

# TAX-COLLECTING IN GERMANY: ITS DIFFICULTIES

From the *Saturday Review*, March 3  
(LONDON TORY WEEKLY)

THE world is full of reports about the wicked practices of German capitalists. A recent visitor to the Ruhr is reported to have declared that ninety-four per cent of the income tax was being paid by the workman and that the moneyed classes were everywhere avoiding their obligations. Such statements are extremely misleading and are likely to raise exaggerated hopes of what Germany can do in the way of Reparations. Fleecing the capitalist is a very attractive cry, but what if the capitalist has been fleeced already?

The fact is, the German income tax is divided into two classes: (a) a tax on fixed incomes (salaries, wages, pensions), and (b) a tax on floating incomes, that is, such as are derived from buying and selling, from commissions, fees, and so on. Now it may be true that ninety-four per cent of the income tax paid in a certain district during a particular period came from Class A. This class, however, does not consist of workmen alone. It includes directors of companies, officers in the army, ministers of State, all employees, of whatever rank, in receipt of a fixed salary. It includes Helfferich, Hindenburg, and Cuno, as well as the horny-handed son of toil.

The tax is steeply graded, so that those at the top pay sixty per cent of their income, those at the bottom only ten per cent. It is taxed at the source, the employer deducting it before the wages are paid, so that evasion is impossible. All the army of black-coated officials is taxed with the same regularity as the worker, but at much higher rates. On the face of it therefore it is

absurd to say that ninety-four per cent of the income tax comes from the workman, if we accept the word 'workman' in its ordinary sense.

As for Class B, floating incomes cannot be assessed, and so cannot be paid, until the year is over. A revenue return for a certain quarter of the year would be very likely to show a much smaller proportion of taxes from Class B than Class A. This is not a reason for regarding the taxpayers of Class B as people rolling in wealth. The class includes Mannesmann and Stinnes, but also the costermonger, all retail tradesmen, the sweated seamstress, the poet starving in a garret, and all journalists, doctors, and lawyers. There are quite as many poor in Class B as in Class A.

All the same, the owners of fixed incomes certainly have a grievance. They are taxed at once, while the others have the use of their money for a year and then pay with depreciated paper. Twelve months ago 1000 marks had a purchasing value of £1 10s.; now they are worth about 9d. — if that. The Government has taken the matter in hand and the members of Class B must pay in quarterly installments on the old assessment until the new one comes into force.

It is true that the apparatus for dealing with the claims in Class B is inefficient. That is the fault of the reformers. Erzberger introduced a reform of the revenue and, to begin with, destroyed the old system before he had anything to put in its place. The Revenue Boards are compelled to inspect the declarations in Class B very closely without being sufficiently or-

ganized for the work thrust upon them. The result is that they are getting more and more hopelessly into arrears every day. Reformers who were righteous overmuch, and a currency which has got the jumps, have created a situation for which the capitalist cannot be held responsible, though no doubt he takes advantage of it where he can.

The Reichstag is now considering a Bill by which the inequalities between Class A and Class B will be rolled flat. Class A will be lightened of its burdens to a certain extent, Class B will be made to pay heavily for the advantages it enjoys. There is no question of the capitalists being favored by the Government or their being able to have their own way with the taxes.

But the capitalists are not let off with an income tax pure and simple. They are attacked in so many ways that it is a wonder any of them are left. Even before the war they had been subjected to a capital levy. Then came a war-profits tax, designed to leave nobody appreciably richer for the war. On the top of this came another capital levy, — *Reichsnotopfer*, emergency law, — which was to take as much as sixty-five per cent of the largest fortunes. In 1922 came a forced loan, taking ten per cent of all fortunes above a million marks, and on which no interest is to be paid for the first three years. The legacy duty runs up to seventy per cent, and there is a heavy tax — sixty per cent — on presents made by the living. The increment-value tax amounts to thirty per cent. Public companies have to pay a foundation-tax of seven and one-half per cent of their capital.

Then again, capitalists have to make all sorts of yearly payments which really come under the income tax. The corporation tax takes ten per cent of the income of all corporations trading for profit. Then there is a dividend tax which is more dangerous than it looks.

If you have an income of £1000 from investments, you pay £100 as dividend tax and then again income tax upon the remaining £900.

Then there is a tax of two per cent on the annual turnover of all businesses. Directors of public companies have to pay twenty per cent on their remuneration. House-owners are limited to a rent that will scarcely buy them a pound of margarine or even a packet of Woodbines a year, and are liable to have their rooms requisitioned for any homeless family the Housing Board wishes to find accommodation for. If they let rooms to lodgers they may have to pay, in rates and taxes, eighty per cent of the rent received. Socialist papers are boasting that there is no such thing as private property in houses now — they have all been nationalized. The fact is that the declared policy of the Socialists is to tax capital so heavily that within twenty years it will all be brought into the coffers of the State. If we compare the direct taxes paid by a capitalist with those paid by a workman, it will be seen how heavy the burdens of capital are. A mill-hand pays ten per cent on his wages. A director of his company is taxed just as certainly on his salary, only at a higher rate. His investments are taxed not once but many times over. His income from commissions is let down lightly for the time being; but measures are being taken to put an end to that, and in the future this part of his income will be most heavily taxed of all. If we were to reckon up all direct taxes, it would probably be found that it is the capitalist who pays ninety per cent of them.

The moral of all this is bitter and unpleasant for us. The German taxpayer is being ground between the two millstones of Socialistic theory and Reparations. Naturally we should like to get more out of him, but it is hardly

likely that we shall be so inventive and resourceful as the Socialists. They have gone to the limit of what private enterprise can bear without breaking down altogether.

The German is doubtless human enough to dodge the taxes as much as he can. It is not very easy for him and he cannot dodge half so many as he is said to do.

In several papers you may read of the plan of 'making sure' of Reparations by saddling the industrialists with a heavy impost. We will suppose they paid up. The money would have been

withdrawn from their enterprises, which would be thrown out of gear. Unemployment would increase, the mark would sink, inflation would increase, revolution would come appreciably nearer; in fact, we should be exactly where we are now. Such an impost could not last very long. A really good tax is like a familiar piece of furniture, which we have known all our lives and have got so used to that we scarcely notice it. But then such a tax must be moderate and just. Nothing defeats its own ends so certainly and swiftly as excessive taxation.

## WHY REVOLUTION HAS FAILED

BY MARK LEWIN

*From Sozialistische Monatshefte, February 20*  
(CONSERVATIVE SOCIALIST MONTHLY)

THERE is no doubt that the revolutionary wave that has inundated Europe since the Great War is still sweeping down at a fast pace. And there is no use in blinking the fact that the downward movement will last longer than revolutionary movements of the past, for the onrushing bore was higher and the abyss is deeper.

The blame for the failure of the revolution in Europe rests chiefly on moral grounds. In the first place, it lies at the door of the leaders of revolutionary principles and ideas who broke down morally, rendering any coöperation by them impossible in the future. Those who were not equal to the task and the great opportunity will never behold the promised land. Others must come who shall lead wandering

humanity out of the desert into their new country.

Never in history as after the four years of holocaust has the opportunity been so great to gather about the banner of social democracy countless thousands of genuine, sincere partisans from all classes. Never was the devastating cancer of the so-called social order so apparent as during the war and since the beginning of the alleged peace. Never before could anybody who was not intentionally blind perceive so clearly the truth of Krapotkin's description of the régime of so-called 'law and order' in Europe: —

'Order you call the never-ending war of man against man, trade against trade, class against class, nation against nation. Order means the thunder of cannon that is never silent in Europe,