Assessment and collection of taxes in light of current crisis situations

IX INTERNATIONAL SCIENTIFIC AND PRACTICAL CONFERENCE

«ADMINISTRATIVE JUSTICE IN UKRAINE: PROBLEMS OF THEORY AND PRACTICE»

The Problem with the topic „ Public Finances in Wartime“

- German approach to the task in the last wars cannot serve as a model, obviously
- Everyone knows about the atrocities of Germany during 2nd WW.

  Talking about money we have to name

  - Expropriation and confiscation on a racist basis
  - Exploitation of forced laborers (especially Eastern European)

  Never again.

Today‘s perspective

- Many Germans hesitate to see the problem. They don‘t want to.
- Government created a special fund for the urgent needs of our military forces
- Where does the money come from? It has to be raised somehow, and currently the state opts for debt.
- Tax policy relies on the confidence that revenue will be generated through economic performance.
- However, Germany is an export- and trade-oriented country, and international disturbances will affect the economic performance, e.g. tariffs, energy prices, problems with international trade routes (Strait of Hormuz), …

Switch to the topic „crisis“ in general?

- How does our tax law generally deal with crises?
- The worst crisis that came to our mind when preparing was the Corona crisis
- considered by many Germans a very severe crisis
- Let me state at the outset: the method of dealing with this crisis contains the same flaws.

Impact of Corona in terms of taxes

Impacts were twofold, due to lockdown

- decline in economic performance and therefore lower income, in parts complete loss of income, and a loss of tax base (restrictions on international trade, closure of restaurants, of barbershops etc.)
- practical difficulties in meeting procedural requirements (normal workflow in the tax firms, in the tax offices, was hindered and hampered)

Response of German tax system

Bunch of Legislative and Administrative measures for relief, e.g.:

- Advance payments could be delayed
- Some VAT were suspended
- Some extra payments for employees became tax-exempt
- Some relief in non-profit law (concerning health-care issues)
- Some obligations to file for insolvency were suspended
- Several deadlines for tax declarations extended, quite generously

The burning question: Loss of tax base

The described method works well if the crisis is

- temporary
- and not soon followed by the next crisis

Unfortunately we had to learn that this optimism had shaky foundations. The international order we had become so comfortably accustomed to is falling apart.

The message of my short speech? My suggestion?

- It is easy to manage a crisis with money when neither the crisis nor the money is a problem in the long run
- All procedural and substantive measures were based on this very idea
- And what if both the crisis and the money are long-term problems?
- Then it is probably advisable to do the exact opposite.

Seriously? The opposite?

- Advance payments to be collected promptly
- Broadening of the VAT base, maybe increase of the tax rate
- Less tax exemptions
- Shortening of deadlines

  … … …

The slight downside of it: You have to make it appealing to the voters, and that‘s a big challenge.

Thank you very much for your attention.

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Presiding Judge at the Federal Fiscal Court of Germany

Disclaimer:

The speech was not held in an official capacity.