CODEBOOK

Tax Introduction Database (TID)

Version 13.11.2014

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If you use our data, please cite:

Hanna Lierse and Laura Seelkopf (2014): Tax Introduction Database (TID). Version 13.11.2014.

Laura Seelkopf, Hanna Lierse and Carina Schmitt (2016): Trade liberalization and the global expansion of modern taxes. *Review of International Political Economy.* DOI: 10.1080/09692290.2015.1125937

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Who is in the dataset?

We rely on the COW-state-system list (http://www.correlatesofwar.org/data-sets/state-system-membership). Please note that some territories appear more than once, in case they changed their sovereignty, split, merged etc. For instance, the dataset includes the Czechoslovakia, the Czech Republic and the Slovak Republic. Depending on when a tax was introduced, an entry will be made for either Czechoslovakia or the Czech or Slovak Republic. A tax introduced in Czechoslovakia will automatically exclude the Czech and Slovak Republic from the population “at risk” for this particular tax introduciton. Also please note that while we rely on the COW data for a list of countries, a territory does not have to be independent at time of introduction. For instance, India introduced the personal income tax, while it was under British power. We include the date of introduction for India, however set it missing for Bangladesh and Pakistan as they already experienced the first introduction of the PIT as part of British India.

Predecessor States:

- South Korea counted as predecessor for both Koreas
- India counted as predecessor for India, Pakistan, Bangladesh
- Burundi counted as predecessor for Burundi and Rwanda
- Austria-Hungary counted as predecessor for Austria and Hungary
- China counted as predecessor of China and Taiwan.
- South Africa counted as predecessor of South Africa and Namibia.
- Timor-Leste counted as predecessor of East Timor

What is a tax introduction?

We include data for four taxes (2 direct, 2 indirect): the personal (PIT) and corporate income tax (CIT), general sales tax (GST), and the value added tax (VAT). Many countries experimented with temporary taxes before a certain tax became a permanent feature of their tax system. Most of these "experiments" were directly related to a certain spending requirement such as coronations or wars. However, we follow aim to collect the date of introduction when a tax became a permanent feature for the first time[1] (note that this does not exclude the abolishment of the tax at a later point). For instance, Great Britain introduced an income tax in 1798 to pay for the Napoleonic wars. This does not count as a permanent introduction, the first permanent introduction of the PIT in the UK occurred almost fifty years later in 1842.

Country

Name of the state.

Region

One of seven world regions: East Asia & Pacific, Europe & Central Asia, Latin America & Caribbean, Middle East & North Africa, North America, South Asia, Sub-Saharan Africa

Personal income tax (PIT)

Criteria for data selection: when the country had a **permanent** income tax levied by **the central or federal** government.

Corporate tax (CIT)

Criteria for data selection: when the country had a **permanent special tax** levied by **the central or federal** government **on the profits made by companies**.

Note: In many Western countries, the corporate tax was introduced later than the personal income tax as it can be regarded as a special form of the income tax. It is a tax levied on the profits made by companies (rather than on the income of the owner of the company). For instance, the UK introduced an additional profits tax for businesses in 1937. They only officially introduced a "corporate tax" in 1965, as companies and individuals previously paid the same income tax. Yet given that company profits were already subjected to the profits tax, we count 1937 as first introduction of CIT for the UK.

1 In this we follow Aidt, T. S. and Jensen, P. S. (2009b) ‘The taxman tools up: an event history study of the introduction of the personal income tax’, *Journal of Public Economics* 93(1-2): 160-175.

General Sales Tax (GST)

Criteria for data selection: when the country had a **permanent tax** levied by **the central or federal** government **on the sales of all (regular) goods and services**.

Note: Prior to the Second World War consumption was often only taxed very selectively, for instance only as an excise tax on certain luxury goods such as tea and coffee. A tax on the regular consumption did not exist. For instance, Germany only introduced a sales tax in 1916, France in 1917, Italy in 1919, Belgium in 1921 due to the costs of the war.

Value Added Tax (VAT)

Criteria for data selection: when the country had a **permanent tax** levied by **the central or federal** government **on the value added of the sales of all (regular) goods and services**.

VAT is a particular sales tax, which has become popular since the 1950s. Different than other sales/turnover taxes, it taxes only the *value added* at each stage of production.