**Taxation**

Taxes are a compulsory financial contribution by a person or body of persons towards the expenditure of a public authority.

The government has a choice of taxing income, wealth or consumption to finance its expenditure on defence, social services, municipal services etc. The main forms of direct tax are income tax paid by individuals and corporation tax paid by businesses. Income tax in Great Britain dates from the 1790s and has until recently been the major source to generate tax revenue.

Income tax can be progressive, proportional or regressive. The idea of a progressive tax is to take more from those who earn more. Indirect taxes are imposed on certain products or services that people buy. The main ones are value added tax and excise duties. Pressure to increase government expenditure may lead to a search of new taxes.

Some people argue for a more direct link between specific taxes and particular items of government expenditure. For example, taxes from motorists could be spent on roads and the transport system while the tax from alcohol and tobacco could be spent in the national health service. But it is impossible for the government to match all individual taxes with particular spending programmes. The major principles of a tax system are that it should be equitable and reasonable. Then the incentive to avoid and evade tax would be less. The system of tax collection shouldn’t be costly and shouldn’t contain a lot of tax allowances and exemptions.

Everyone knows that taxation is necessary in a modern state. Taxes are a part of life. Governments argue that taxes are a necessary evil – the price of a «civilized society». In fact, taxes help governments to pay massive amounts of money to operate and provide necessary services. Taxes are needed to pay salaries, they provide roads, schools and hospitals and help to pay the bill for such services as garbage collection\* and postal delivery\*. Without taxes it would not be possible to pay the soldiers and policemen who protect us; not the workers in government offices who look after our health, our food, our water, and all other things that we cannot do for ourselves; not also the ministers and members of parliament who govern the country for us. By means of taxation we pay for things that we need just as much as we need somewhere to live and something to eat.

Taxes can be divided into two categories: direct and indirect. Income tax, corporate tax, and property tax are examples of direct taxes. Income tax is probably the most resented, because in some lands it is progressive – the more you earn, the more tax you pay. Indirect taxes include sales taxes, taxes on liquor and cigarettes, and customs duties.

Though everyone knows that taxation is necessary, different people have different ideas about how taxation should be arranged. Should each person have to pay certain amount of money to the government each year? Or should there be a tax on things that people buy and sell? If the first kind of taxation is used should everyone pay the same tax, whether he is rich or poor? If the second kind of taxation is preferred should everything be taxed equally? Nobody enjoys paying taxes, many people try to find different ways to avoid paying certain taxes. That′s why whenever a new tax is proposed, legislators try to close any possible loopholes.