

## **EXCISE TAXATION IN THE EARLY TWENTIETH CENTURY**

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*Abstract. The article presents the main stages of excise taxation development in Russia at the beginning of the twentieth century, with attention paid to the goods subject to excise duty taxation. Historical documents used for the analysis are the following: The Order of the State Technical Committee of the People's Commissariat of Trade of the USSR No. 255 / Oper of September 15, 1927 «On the collection of excise duty on perfumes and cosmetics» and Rule No. 108 «On exemption from excise duty of exported goods». The purpose of the article is to conduct a historical analysis, which allowed us to analyze in detail the collection of excise taxes on perfumes and cosmetics, as well as the rule of exemption from excise taxes on exported goods. The source base is the State Archive of the Republic of Buryatia materials, as well as books and articles by other researchers.*

*Keywords: Excise tax, indirect tax, excisable goods.*

The excise tax is a type of indirect taxes on goods mainly of mass consumption (as well as services). It is included in the price of the product (or in the services payment tariffs) and is thus transferred to the final consumer.

The essence and nature of the individual excise tax is similar to the universal excise tax - VAT, turnover tax, sales tax. A distinctive feature of individual excise taxes is that they are levied only on certain goods.

According to some researchers the term «excise» comes from the Dutch «exijs» (coming from the Old French «assive»), which meant «assessment for taxation». According to another opinion the word «excise» could originate from the Latin «assidege», («cut», «cut»), which meant signs on a special stick used to measure the amount of drink in a vessel for tax purposes [1].

In Russia, the so-called wine pay-offs were a kind of precursor of excise taxes. Taxation of strong drinks (honey duty, malt tax, brush duty) was mentioned already in the X-XI centuries sources.

Taxes were levied on goods that brought considerable income for centuries. In the nineteenth century, excise taxes on tobacco, matches, sugar, kerosene, salt, and a number of other goods were in

use in Russia. The excise tax system was not only fiscal in nature, but it also provided state support to domestic entrepreneurs and protection from the competition with foreigners. [2]

In pre-revolutionary Russia, excise taxes were the main source of revenue for the budget; in 1901, they provided 60.8% of all state revenues. The object of taxation was both necessities (salt, sugar, matches, tea, and clothing) and consumer goods (vodka, tobacco, malt). The excise tax on vodka and alcohol was the biggest among indirect taxes. Since 1900, the amount of this excise tax has been dependent on the percentage of alcohol in the bucket of the drink, amounting to 11 kopecks per 1 degree.

The role of excise taxes changed radically after the revolution. At the end of 1918, direct charges to the prices of goods were introduced. The naturalization of economic relations with a sharp trade turnover reduction and a huge money depreciation led to a significant decrease in the financial efficiency of excise taxes. In 1917, excise taxes provided 17% of all state budget revenues, and in 1919-only 8.8%. In February 1920, the collection of excise taxes was suspended. [2]

The need for excise taxes as a revenue source for the budget arose again with the transition to a new economic policy. So, the excise tax on tobacco products was introduced in November 1921. The excise tax was levied on processed products in the form of smoking tobacco, cigarettes, cigars, cigarettes and makhorochny cigarettes, cigarette sleeves and split tissue paper when released to the market. As proof of the legal origin of the products, they had to be sold only in whole packages, sealed with parcels.

In 1922, an excise tax was introduced on ethyl alcohol (raw and rectified), vodka, cognac, beer, honey, kvass, fruit and mineral water, salt, sugar and saccharin, candles, tea of all kinds, coffee and its substitutes, chicory, pressed yeast. The list of excisable products was expanded with textiles and rubber products the following year. In 1924, there was a slight relaxation of excise taxation: the excise tax on saccharin was cancelled, the excise tax on matches was lowered, and a privilege was granted for wines sold from their own farms in wine-growing areas.

The weakening of the excise pressure continued in the following years: the excise tax was cancelled on soft drinks and tea in 1926, and on salt, natural coffee, and starch sugar in 1927.

At the same time, the excise tax on perfumes and cosmetics was introduced.

Such a different system of excise taxes existed because low incomes of the population did not allow setting excise rates at a sufficient level, and therefore, excise taxes were set in such a way as to «collect all over the place in small amounts». As a result, the fiscal return from the use of the excise system during the 20-s was quite noticeable [6]:

Share of excise taxes in budget revenues, %
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1922/23	1923/24	1924/25	1925/26	1926/27	1927/28	1928/29	1929/30
21,8	30,5	38,4	47,2	48,6			
					0,4	5,1	3,5

The Order of the State Technical Committee of the People's Commissariat of Trade of the USSR No. 255/ Oper of September 15, 1927 "On the collection of excise duty on perfumes and cosmetics" came into force in 1927. [5]

In accordance with the Order of the State Technical University of the People's Commissariat of Trade of the USSR No. 255 / Oper of 15.09.1927, the excise tax imposing was based on distinguishing the four categories of perfumes and cosmetics:

- floral cologne;
- perfume;
- powder;
- other perfumes and cosmetics.

Floral cologne and perfume were to be prepared from rectified ethyl alcohol, floral cologne was to be a strength in the range of 80 to 89 degrees and contain essential oils, synthetic and other aromatic substances of at least 2%.

The perfume must have a strength of at least 90 degrees and contain essential oils, synthetic and other aromatic substances of at least 3%.

All kinds of cosmetic products in powder form were recognized as cosmetic powder, produced under the name of «powder».

Other perfumery and cosmetic products included: various products for teeth care (toothpastes, elixirs, etc.), for hair (grease, fixatoire, etc.), for skin, hands and lips (cosmetic creams, simple creams, lipsticks, emulsions), for nails (paste, nail powder, varnish, pencils), and hair coloring products.

Products that served for hygienic purposes were not subject to excise duty, namely: soap, soap powder, hygienic cologne (simple, double, triple), non-perfumed glycerin, burdock oil, simple and boric vaseline, and tooth powder of all kinds.

The excise tax on perfumes and cosmetics imported from abroad was levied when the products were released from customs as a percentage of the price of the goods declared in the invoice, waybill or other document.

In cases where the submitted documents didn't specify the price, the price was set by customs.

Rule No. 108 "On exemption from excise duty of exported goods" was issued in the same year, namely on September 19, 1927. [4]

When exporting excisable items abroad, the excise tax accrued on them was not supposed to be paid, and if the excise tax was paid, it was returned.

The following items were subject to excise tax exemption when exported:

- Grape wine;
- Alcohol, raw and rock-cured;
- Bread wine, vodka;
- Grape vodka;
- Vodka products, liqueurs, tinctures and liqueurs;
- Cognac;
- Beer;
- Yeast, pressed and dry;
- Beet sugar;
- Black and green leaf tea, tiled;
- Incendiary matches;
- Tobacco products;
- Petroleum products(gasoline, kerosene and other petroleum products);
- Rubber galoshes;
- Textile products;
- Perfumery and cosmetic products, and cologne and perfumes with the return of excise duty also for the alcohol contained in them;
- Confectionery products, with the return of excise tax for beet sugar used for their manufacture;
- Conoistent ointments, with the return of excise tax for the excisable oil products used for their manufacture.

Export abroad of excisable items under exemption from excise duty was allowed through all customs offices, and through customs posts with a special permit for each post of the People's Commissariat of Finance of the USSR, agreed with the People's Commissariat of Trade of the USSR and the Supreme Economic Council of the USSR.

The addition or refund of the excise tax for items exported abroad was made on the following grounds: [4]

A) items were released with the addition of the excise tax accrued when they were sent out from the enterprises and the warehouse – for production enterprises engaged in the manufacture of excisable items, and for the warehouses of the said enterprises which had the right to get items of these enterprises with the excise tax mentioned;

B) items were released with a refund of the excise tax paid for them for commercial enterprises, namely, commercial warehouses and other storage facilities located in the places of residence of agents, which were classified as commercial enterprises of the fifth and sixth categories according to the collection of commercial tax rules;

C) the addition and return of the excise tax was allowed only for that number of export-ready items which was certified by the final customs office.

In cases of backward import of excisable items exported with excise duty exemption, as well as, in appropriate cases, with no excise duty deductions, the amount of the added or returned excise duty, as well as the amount received under the excise duty deduction, was to be received from the consignor.

An institution or a person wishing to export an item with an excise tax addition had to submit an application to the indirect tax agency worker, under whose jurisdiction this enterprise used to function. The application should have contained the following information:

- point of goods release;
- their type, grade and quantity (gross and net);
- number of places and type of packaging;
- the customs office through which the export is supposed to take place;
- the route of transport within the USSR, indicating the points of transshipment;
- the day of dispatch.

After receiving the application, the indirect tax agency worker made a detailed record at the enterprise of the released items.

Thus, excise taxes are the most ancient taxes. The origin of the excise tax has to deal with the utility and quality of the good that meets special needs. Therefore, the concept of excise taxes has come into use as taxes "on sins", penalty for which is a form of taxation in the form of excise taxes, which accumulates a part of the disposable income of consumers, thereby reducing the demand for goods, the consumption of which brings negative consequences in environmental, biological and socio-economic aspects. At the same time, in the course of the entire historical path of development, it was the fiscal meaning of excise taxes that was crucial. In Russia, alcohol drinks were subject to excise taxes in the X-XI century. Excise taxes in Russia began to provide about 70% of all budget revenues by the beginning of the XX century. In the Soviet era, the taxation of excise taxes lasted until the tax reform of 1930.

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