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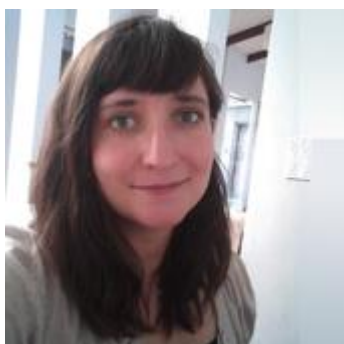
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Taxes aren't just about money – they shape how we think about each other

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Partners

Taxes – raising them, cutting them, creating them – are useful political tools in an election year (as Chancellor Jeremy Hunt's decision to cut national insurance shows). But they are always pertinent, even if some people don't think about taxes more than once or twice a year.

How do we raise money for the NHS? How much inheritance tax is fair to pay? What level of value-added tax (VAT) is right for our economy? And who benefits from these decisions?

These are not just questions of money, or even about who would or should get more or less of it. My [ongoing research](#) shows that tax systems have deep effects on our [social relationships](#), shaping our understanding of [who contributes to society](#), and what “counts” as a contribution.

I have been exploring the social effects of tax since 2018, speaking with taxpayers, business owners, workers, tax officials and others in Bolivia, the UK and Sweden.

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Research participants in the UK and Sweden, across different groups of taxpayers (pensioners, students, high earners and benefit recipients), perceive paying income tax and national insurance as contributing as a citizen. They view it as an act of sharing the wealth, produced through labour, for the purpose of common public good.

[Read more: Tax cuts in an election year? They can boost consumer confidence and work wonders for a governing party](#)

Meanwhile, VAT is not so strongly linked to being a contributing citizen, despite most parts of the world having some sort of VAT, or sales tax, that people pay as part of consuming goods and services.

It is often “less visible” than income tax because, in most places, it is not separated out from the price you pay for goods when shopping. In other words, there is no mention on your receipt of the VAT you have paid when you do your weekly food shop (the US being a notable exception).

This matters, because millions of people on low incomes ([43% of adults in the UK](#)) pay little to no income tax or national insurance

due to the personal allowance. VAT, on the other hand, is a regressive tax, because people on low incomes pay a proportionally larger amount of their incomes in VAT than people on higher incomes.

If we apply my research findings here, the result is that the contributions of people on lower incomes are not viewed as having the same social value as those paid by people on higher incomes. How contribution is “calculated” by the general population is not, then, about the amount of money paid in taxes, but about the ideas connected to different types of taxes.

A global view

Fiscal and tax systems have different social effects from country to country. In the UK and many European countries there tends to be a strong link between income tax and national belonging. But in other places, especially countries that were formerly occupied by colonial powers, the opposite is true.

In Bolivia, people have historically associated taxes paid with exploitation, rather than inclusion. This was because the indigenous population were forced to pay taxes on their land in the form of slave labour, while the middle classes of European descent were exempt.

This unpaid labour, called the *Mit'a*, was a tribute system established by the Incas and intensified by the colonial Spanish government for the purposes of collecting revenue for the respective empires.

My research participants in Bolivia did not see paying income tax or even VAT as an act of contributing to society. Instead they preferred to contribute to non-state organisations, such as unions or churches, in order to build collective public goods (there are similar attitudes in places like Ghana).

As the local tax authorities did not have the resources to enforce all taxes in rural areas and the outskirts of urban areas, people with incomes from formal and informal labour arrangements were able to avoid paying taxes.

However, their tax avoidance was not about just saving money (indeed, in their income brackets, the tax burden was low).

Instead, it was motivated by what organisations they trusted to use that money best.



Some taxes are viewed as contributing more than others, regardless of their actual value. [insta_photos/Shutterstock](#)

What is taxable?

Though most countries tax labour, consumption, profit and wealth in some combination and to some degree, views on what can (and should) be taxed vary between countries.

That helping a neighbour by walking their dog in return for babysitting could be considered a form of tax evasion might seem shocking to many. But this is the kind of debate that tax authorities and taxpayers in Sweden have been having since 1991, when economic reform made barter taxable, leaving it up to the tax authorities to interpret the law responsibly.

Such an example helps us think through the role that taxes play in society, how an activity or a product is taxable or not, and what happens when something is taxed for the first time or stops being taxed.

When Sweden scrapped inheritance tax in 2005, it transformed inherited property from being a profitable asset to being a personal or family belonging. This is not just a question of money paid or not paid, but about the value and meaning of that thing.

Tax systems are complex, and are often most beneficial to those who know how to exploit them. While it is easy to look at announcements like a national insurance cut as simply more money in your pocket, my research shows that taxes are about much more than money. How we implement them can cause harm or make positive change for how society works.