

# Property Tax in the Perspective of Karl Marx

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## Abstract

The aims of this article to find out property tax within the conceptual framework of Karl Marx's perspective. Even though the property tax is a fairly good local tax, if the administration in recording, assessing and collecting it is not orderly it will also be a problem. Marx considered that the property tax was only one of the classical capitalist facilitation by the government. It is considered that property taxes do not directly benefit the proletariat or poor people because the compensation provided can also be enjoyed by the bourgeoisie or rich people.

**Keywords:** property tax, land and building tax, Marx's perspective

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## 1. INTRODUCTION

The history of property tax began after the Stuarts Restoration in England, by abolishing land rents and replacing them with taxes levied on the peasantry and other residents. This policy was carried out to limit the '*rights of the bourgeoisie*' in the field of ownership by transferring ownership of land and other assets gradually from a lower collective level to a higher level and, in the end, to all the people (Khan, 1978; Marx, 2007). At the moment, property tax is one of the taxes determined by the regional government or the federal government with the aim of increasing tax revenue so as to improve people's welfare (Biddle, nd; Donald, 1993; Harris & la Croix, 2021).

Property taxes are taxes levied on commercial and industrial property, which is applied homes, farms, businesses, and most other real estate (Donald, 1993; Lopez-Luzuriaga & Scartascini, 2019). In Indonesia, property tax is better known as land and building tax. In accordance with Minister of Finance Regulation No 48/PMK.03/2021 which states that land and building taxes in Indonesia divided into two, land and building taxes for rural and urban areas and land taxes for the plantation sector, forestry, oil and gas mining, mining for geothermal exploitation, mineral or coal mining and other sectors (PMK No 48/PMK.03/2021 Regarding Procedures for Registration, Reporting and Data Collection of Land and Building Tax Objects, 2021). The difference between the two types of taxes is the collection and management. Land and building taxes in rural and urban areas are collected and managed by the Regional Government, while land and building taxes in the plantation and mining sectors are collected and managed by the Central Government. In this article, author prefer to point of view that property tax is taxes levied as land and property that collected and managed by Central Government or Federal or Regional Government.

Property taxes are levied recurrently on individuals based on the size of the property and services provided by local government such as public lighting, garbage collection and street cleaning (Biddle, 2012; Castro & Scartascini, 2015; Lopez-Luzuriaga & Scartascini, 2019). In Indonesia, property tax is levied based on the size of the property without considering the returns received by individuals (Law No. 28 of 2009 Concerning Regional Taxes and Regional Levies, 2009), with a collection system adjusted to each applicable regional government regulation, in Argentina it is collected every two months, unlike in Indonesia which is collected once a year (Castro & Scartascini, 2015; Law No. 28 of 2009 Concerning Regional Taxes and Regional Retribution, 2009). The application of a different property tax concept without giving returns is not in accordance with the tax concept which states that taxes are collected based on indirect reciprocity between the tax payer and the tax recipient (the government).

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Although the property tax is considered a fairly good regional tax, especially for increasing regional income which is quite efficient and is considered to have fairness because of it used to finance public services and infrastructure that reflect the needs of local communities so that there is accountability and transparency (Kwak & Mak, 2011; Monkam, 2011). But on the other hand, property taxes also have problems, one of which is mainly administrative problems property identification, recording, valuation, collection, collection and enforcement because property taxes are not collected based on the property owner's income but on the size value of the property. These problems can also be influenced by the institution where the property tax administration is sheltered (McCluskey & Plimmer, 2011). Administrative issues are quite important because property owners pay based on the size of the property, if the recording and valuation of the property is inaccurate it will make someone pay property taxes not in accordance with the provisions. Someone who owns a small property will pay a little property tax even though the income they receive is quite large.

The problems that occur as a result of the property tax show that the state has not been able to make rules regarding property taxes in a very fair and good manner for the people. Karl Marx, as one of the economists also stated that large feudal taxes were unnecessary because the state would generate revenue from controlling the means of production by means of its intervention in the economy (Biddle, 2012). According to Marx, taxes served to accelerate the preconditions for capitalist development. In his discussion of the Feudal Mercantile, Marx argued that the transformation from feudal society to capitalism was by no means "natural", but facilitated by the state (Forstater, 2005).

Based on these problems, this article will discuss the concept of property tax conceptually from Karl Marx's perspective. Why does the author take Karl Marx's point of view, which clearly seen taxes as a capitalist tool on Marx stated that '*The State does not need taxes because the state will control of production to generate income*'. Marx assumed that every country have production resources that could be used as income, but forgot these resources would run out and even some countries had no resources at all. Conceptually the discussion of the article is expected to be able to contribute to tax thinking, especially property taxes. Another contribution made by this article is a review related to Marx's thoughts on property taxes. The motivation that underlies the author in writing articles conceptually is that not many similar articles have been written, especially the concept of property tax in the perspective of Marx. In this article it can be concluded that Marx considers that taxes, especially property tax collection, are part of capitalism which is facilitated by the government, because they do not provide substantial benefits for the proletariat/poor people.

## **2. THE CONCEPT OF TAXES IN MARX'S PERSPECTIVE**

Marx's concept is to divide capitalist society consists of two main classes, namely the ruling class or bourgeoisie and the working class or proletariat. According to Marx, after the restoration of the Stuarts, the landowners carried out by law, an act of expropriation that was carried out everywhere on the mainland. They abolished the feudal rent of land, that is, removed all its obligations to the state, compensated the state for losses by taxes levied on the peasantry and other residents, established for themselves modern individual rights (Marx, 2007; Young et al., 2021).

Members of the bourgeoisie own productive capital (capital) in society and use it for the purpose of further capital accumulation. They achieve this by mixing labour power, which is supplied by the proletariat, with the means of production (land, buildings, machinery, and raw materials) in a process of production (Young et al., 2021). As an upper-class society that has more productive capital than the working class, the bourgeoisie is able to influence the bureaucrats (state) for their interests. The influence of the bourgeoisie is mainly in the rules set by the state which are more in favor of the bourgeoisie than the proletariat.

Marx included the role of the state, including taxation, as part of the accumulation of primitive governments in Europe (Spain, Portugal, Holland, France, and England). They used the power of the state or the concentrated and organized power of society to speed up the process of transforming the feudal model of production into a capitalist model whose axis was shaped by taxes. Excess taxes here are not a coincidence in a process but become a basic principle in forming a capitalist society. Marx explained that taxes served to accelerate the preconditions for capitalist development. Marx argued that the transformation from feudal society to capitalism was by no means "natural", but facilitated by the state (Evans, 2021; Forstater, 2005; Harlow et al., 2013). The state has absolute authority in the form of laws that must be followed by its people in carrying out tax obligations. This makes taxes an obligation that will bind the proletariat more than the bourgeoisie.

### 3. PROPERTY TAX IN MARX'S PERSPECTIVE

Property tax is a type of tax that is managed by the local government or the federal government, so the rate and implementation of property tax can vary according to each region (Biddle, 2012; Donald, 1993). Property tax fairness than other taxes because property taxes especially land cannot be transferred (Monkam, 2011). Instead of providing indirect reciprocity to society, Marx argues that taxes collected can be used to compensate workers who have lost their jobs, or to help reduce taxes, which are regressive (such as VAT) and therefore a burden on ordinary workers (Huettinger & Boyd, 2020).

Compensation as a form of justice can be directly given to workers or people in need rather than being given in the form of public facilities that all people can receive. Because property taxes are not based on income in determining the rate, but only based on the size of the property, the owner of a small property will pay less property taxes than a large property, even if it is owned by someone with a low income. In addition, inaccurate property valuation by resources within local government institutions will make property tax payments not in accordance with rates and targets.

In this case Marx does not support unlimited redistribution schemes, where results do not match contributions (Huettinger & Boyd, 2020). Low taxes are not for the benefit of the middle and lower class people because their social needs can be funded by other taxes that are higher than those of the rich (Leiter, 2015). An inappropriate redistribution scheme will also have an impact on the beneficiaries of the property tax. Redistribution that is given directly to the community is indeed easier to implement than giving compensation to individual target beneficiaries. It also makes it easier for local government institutional officers to collect property taxes without needing to redistribute it to individuals in need, since the main responsibility for property taxes lies with the agency that oversees it.

Marx clearly stated that taxes were unnecessary because the government could use other, more productive means of production (Biddle, 2012). If the local government owns the means of production that can be used as a part of the state's revenue sources, the imposition of property tax will not be required. However, in reality, the use of production resources owned by the local government is quite limited, especially when it is used to pay compensation to the proletarian community. Property tax liability is based on data held by the oversight agency in the local government or federal government (Richard Almy & Cusack, 2018). This data is quite important in determining the amount of property tax that must be paid by property owners. Marx did not explicitly state the concept of a property tax in his writings and how administration would influence the decision of which property object to assign a value to. But Marx explicitly stated that actually taxes would not be needed if a country's means of production could function properly. Taxes are a source of income if the means of production cannot run as they should.

### 4. CONCLUSION

This article discusses the property tax from the point of view of Marx, as one of the economists who does not side with the capitalist system. Property taxes imposed by the regional government, or the federal government are a fairly good source of revenue compared to others, especially if the means of production cannot be used optimally. Marx considers that taxes, especially the collection of property taxes, are part of capitalism, which is facilitated by the government, because they do not provide substantial benefits for the proletariat/poor people.

The limitation in this article is that the concept of property tax is only seen from the point of view of Marx, who does not agree with the concept of capitalism, which is more about capital accumulation and profits, especially certain communities. It is hoped that the following articles can include other taxes as a comparison and the viewpoints of different philosophers to contribute to the field of taxation.

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