

# Germany under ruinous tax competition and the social consequences

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Seminar Tax Justice Network

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# Basic Facts

- Germany after unification in 1990 the biggest country of EU
- With a very strong economy
- With high economic power in the EU
- Since 1991 with very small economic growth
- With 4,5 Mio unemployed people
- Still welfare state with a social market economy which is threatened with dismantling
- A red/green central government making neoliberal policy
- 16 States with different coalitions, most of them conservative

# Basic Facts 2

- Very important:

Tax laws have to be voted on by the Bundestag (central parliament) and by the Bundesrat (federal chamber with its current majority by the opposition in the Bundestag) too. So we need in present a complicated bargaining between the different majorities in the two chambers to pass a tax law

A very strong lobby of employees

# Basic Facts 3

- Frankfurt/Main is the financial centre of Germany
- With the European Central Bank
- Value-added of banks and insurance  
Frankfurt is number 6 (11 449 Mio \$) after New York(118 515), London(24 716), Paris(21948), Switzerland(18 805) and Lombardy(16 383)

# German law makes a distinction like Swiss law between

- Tax evasion  
and
- Fiscal Fraud

# Main Political Issues on Taxation

- Germany is different from Switzerland an inaugural member of EU
- Germany is in a heavy tax competition between the countries in the EU and also between the countries worldwide
- Tax havens as Luxembourg, Monaco, Switzerland, Scotland but also worldwide are threatening the tax income in Germany
- But Germany is a tax haven too

# Tax revenue

- After the unification we had in Germany in the 90th an increase of many taxes
- Installation of a solidarity tax
- After 1998 tax cut in steps until 2005 (income tax, corporation tax € 60 000 Mio)
- Subventions by tax – reduction especially for companies, many loopholes
- The gate man of Daimler pays more tax than Daimler itself
- No wealth tax
- Low estate duty

# Present tax – discussion more tax cut by

- Very low income tax, progressive taxation from 13% to 36% (tax loss: 15 000Mio)
- Income taxation in steps: 12% 24% 36%(tax loss: 24 000Mio)
- Flat tax 25% (tax loss: ?)
- No more trade tax (Gewerbesteuer)
- Employees: no possibilities for tax – reducing
- Companies many possibilities for tax - reduction

## Tax dumping will go on

# Newest news

04-01-11

- The government, especially the minister of finance:

lower taxation only for the lower incomes  
and the extra charge for night- work, for  
work on holidays and sundays will remain  
tax free

# Social consequences

- The rich become richer and the poor become poorer
- Central government, governments of the 16 States and local governments become poorer
- Privatisation is going on
- The social system becomes full of holes
- pension, earnings-related benefit, income support, employers contribution going down
- Contributions from employers for health insurance, pension scheme and nursing care insurance become more expensive

# Social consequences 2

- Not enough money for public investments
- Not enough economic growth
- Not enough money for education, universities, research and science,
- The welfare state on inclined plane

# Attac germany is fighting for:

- Tax justice
- Tax system without loopholes, without tax evasion and fiscal fraud, without banc secrecy
- Tax harmonisation in EU
- Further establishing our TJN
- Social justice, just distribution

Slogan: ***there is enough wealth for all people***

