“Render unto Caesar the things that are Caesar's ...”

By Günter Hoffmann, Berlin, © MoneyMuseum (Translated by Geoffrey P. Burwell)

They are demanded from all of us: when buying coffee, a computer, a gift of flowers or furniture for the home. They fall due when you switch on the light and when you take out insurance. It is impossible to overlook them on your pay slip: taxes. For over 5000 years they have been demanded from people and, if need be, collected by force.

The first taxes

The earliest forms of taxation are recorded from the 3rd millennium BC in Egypt and Mesopotamia. In the land between the Tigris and Euphrates taxes were levied on agricultural products, on fishing and privately kept livestock. Thus in 1964 BC 15 sheep fed on grass, eight ewes fed on grass and seven he-goats fed on grass were demanded from the inhabitants of the city of Ur as tax. Collecting it was the responsibility of the temple administration, which by using its numerical signs was able to keep accurate accounts. It is possible that the Sumerian cuneiform script arose from the signs used for this purpose.

An ingenious system for calculating the amounts of tax had already been developed by the Egyptians. They constructed so-called nilometers along the Nile. These were well-like shafts connected internally to the Nile on which a scale was marked. They were used to measure the height of the inundation by the Nile, which carried the fertile mud onto the fields. For the tax officials this was the factor for calculating the harvest yields that could be expected and thus the tax on the harvest. The best-known pictorial record of tax calculations and punishment comes from the grave of Menna in Thebes, Upper Egypt, in the 15th century BC. The story presented in pictures shows a field being measured out with a rope for the purpose of working out the tax and punishing farmers who had failed to pay taxes on time.

“Non olet”

Many of the kinds of taxes levied today, such as land and wealth taxes, customs and tolls, turnover tax or the Biblical tithe, go back to the financial system of the Roman Empire. After the costs for the administration of the huge empire and the military campaigns could no longer be funded by war booty, tributes and confiscation alone, the financial administrators of the empire developed a tax system whose basic structure is still in place today. The tax burden, which the Roman Empire imposed on its inhabitants was, however, so heavy that it is regarded as one of the main causes of the Battle of Teutoburg Forest and of the outbreak of the Jewish Revolt. When in the 1st century AD the Roman emperor Titus Vespasian was taken to task by his son because he imposed a tax on public lavatories from the ordinary people, he justified himself only with the words, "It [money] does not stink."

The first customs collectors on Germanic soil were the beneficiaries, former soldiers, in the service of the Roman Empire, in the 1st and 2nd centuries AD. After many years of military service they had a claim to state employment and, between the Rhine and the Danube, supervised the entire movement of people and goods through the gates of the fortifications, the so-called *limes*. They were supported by the customs slaves, who carried out the main control work.

Customs and tithes

After the collapse of the Roman Empire attempts by the Franconian kings to continue not only the customs duties but also the Roman land and poll taxes were thwarted by the resistance of the population.

The customs duties were imposed on the entire movement of people and goods. The ten per cent duty had to be paid when freight was loaded in the Italian, French or Dutch ports and when travelling on the Rhine or using the Alpine passes. Moreover, however, the whole domestic traffic was also subject to taxes such as tolls, load charges, boat charges, bridge money or market customs. Priests, knights and their servants were, however, exempt from water and bridge charges.

An ingenious system of customs stations ensured that in the Middle Ages the revenue from the customs was the main revenue of the local rulers. Thus in the 14th century, for example, King Ludwig the Bavarian built his customs stronghold, Pfalz-Kaub, on an island in the middle of the Rhine. From there he stopped the ships by using chains and ropes, recorded the goods and imposed the appropriate charges. In 1520 Albrecht Dürer complained about having to pass through a customs station on average every 20 kilometres on his journey between Mainz and Cologne.

The local princes justified this imposition of customs duty by claiming that they served to maintain the streets, shipping lanes and public safety. But in fact they used them to finance their princely households, and with their growing need for finances and ever more frequent wars the customs duties were also continually raised and increasingly assumed a fiscal character.

"… and render unto God the things that are God's"

Since the 6th century the tithe on all agricultural produce had been the most important tax paid by the laity to the church; it became legal through the imperial ordinance passed in the 8th century. It stipulated that the peasants had to hand over one-tenth of their total earnings to the clergy. Not only the entire harvest of all kinds of grain, but also all the livestock, the hay, garden produce and the products of animal husbandry such as wool and butter. The tithe was generally paid in kind, and only for cattle was the tithe paid in money.

According to the imperial tithe ordinance, the church could keep one quarter of this revenue for the maintenance of the church buildings. Another quarter had to be used for the welfare of the poor, and the other two quarters went to the bishop and other members of the clergy. The bishops, however, derived the right to administer all the tithes from the shares that they were entitled to, and in this way created their immense wealth in real estate and land.

It was the French Revolution of 1789 that first ushered in the end of the tithes and compulsory labour; in Germany, however, they were not abolished until the emancipation of the peasantry in the 19th century.

Wealth tax and "Ungeld"

The disadvantage of tithes and customs duties was that they did not cover the growing need for money of the sovereigns and prelates. At the beginning of the 12th century the hearth tax made its appearance for the first time in Central Europe, when some rulers had to forego their right to take coins out of circulation to replace them with other, usually less valuable, coins, and were compelled to seek new sources of revenue. With the hearth tax the wealth of the landlords was taxed for the first time, when the number of fireplaces in a house was taken as an indicator of the size of a house and thus its taxable value. Analogous to the German hearth tax, in England and France a window and door tax was introduced at about the same time. Here the same rule applied: the more windows or doors there were, the greater was the wealth that had to be taxed.

Around 1200 the excise duty was levied in addition to the customs duty outside the gates of Cologne for the first time by the municipality. It was the first tax on consumption and turnover, which was first only levied on the sale of wine and other drinks. But the princes quickly recognised the advantage of this additional source of income and also imposed the excise duty on firewood and such foodstuffs as salt, corn, flour and meat. On account of the additional financial burden, the common people were quick to name this excise duty "Ungeld," or "bad money."

Interest, customs duties, tithes and "Ungeld" were the heavy financial burdens that weighed down on the majority of the population in the whole of Europe until the end of the 18th century. It was left to the national economist Adam Smith to be the first to formulate the fundamentals of modern tax legislation by making its principal requirements "equality of taxation, the clarity of the tax laws, the ease and cheapness of collecting taxes." It was in accordance with these principles that not only the English Prime Minister William Pitt introduced the first modern income tax in Europe in 1799, but they were also to be found in the declarations of civil rights of the French Revolution and in the Weimar Imperial Constitution.

Minor offences

"In past millennia actually everything you can think of was taxed when as finance minister you are responsible for filling the coffers of the monarchs and rulers," says Wolfgang Wiegart, the Regensburg professor of economics. Indeed, beards, beds, sparrows were subject to taxation as were paper, sugar, playing cards, ice cream, illuminants and packaging. As late as 1921 the town of Kempten was still collecting a stool tax, which drinkers had to pay who were still sitting in the pub when closing hours came.

What in hindsight seems to be a curious habit of individual rulers has been internationalised today through value added tax. In the meantime not only are incomes, receipts and wealth taxed, but all goods and services attract a tax. And for 5000 years the fact that finance ministers increase taxes even further when the state coffers are empty or introduce new ones – such as the environmental tax or road tolls in Germany – has remained unchanged.

Governments use tax revenue to pay the public costs of education, health, infrastructure and security. And yet recent studies show that no offence is taken so lightly as tax evasion and transferring taxable money abroad. Because every cent of taxes you pay reduces your own chances for consumption, anyone who declares and pays his taxes correctly seems to be the loser.

According to estimates of the Finance Ministry, Germans have transferred some €150 billion abroad to avoid the tax authorities. This represents a loss of at least €72 billion to the state. The new Tax Honesty Promotion Act contains a comprehensive amnesty for those possessing illegal funds. If next year they reveal the billions they have evaded, they will have to pay considerably fewer taxes than the citizens who have properly paid the taxes due on their income.