

Tax After Coronavirus (TACs): Why we tax - an introduction

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If most people are asked why a government imposes taxes within its jurisdiction they will answer that this is done to fund a government's spending. Whilst, for varying reasons, that might be true it is also an incomplete answer. The relationship between tax, a society and its economy is considerably more complex than that answer implies.

It has been suggested [\[1\]](#) that the greatest attraction of tax to many governments is the ability that it provides to shape the society that it wants to create in the jurisdiction for which it is responsible. Precisely because different governments, of different political perspectives, representing different societies with differing values, will want to create differing outcomes using the power that tax has to shape a society there is no such thing as an optimal, or even a singular desirable tax system. To think that tax is, then, solely an issue related to revenue-raising is a mistake. It does fulfil that role, but in doing so its relationship to the overall management of the economy of a society and its impact upon a government's social, economic and fiscal policy is complex. This fact will be referred to many times in *Making Tax Work*.

What this makes clear is that there can be many more aspects to tax than whether or not it simply raises revenue for a government. In broad terms are at least six reasons why a government charges tax. These are, in no particular order of priority, to:

- * Raise revenue, either to fund government spending or, alternatively, to reclaim the money that the government has already spent into the economy;
- * Ratify the value of the currency of the jurisdiction;
- * Redistribute income and wealth;
- * Reprice goods and services;

- * Reorganise the economy through what is called fiscal policy.
- * Raise democratic representation - people who pay tax vote;

Each of these reasons for tax needs explanation as they must all be understood if the relationship between tax, the society in which it is charged and its economy is to be properly understood.

[\[11\]](#) Murphy, R. 2015. 'The Joy of Tax'. London: Random House.