Liechtenstein— "Land Without Army Or Taxes"

By PAVLOS GIANNELIA

IT is not certain that the little state of Liechtenstein will always exist, although it has maintained its sovereignty since 1719. Indeed, I am not sure what will be its fate by the time these lines are published.

This tiny principality has an area of 60 square miles and a population of 12,000. It lies on the right of the river Rhine, below Lake Constance, between Austria and Switzerland. Liechtenstein is famed as "the land without army and without taxes." The first averment is true, but not the second. In 1937 the State collected 1,500,000 Swiss francs in taxes, and its eleven Communes totalled a collection of 700,000. But notwithstanding, the legislation of Liechtenstein has singular points of interest to Georgeans.

"The dorsal spine of the direct taxes is the property tax and the income tax," states the special report of Liechtenstein on the Land Tax, and further explains: "Real property, being immovable, is easily assessed, and much more difficult to escape taxation than income." But receipts from the direct taxes were only 150,000 Swiss francs. The indirect taxes, which the people pay unconsciously—believing (as do the people of other countries) that the little rates, fees and stamps have no importance—exceeded many times the revenue from direct taxes; they amounted to 1,100,000 Swiss francs.

What is interesting in Liechtenstein's land tax is the method of calculating the tax rate. This rate is 1½ per mill of the property, and 2 per cent of the income. Every year, the Parliament decides whether the whole tax rate must be collected, or a part of it, or a multiple of it. In recent years, the prosperity of the country has caused Parliament to decide to collect only half the tax rate, that is, ¾ per mill of the property and one per cent of the income.

Georgeists can appreciate this method of calculation insofar as it taxes land owners more heavily and exempts the landless who are occupied in agriculture. Georgeists, however, would prefer to see the property tax reduced to land and water power only, without any taxation of improvements or manufactured products, and without any income tax.

As regards Liechtenstein's corporation tax, it must be undertsood that this country is an Eldorado of holding companies. The number of such companies is not published; but there are many. (If it is true that there are 12,000 holding companies, there would be one for every inhabitant!) The receipts from taxes on these companies was, in 1937, 305,200 Sw. fr. (The State collected 202,600 and the Communes 102,600.) This tax does not burden the home population but only foreign companies which come to Liechtenstein to sanction their holding titles. These companies appreciate the very liberal, and not at all punitive, tax legislation of this microscopic yet sovereign State.

Another interesting feature of the legislation is the customs-union with Switzerland. This latter country has assumed the customs service for Liechtenstein, and pays its government annually the round sum of 450,000 Sw. fr. The annual customs receipts are about 325,000,000 Sw. fr., or 80 Sw. fr. for each inhabitant of both Switzerland and Liechtenstein. The share of the latter country, then, should be nearly one million francs; but the reason it only receives half this amount is that Switzerland also assumes other expenses for Liechtenstein, such as diplomatic and consular services.

Many calculations have proven that the customs duties impose a burden on the economy of Liechtenstein that amounts to *three times* the revenue collected by the government. Thus each inhabitant of Switzerland and Liechtenstein is obliged to pay 240 Sw. fr. in the process of paying customs duties instead of only 80, which is all the government collects. This sum is more than the state and local taxes take from them—which amounts to about 180 or 200 francs. This burden compels the people of Liechtenstein to pay more for all the goods that are imported, such as fuel, automobiles, sugar, metals, and many other products which cannot be domestically produced.

The receipts from this fining of the people go largely to "protect" the chief industries of Liechtenstein—wine and textiles. By the free importation of the goods mentioned above, Liechtenstein would have more to gain than by this imaginary protection of wine and textiles. Certainly the unemployed could more easily get work by free trade than by the present system of subsidizing.

Unfortunately, as can be seen, this little State is far from Georgean principles. The chief local gazette has urged the citizens not to spend in foreign countries the money gained in Liechtenstein, but to spend holidays, weekends and currency within the boundary of Liechtenstein!

However, it would be a pity to see this flourishing little land sacrificed to New-European restrictionism.