise on the part of the taxpayer, for the benefit of the public budget and whose amount and payment term is established in advance, by legislation, with the purpose of financing government expenditures, but also of intervening in the fulfillment of national economic, social and political objectives, without being a direct compensation, from the state, for this sacrifice.

Basically, taxes and fees are the compromise that taxpayers are willing to offer, in order to benefit from public goods and services, which they use every day or occasionally.

As personal contributions, through this scientific article, we conclude that the value of the results obtained can be quantified by broadening the spectrum of theoretical research, providing additional knowledge, significantly in the tax literature, by offering our own views on the concepts of taxation, tax and fee and respectively tax system.

5. Acknowledgements / Bio-note

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