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GENESIS OF TAX ADMINISTRATION

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The history of formation and development of tax administration is studied. The stages of genesis of tax administration are identified and described. The historically caused major trends in tax administration which are based on knowledge of the nature of causality are formulated.

Key words: taxation, elitist crowd- control concept, the concept of fair governance, regulatory function of taxes.

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ГЕНЕЗИС УПРАВЛІННЯ ОПОДАТКУВАННЯМ

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Досліджено історію становлення та розвитку управління оподаткуванням. Визначено та охарактеризовано етапи генезису управління оподаткуванням. На основі пізнання природи причинно-наслідкових зв'язків сформульовано основні історично обумовлені тенденції розвитку управління оподаткуванням.

Ключові слова: управління оподаткуванням, натовпо-елітарна концепція управління, справедлива концепція управління, регулююча функція податків.

Statement of the problem

It is the quotation of V. J. Klyuchevskii that accurately reveals the importance of understanding the nature of causation, which, in turn, are combined into a single unit for the past, present and future – “To know your history means to understand why it happened so and what will inevitably cause the past” [1]. In order to understand the essence of the currently existing problems in the management of taxation, and to predict possible scenarios of the tax system in the future, in order timely eliminate the negative trends and their consequences, it is necessary to study the history of formation and development of tax administration.

Analysis of recent research and publications

Studies of scientific papers on the history of taxation showed that Andruschenko V. L. [2; 3], Blankson S. [4], Burg D. [5], Webber S. [6], Melnyk V. M. [3], Melnyk P. V. [3], Nechay N. V. [7], Pavlenko V. L. [8], Fildavski A. [6] and Yaroshenko F. O. [3; 8] have paid attention to the establishment and development of taxes and taxation; Varnaliy Z. S. [9], Melnyk P. V. [9] and Tarangul L. L. [9] – the problem of formation and development of tax policy, Voronkov A. M. [10], Ivanov Y. B. [11], Karpova V. V. [11], Kizyma A. J. [11] and Krysovaty A. I. [11] – the evolution of fiscal management in Ukraine.

The results of the above mentioned scientists are scientifically significant and practically valuable, but there are two things that are essentially justifying the need for further research into the genesis of the tax administration. These are: first, a retrospective study of preconditions and development of taxes, taxation, tax policy and tax administration was carried out by scientists from the perspective of the totality of characteristics of regional processes, phenomena and facts with little or no relationship to each other

within a single integrated global historical process; second, the evolution of tax administration (as the direct object of our study), a research scientist since 1990 (what phenomenon took place before the 1990 is ignored by scientists).

Thus, we faced urgent task to study the genesis of tax administration within a single global historical process, which has hierarchically higher structure than the regional historical processes which, in turn, is closely related to causal relationships.

The formulation of objectives

The aim of the article is to study the history of the formation and development of tax administration in the context of identifying cause-effect relationships on which shaped the current state and future trends in the management of taxation. Achieving of the goal predetermined the following objectives:

- identification and description of the stages of genesis of tax administration;
- formulation of the main historical trends due to tax administration.

Presentation of main materials

Research of the history of formation and development of tax administration should be started with grounding the “starting point” of time. Various researchers take this problem differently. For example, Voronkova O. M. begins with a study of genesis of organizational and management component of national taxation in 1990 in her book “Tax Management in Ukraine: characteristics, problems and prospects” [10, p. 88 – 105]. The authors Ljashenko Y. I., Tarangul D. A., Tarangul L. L., Chekhovska V. I. in the book “Tax policy in Ukraine” begin to consider the historical experience of tax policy from the IX century [9, p. 42 – 68]. Andruschenko V. L., Melnyk V. M., Melnyk P. V. and Yaroshenko F. O. in the book “History of Taxation” [3], Pavlenko V. L. Yaroshenko F. O. in the book “History of taxes and taxation in Ukraine” [8] “for the” starting point of reference take Kievan Rus' (the IX century). Andruschenko V. L. in the monograph “Moral and ethical imperatives to taxation (Western tradition)”, while considering the historical reminiscences of Ethics taxation refers to the ninth century BC, [2, p. 119 – 172]. Nechay N. V. studying the history of taxation begins from the time of the emergence of class society (three thousands years BC) [7]. Varyious foreign scientists find the another choice of “reference point” of taxation history. Thus, Blankson S. in his book “Brief History of Taxation” begins to learn taxes from the times of the Egyptians (3rd millennium BC) [4], Burg D. in his book “World History of tax rebellions: Encyclopedia of tax revolts and uprisings riots from antiquity to modern times” – from the 2nd millennium BC [5], Webber S. and Fildavski A. in the manuscript “History of taxation and expenditure in the Western world” – from the creation of European countries (Greece and Rome) [6].

Of course, the more time to explore in retrospect, the better we can determine causal relationships and trends of the development process in the future. We consider it appropriate to base the definition of “reference point” to put two main provisions:

- 1) taking into account that the tax administration is carried out in the community, the research should enclose the development of modern civilization;
- 2) the tax administration should be explored beginning with the period when the society began to use such process as management and taxation.

Thus, we consider it appropriate, the starting point of history of formation and development of tax administration is the period of the Stone Age after climbing the glacier (around 8300 BC [12, p. 11]).

Thorough analysis of the formation and development of tax administration in the period from 8300 BC – to the present enables the allocation of the following steps:

- 1) the emergence of the first models of governance and logic of tax as a precondition for the formation of tax administration;
- 2) the emergence of taxes, radical transformation of the concept of governance and the development of taxation management practices;
- 3) the development of taxation as an art;
- 4) the emergence of conditions for the formation of tax administration as a science.

Let's characterize each of the stages in detail.

1. The origin of the first models of governance and logic of taxation as prerequisites of establishment of the tax administration.

The first stage of establishment of tax administration (8300 BC – 3000 BC) – is a period of initial development of mankind, accompanied by communal form of social organization which began after climbing glaciers and ended over the transition to early class society. It lasted about 5300 years.

From the perspective of management and taxation this period is quite unique. Despite the fact that the tax administration did not exist till the creation of the state, as the first manifestation of control and logic of taxation (taking individual constraints to achieve social goals) were present in primitive times. They found their expression in the early religious systems (totemism, animism, fetishism, shamanism).

Thus, management realized through the magic of social culture and was characterized by the following features:

1) based on modeling the relationship with the supernatural, which was carried out by religion, people looked at the environment and learned to manage through spirits (learned patterns of religious management);

2) management was of a collective nature (all members of the community had necessary management information, sharing of duties took place in accordance with the personality of each member of the community).

As for the logic of making individual restrictions to achieve social goals, it is manifested in the nature of worship and burial of taboo (original code of unwritten rules).

Cult of burial provided two goals – obeisance to everything that is good and has been done by a man, and getting rid of the negativity that can occur after death. For the spirit of the deceased has no negative impact on the community, its members presented the gifts to the deceased, who was placed in the grave. From the point of view of causation that was a process of voluntary and deliberate alienation of belongings and values of the society members in order to ensure safe development of the community through prevention of negative manifestations of spiritual links of the dead.

The system of taboos (original code of unwritten rules) – a system of informal restrictions and prohibitions, which functioned on the basis of ritual. The list of taboo objects was not limited. The elders or leaders were the subjects for imposition and removal of taboos (and penalties for the violations). Responsibility for violation of a taboo was different: from the moral condemnation to death penalty. The essence of taboo was the need for every member of the community to observe restrictions and correlate their own behavior with the needs of the overall organization of common life and human existence. In general, the system of informal restrictions and prohibitions in primitive society was built on the logic of making individual constraints to achieve the overall objectives of community, which later reflected in taxation. It should be noted that compliance to taboos in most cases was voluntary and conscious, that was a reason, to a large extent, that contributed to the fair treatment of control.

“In the transition from community kinship group to the early class society, those who engaged in consolidation and usurpation of authority over religious families and communities, both usurped the “right to taboo”, made logical and useful system of taboos the laws that support profit motive hierarchy” [12, p. 65].

This transition from the primitive to the early class society becomes a defining event in the history that led to the emergence of states, formation of the national religions and the new phase of the tax administration.

2. The emergence of taxes, radical transformation of the concept of governance and establishment of taxation practices management.

The second stage of tax administration – is a period of the early class society, which in the time dimension can be described by the following boundaries: from 3000 BC – to the 1st century BC (Bronze and Iron Ages). This period can be characterized by broadening of bronze, and later iron tools and weapons, development of handicrafts, appearing of writing, also the first states emerge.

Emergence of the first taxes is associated with the formation of the state – a formal institution through which the organization of social life of the community is done. In fact the formation of the state is the result of globalization as an objective process. It is worth to note, that in the world of the studied

period, the speeding of concentration process of mankind industrial forces was carried out in different ways. As a result, we have fundamentally different approaches to public relations and their management.

The first of them was manifested through building of a crowd- elitist model of society. Egypt, Greece, Rome evolved being based on this approach. It is characteristic for this approach – the division of society into classes, emergence the state, legal norms, private property, the formation of the national religions.

Radically different approach to public relations was used in the Great Rus, where objectively geographical division of society was carried out not by the class hierarchy, but according the regional ecological niches, which were combined into a “union of regions of elected bodies and community life form. Centralization and coordination was carried out with a single central authority which was convened if needed for solving social problems: security, construction, economic issues... The Rus civilization had self-governed mode of communal culture and existed in a form of confederation of states during most of the first millennium AD” [12, p. 373 – 375]. On the territory of the United Rus was no slavery, and the organization and management of society carried on an the fair principles.

The above described two approaches to the organization of social life and its management are reflected in historical sources in different ways. It is understood that the first approach (crowd-elite) is an “advertised” (it is logical, because it suits the elite, which generates requests to the history) and the other (fair society) – generally remains unexplored in modern history and passes over in silence. However, understanding the difference between the approaches is extremely valuable for effective tax administration.

Let’s try it, in the context of the outlined above approaches, to analyze the formation of tax administration.

The emergence of states (especially the Egypt) based on elitist crowd-control principles led, firstly to usurpation of power by few persons (in this case the religious doctrine was used to overcome public resistance – namely, mythology, pantheon of gods, heroes and men); secondly, elite abuse of the powers, which negatively affected the social relations in society, also including changes in individual and voluntary restrictions for the achievement of social goals, and as a result, has caused the need for the emergence of regulations (“the first law effectively combined a general rule that has long existed as customs and morality” [7]) and taxes.

First taxes arose in Egypt, “they are casual and temporary, paid in primitive forms, usually in kind” [13], indicating the absence of tax administration.

Mandatory taxes were provided by fears of people before centralized authority – “as a reliable basis of order in the country and the stability of government revenue” [14, p. 83].

The basis for such power is predetermined by the “the principle of the divine origin of power of Pharaoh, strict liability for violation of will of the pharaoh, as the basic law, a clear hierarchy of subordination below the higher officials” [15]. Tax system as a whole was unfair, “complex, there were different categories of taxpayers that significantly differed from each other on their social and legal status. There were common (common for all) and individual taxes for different categories of people, permanent and temporary, direct and indirect. Taxes collected in kind and cash, and the role of the latter increased. The main taxpayers were people engaged in physical labor – farmers, artisans and more. Nobility and priests were exempt from taxation” [7, p. 15 – 16].

From the above it is clear that tax relations maintained by crowd-elitist control has led to increased social differentiation, and consequently, – “social instability in society and the social revolution” [14, p. 83].

In general, it is worth noting that the elite crowd- control model of society based on centralized power was ineffective and led to the decline of Egypt.

The globalisers faced the task of finding new and more effective forms of crowd-control elite. During this period a limited number of Egyptian healers begin to understand the essence of management priorities, and as a result – the “historical stage” appearance of Greece and Rome, where crowd-elite model of management realized on the basis of economic priorities (by ensuring the security of private property).

In the context of taxation should be noted that “in Ancient Greece an income tax was the major, but free citizens of the cities did not pay, preferring generous donations” [13]. That is, even in the absence of

compulsory duty tax, local citizens aware of the importance of individual restrictions to achieve social goals (and doing it consciously). This may indicate that in parallel with the development of mandatory taxes (as a consequence of management based on elitist model) the practice of voluntary and equitable approach to the organization of social life was still in people's minds.

However, the development of public relations in ancient Greece and Rome – based on crowd-elitist approach was aimed at spontaneous and unreasonable high amount of taxes. Thus, “the documents of the time say – only in the province of Egypt – the main granaries of Rome – there were 50 positive and 450 cash taxes” [7, p. 27]. This indicates a lack of tax administration at the state level.

First attempt of deliberate arrangement of taxes made Octavian Augustus (27 BC. BC – 14 AD. BCE). He held the “first tax reform in the Roman Empire... created provincial institutions that controlled the implementation of taxation, tax paid revaluation of the capacity of provinces” [13]. This fact can be considered as the time emerging of the practice of tax administration.

In general, it worth noting that the emergence of the concept of taxes for the elite crowd-control state primarily ensures the implementation of fiscal functions and complete loss of regulatory function (which caused unjust taxation and voluntary reduction of taxes). At the same time, the organization of social relations based on the concept of fair management to ensure the implementation of all regulatory functions (fiscal function is ensured automatically) that has caused public resistance, paying taxes voluntarily and consciously carried out, the need for hard-legal regulation of tax relations was absent.

Over some time, crowd-elitist management concept is dominant in the world and the further development of tax administration occurs within it. This causes the display of a number of negative trends in taxation (rapid decline in voluntary taxes, fiscal orientation and injustice in taxation, abusive use of tax revenue growth in the shadow economy, the emergence of minimization schemes and tax evasion, etc.), to overcome which was directed management impact on the next stage of the tax administration.

3. The development of tax administration as art.

The third stage of formation and development of tax administration in the time dimension covers the period from the first century AD – to 1990. Its starting point is the creation of Octavian Augustus (27 BC. BC – 14 AD. E.) the tax service (institution, controlled implementation of taxation [13]).

The main feature of this period is the constant dynamic development of tax administration. However, it was carried out through trial and error, mostly by practical search. Office of taxation during the third stage was realized as art without a clearly defined scientific principles (both from management and from taxation).

From the beginning of our era till nowadays, in comparison with previous periods, there are still a lot of primary sources related to the development of taxes, tax system and tax administration. This historical period of time is thoroughly researched by both historians and economists, by experts in tax issues (Andruschenko V. L. [2; 3], Varnaliy Z. S. [9], Melnyk V. M. [9], Melnyk P. V. [3; 9], Nechay N. V. [7], Tarangul L. L. [9], Yaroshenko F. O. [3; 8]). Each of them has his own approach to periodization of taxes and taxation within this historical time period (the most comprehensive factual description give the following authors Andruschenko V. L., Melnyk V. M., Melnyk P. V., Yaroshenko F. O. in the book “History of taxation” [3]). However, the immediate focus on the development of tax administration was not under consideration by scholars. This is primarily due to the following factors: 1) the researchers did not intend to investigate the genesis of tax administration; 2) despite the fact that during the period of consideration the major changes in taxation were carried out, there were no changes in tax administration.

As the conclusion, we consider it appropriate to view the basic characteristics that were inherent in the management of taxation during the period. They are:

- 1) development of taxation is within the elite crowd- control modules;
- 2) in mostly all the countries, the government bodies appear that become the subjects of tax administration;
- 3) taxation has tactical nature;
- 4) there is a constant search of ways to improve the efficiency and fairness of taxation, voluntary payment of taxes;
- 5) the main function of the tax recognized the fiscal one;

6) during the last century the interest of scholars and practitioners to the regulatory function of taxes increased.

In general, it should be noted that the tax administration during the studied period dynamically developed. Active scientific and practical ways to formalize the search for a scientific basis of tax administration continues to this day. However, in 1990 almost simultaneously U. S. (Harvard University researchers Robert S. Kaplan and David T. Norton developed the balanced rate system [16]) and Russian (group of authors "Internal predictor USSR" formulated general theory of tax administration [17]) the scholars have made progress in scientific grounding of the administration, which, in its turn, caused the tax administration emerge as the branch of a science. Thus prompted the separation of a new historical stage in the development of tax administration.

4. The emergence of the preconditions for the formation of tax administration as a science.

The fourth stage of the tax administration began in 1990 and continues till now. Its main peculiarity is a transformation of the tax administration from art to science. Thus the final result – the practical implementation of tax administration based on a scientific approach (within the full functions of management) – to the date is missing.

Conclusions

According to the results of scientific research of the tax administration history the following summary can be formulated:

1) The formation of taxes occurred under conditions of fair governance and in the first form was the acceptance of individual restrictions to achieve social goals. In fact, the logic of the taxation process was a subject to regulation of social relations (so fundamental function of taxes is a regulating function). In the course of historical development (primarily due to the emergence and later global distribution of elitist crowd-management concepts) taxes are used not as a tool of social relations, but as a mechanism for the accumulation of financial resources (taxation is oriented to perform a purely fiscal functions). Today, more and more researchers pay attention to the growing role of the regulatory function of taxes, however, it is now considered minor compared to the fiscal.

2) The emergence and global spread of the elite crowd-control concepts (which exists to this day) resulted in the emergence of a large number of negative trends in the economy in general and, particular, in taxation (reorientation of taxation to purely fiscal functions, the emergence of inequality and injustice in taxation, reduction in voluntary taxes, necessity of legislative obligations on paying taxes and providing of payment control, which in turn led to the emergence of revenue service). The overcoming of prejudices and negative consequences is in the plane of the transition from the elite crowd-control concepts to crowd-fair management concepts.

3) The emergence of conscious tax administration can be considered a tax reform from the times of Octavian Augustus (27 BC. BC – 14 AD. BCE), who essentially created a revenue service. The next development of tax administration was carried out by trial and error (without a proper scientific approach to management). It was only in 1990 that scientists fully defined the administrative function that created the preconditions for the formation of tax administration as a science. Achieving the latter goal allows to define the real interests and needs of subjects of taxation policy and, accordingly, the transition from elite to crowd-fair management concepts.

Prospects for further research

In further research one should focus on finding ways to implement tax administration on a scientific basis as the necessary (though not sufficient) conditions for the transition from the elitist crowd-control concepts to the fair management ones.

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