

Good Financial Governance

An interview with Reiner Holznagel, President of the German Taxpayers Association (BdSt)

The German Taxpayers Association advocates e.g. for the economical use of taxpayers' money and reduction of bureaucracy. In the written interview on 'Good Financial Governance', President Reiner Holznagel explains the approach and structure of the association and its successes.



The German Taxpayers Association was founded in 1949 as both, a private association and a lobby organisation. Its objectives include lower taxes, reduction of bureaucracy and state debt, as well as the economical use of taxpayers' money. What role would you say the association plays in relation to state economic and fiscal policy in Germany?

We follow the fiscal and budgetary policies of the federal government, the states and the municipalities with a critical eye, and always offer concrete solutions. We uncover tax misspending, demand punishment for budgetary fraud, and advocate for fair taxation of all citizens and organisations.

Our representative trend surveys that we commission quarterly show just how much these topics affect people. Our burden index clearly reveals: Enough is enough! 87 percent of Germans consider the general burden 'too high'. Having to pay more than half of the income earned to the state is more than enough!

I believe that we will make significant progress if we radically tackle a reduction in the solidarity surcharge for all citizens and a reform of the income tax rate. However, relieving the burden on citizens also involves a greater reduction in contributions to unemployment benefits and lower housing costs – here, the burden is extremely high due to the property tax and real property transfer tax. The agenda for Germany also includes tax simplification and taxation of companies – especially in an international context. This is why we consider ourselves to be critical, but always constructive, points of contact for politicians.

Could you give us a brief overview of the BdSt? Its approach and (federal) organisational structure?

We are a non-profit association exclusively financed through membership fees and donations from the people. This protects us from government influence and ensures a distance to politics and administration. The German Taxpayers Association is non-partisan and independent. The association was founded in 1949. It is structured in 15 autonomous state associations that together support the German Taxpayers Association. Together with the [German Taxpayers' Institute \(DSI\)](#), we have our own financial research institution. We offer targeted assistance to our approx. 250,000 members – all the way to test cases. If we have to, we will even go before the Federal Constitutional Court to defend the taxpayers' interests.

With regards to our approach, I always like to refer to the black book, also known as 'Waste of public money': Here, we act as a research group comprising our budget and finance experts – For 45 years, this has made the black book a complete works of the federal association and all state associations. We research tax mispending cases at municipal, state or federal level, whereby we follow up on tips from the people and probe the parties responsible. In order to verify the facts in detail, we submit written requests to the affected authorities.

The Federal Audit Office is recognised as a constitutionally anchored institution which guarantees financial control of the federal government as an external and independent body. How does the BdSt differentiate its agenda? In general and at present?

We are an action group with no state support – and that makes us politically independent! All citizens and organisations that pay taxes and duties and expect politicians to handle their money with care can benefit from our actions. That means all people who want politics to leave them with sufficient freedom for their lives and economic activity. We are not in competition with the Federal Audit Office. Rather, we consider ourselves to be a constructive partner. Our concerns are similar, we stand for a common cause, and we benefit from each other.

Above all, we are focused on citizens with smaller and average incomes, relieving the burden on the middle class and families with children. This is why I criticise the current financial policy which involves fatal mistakes. Extremely high social expenditure – such as increasing tax subsidies for pension funds – will prove expensive for the younger generation. In addition, the government is keeping important investments at a minimum to top up social expenditure. These funds are no longer available for education, basic research, or the maintenance and development of the transport infrastructure. As the German Taxpayers Association, we plead for a stable and long-term fiscal and economic policy that should be based on tax relief, repayment of debt and stronger investment! Solid financing would be available for this triad if politicians would stop getting lost in expensive feel-good programmes and finally set priorities.

How do you assert your influence and which successes are you credited with?

To answer this question, I would like to refer to our success chapter that is part of every black book. Again and again, it pays to persevere! Just one example: In our latest special chapter on digitisation, we call for pooling of competences which would result in savings for our taxpayers. Thus far, each state did whatever it wanted with its online services – there was no common theme. It is a great success that the federal government is now developing a uniform eGovernment portal for Germany and the states are under obligation to participate. This means that citizens will receive uniform online access to all state administration services – whether they live at Lake Constance in the South or Rügen in the North.

We were also successful in relation to taxes. When laws or administrative orders to the detriment of the taxpayers are adopted, our association will bring test cases. We enjoyed great success with the commuter allowance. We enforced through the Federal Constitutional Court that the cost of journeys between home and work are recognised for tax purposes.

Moreover, we want an economical and citizen-centred administration. There are numerous examples of the German Taxpayers Association achieving improvements for citizens and organisations. For example, with the tax forms: Each year, we approach the Federal Ministry of Finance with our statement and highlight where the structure of forms or assessment notices can be simplified, explanations can be improved, and the visual design can be made more reader-friendly.

We create awareness of our concrete solution proposals in personal meetings with politicians, in presentations in the private sector, as well as through media work. We thereby hand them to the government. This

includes our legislative initiative for the reform of the income tax rate, as well as our proposal for 'State measures to curb inflation of housing costs' as an alternative to policy proposal of 'Curbing rent increases'.

In recent times, tax avoidance and tax evasion by the 'rich and influential' has been a major topic on many occasions – disclosure was not limited to the Panama documents. How can further loss of confidence in the state be prevented? How can confidence be restored once lost?

First of all, we should differentiate this very clearly: Tax evasion is illegal! While tax avoidance is an arrangement that is undesirable from most citizens' perspectives, from a purely legal standpoint, it is lawful. If both aspects are thrown together, it becomes impossible to find a solution. In the event of a criminal offence, the law enforcement agencies must clearly come in to uncover and punish such actions. With regard to tax arrangements, I would place the responsibility for better alignment of regulations with the international community of states, so that these regulations can be utilised better. A lot of progress has already been made: For instance, the exchange of information between countries has intensified and organisations have greater reporting obligations. However, we cannot prohibit tax competition. Ultimately, each country can decide for themselves how it regulates its fiscal laws.

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This paper reflects the opinion of the author.

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