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Promise, pretence and pragmatism: governance and taxation in colonial Indonesia, 1870-1940

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Dutch colonial tax reforms, ca. 1870-1930

The previous chapter discussed changes in colony ideology and policy as rooted in altering socio-economic circumstances. This chapter will look at how these related to tax policies. It will show that tax policy not only reflected the socio-economic transformation of colonial state and society, but also influenced these. Hence, the development of the colonial tax system, political economy and society all became deeply intertwined.¹ Former revenue systems of monopolized trade, *corvée* labour and revenue farming, kept alive by the early colonial state, were gradually replaced with direct taxes on trade, sales and incomes. This supported the transition from taxing agriculture and exports, to taxing incomes, trade and property.²

This chapter charts and analyses the development of the income tax system as a reference framework for the following chapters, but also as an aid to understanding the interrelated and integrating development of the differentiated tax systems for Europeans, 'Foreign Orientals' and 'inlanders' across different places in the archipelago. Even though a lot of the changes most important to this dissertation's argument took place, in the case studies, between the 1890s and 1920s, the period after 1920 is also elaborated on, for the sake of completeness.

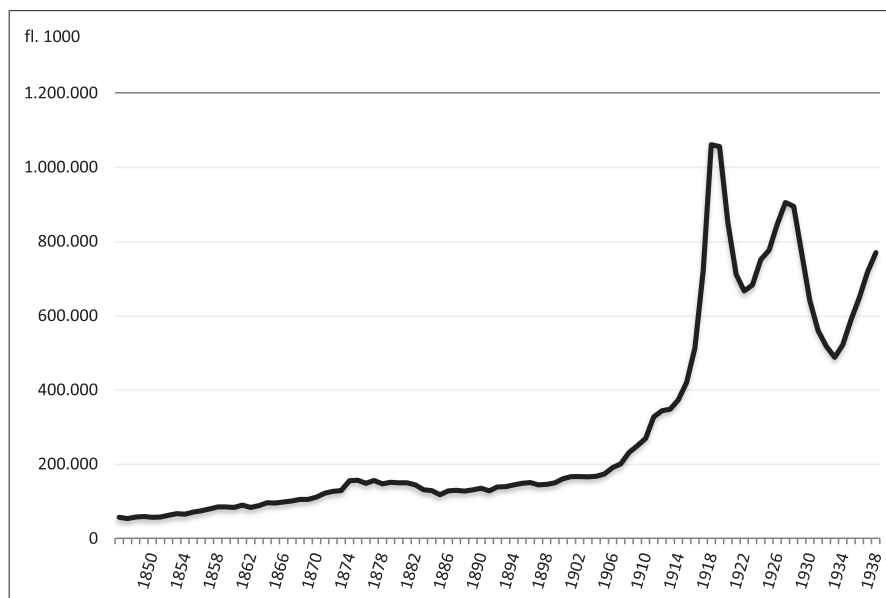
The reform of the tax system, from about 1870 onward, was motivated by two things: the quest for new funds, related to the dismantling of the Cultivation System and the cessation of its profits, and the urge to modernize and unify. This followed on from the accordant political reforms and the rising costs of administrative and territorial expansion of the colonial state (see graph 2.1). Coerced cash crop production did not accord with the new liberal doctrines of the later nineteenth century, promising progress, wealth, freedom and justice. Moreover, it had admittedly failed to benefit and uplift the Javanese from their alleged state of 'feudal darkness.' The Javanese had generated the majority of state revenue, but had barely participated in its profits. This concern for the welfare and tax burden of the Javanese peasant vis-à-vis that of other people in the archipelago, whether Europeans or 'Foreign Orientals' in Java or indigenous populations of other islands, was a recurring theme in colonial tax policy.

With the adoption of the 1872 Tariff Law, which abolished the differential rights that had protected Dutch exports to Indonesia from foreign competition, the monopoly exchange scheme with Dutch textiles was deconstructed, and new sources of colonial revenue (beyond monopolized

1 A. Booth, *Economic Change in Modern Indonesia*, 135-161.

2 Booth, "Towards a Modern Fiscal State in Southeast Asia", 36-76: 36-40, 46-49.

exploitation of coerced labour) had to be found.³ However, the colonial tax system was rather undeveloped at the time and state revenue relied largely on the monopoly systems of cash crops, mining products and import-export duties. There were some consumption, wealth and inheritance taxes and to a degree, Europeans and 'Foreign Orientals' paid 'company' or income tax. Apart from the Javanese, who paid land rent, the indigenous population paid very little and highly differentiated taxes, following regional varieties in wealth standards and alleged levels of 'political and socio-economic development.' The reform of the income tax system occurred in three phases: the imposition of the first direct taxes for all groups in 1878-1900, discussed in the first section, the reform and consolidation of these in 1900-1914, discussed in the second, and the full unification and complexification of these in 1920-1935, described in the third section.



Graph 2.1. Government spending in the Dutch East Indies in f. 1000, 1848-1938.

Source: J.L. van Zanden (et al.) "Government Expenditure in the Netherlands East Indies 1848-1940" (Dataset, Amsterdam: IISH, 2003).

3 The Tariff Law had combined various tariffs into an overarching, central tariff system of a standard 6% rate declared valid for the entire the archipelago, see L.J. van der Waals, *De Indische Invoerrechten* (Helder: De Boer, 1926), 1-2, and Resink, "Inlandsche Staten", 313-314, 334.

During every phase, the colonial government attempted to merge and reshape taxes to enhance equality and minimize differences. As we will see, each series of reforms correlated to both the desire to enlarge the portion of state revenue drawn from direct taxes, the will to unify and centralize revenue collection, and attempts to produce social change. At the time, income taxes were certainly not yet the intricate fiscal instruments they are today⁴, yet they became central to colonial fiscal-administrative policy, leading to an avalanche of tax ordinances for all different population groups, between 1878 and 1935. This chapter shows why and how.

2.1 BICKERING OVER BURDEN: THE FIRST INCOME TAXES, 1878-1900

As states and economies changed and accelerated throughout the early-modern and modern era, so did questions of the role, social responsibility and function of states in relation to taxation and justice administration. Taxes developed from 'princely claims' to the 'price of government services' into complex instruments to coordinate numerous aspects of public life, production, and socio-economic justice and behaviour. Under the influence of eighteenth and nineteenth century political philosophy, taxation ceased to be about merely covering public expenses to carry out basic state activities, and started addressing questions of economic equality and distributive justice, the protection of collective rights, modern citizenship, political power, self-preservation and state responsibility. Adam Smith's 'maxims' of taxation, for instance, induced greater awareness of the importance of keeping taxation in line with the abilities, capacities and expectations of citizens.⁵ Jeremy Bentham and John Stuart Mill were among the first to take into account the influences of taxation on public experiences and enjoyment

4 In 1888, Pierson still described income taxes as "unsuitable to play more than a supplementary role in the tax system." N.G. Pierson, "De Progressieve Inkomstenbelasting", *De Economist* 37 (1888), 745. See also: W. Fritschy, "A History of the Income Tax in the Netherlands", *Revue Belge de Philologie et d'Histoire* 75:4 (1997), 1045-1061: 1046-1047, 1051-1052, 1061; H. Vording and O.I.M. Ydema, "The Rise and Fall of Progressive Income Taxation in The Netherlands", *The British Tax Review* 3 (2007), 255-279: 255-259.

5 These four essential 'maxims' of taxation comprised equality, certainty, convenience and economy. Equality ensured the spread of the tax burden over citizens according their 'ability to pay', tax payment respective of their incomes, wealth, and abilities, "in proportion to the revenue which they respectively would enjoy under the protection of the state." Certainty meant that taxpayers had to be ensured how much, when and how they were to pay taxes, to make tax payment predictable, protect against arbitrariness and outbalance "the power of the tax-gatherer." Convenience ordered that the tax payment procedure was as convenient as possible for the tax payer. Efficiency had to ensure taxes to be levied as economic as possible, to keep the levying costs and tax assessments as low as possible. A. Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Ed. By R.H. Campbell, A.S. Skinner and W.B. Todd; Indianapolis: Liberty Classics, 1981), v, 45, 825-828. See also J.L.M. Gribnau, "Tweehonderd jaar Belastingwetenschap", in H. Vording (ed.), *Tweehonderd jaar Rijksbelastingen* (Den Haag: SDU Uitgevers, 2015), 187-254: 192-193; H.J. Hofstra, *Inleiding tot het Nederlands Belastingrecht* (Deventer: Kluwer, 2002), 76.

rather than material matters, such as prices and economic growth.⁶ As a consequence of these ideas, the role of the state in organizing social relations and protecting citizens expanded, as the tax system became the most crucial economic and political instrument, within which the promotion of fairness became increasingly prioritized.⁷ Of what this 'fairness' comprised, and according to which principles redistributive justice was properly carried out and administrated, has been hotly disputed. The answer depends on changing ideas about societal justice and 'good governance', and can impossibly be provided within the space of this chapter.⁸

Important to realize however, that even though as a colonized space the Indies were not a very fair or equal society, nonetheless, ideas of redistributive justice started infiltrating colonial ideology upon the release of coerced cultivation and increased colonial expansion and governance, producing the political issues of taxation and governance, already well-known in Europe, but new to the colony. The widening differences between various places and islands and between the three defined socio-legal groups, the persistence of coerced labour and the desultory constitution of the colonial tax system, engendered a concern to improve the tax system. The Government Regulation of 1854 promulgated all taxes to be levied by general ordinances to

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- 6 For Bentham the prime objective of taxation was acquiring revenue to ensure that goods and services were accessible to all to guarantee a decent life standard for all, "while minimizing the pain and evils associated with taxation." Therefore, he claimed that in order to obtain economic growth and personal (human capital) growth in society, incentive structures that encouraged initiative and productivity had to be put in place in the tax structure. J. Bentham, *Supply without Burthen* (London: Printed for J. Debrett, 1795), 93-94; J. Bentham, *A Protest Against Law Taxes* (London: Charing-Cross, 1793). To Mill, taxation was a problem of "equality of sacrifice", which boiled down to "apportioning the contribution of each person towards the expense of government so that he shall feel neither more nor less inconvenience from his share of the payment than every other person experiences from his." Though earlier in his life, Mill saw direct taxes on income as a necessary evil for covering government expenditures, he later argued for the equality of sacrifice, claiming "equal taxation consists not in taking equal proportions from the incomes of individuals, but in taking equal proportions from their enjoyments." Mill and Bentham were the first to take into account the influences of taxation on public feeling and enjoyment rather than material matters such as prices and economic growth, and proposed a concrete program of tax reform. J.S. Mill, "On the General Principles of Taxation (1871)", in P. O'Brien (ed.), *The History of Taxation* (London: Pickering & Chatto, 1999), 274-301: 279. See also T. Dome, "Bentham and J. S. Mill on Tax Reform", *Utilitas* 11:3 (1999), 320-339: 321-322, 337, and R.B.J. Ekelund and D.M. Walker, "J. S. Mill on the Income Tax Exemption and Inheritance Taxes: the Evidence Reconsidered", *History of Political Economy* 28:4 (1996), 559-581: 562, 573, 576-577.
- 7 S. Leviner, "From Deontology to Practical Application: the Vision of a Good Society and the Tax System", *Virginia Tax Review* 26:2 (2006), 405-446: 407, 410-411; Q. Skinner, "The State", in R.E. Goodin and P. Pettit (eds.), *Contemporary Political Philosophy: an Anthology* (Canberra: Blackwell, 1997), 3-26: 9; C. Offe and V. Ronge, "Theses on the Theory of the State", in *ibid.*, 60-65: 61-62; J. Rawls, "Justice as Fairness", in *ibid.*, 187-202: 192-195; R. Nozick, "Distributive Justice", in *ibid.*, 203-246: 211-212.
- 8 See for a concise overview L.B. Murphy and T. Nagel, *The Myth of Ownership: Taxes and Justice* (Oxford: Oxford University Press, 2002).

enhance the system's legal footing.⁹ The imposition of income taxes was considered particularly essential to reconstituting the political-economy and social relationships between colonial state and colonized people throughout Indonesia.

Taxing Europeans and 'Foreign Orientals'

Until 1878, the European population in Indonesia paid few taxes, which, especially when viewed beside the escalating burden on the shoulders of the Javanese, was increasingly seen as unfair. Except for *verponding* (a tax on land or immovable property not used for agricultural purposes; introduced in Batavia in 1800 and in the rest of Java in 1823)¹⁰, they paid a horse tax and transfer rights (levied since 1834; reshaped into an Inheritance and Transfer tax in 1836).¹¹ In 1874, two liberal officials, O. van Rees (who became Minister of Colonies in 1879 and Governor-General in 1884) and J.P. Sprenger van Eijk, at the time 'Head Inspector of Finances' (and Minister of Colonies in 1884-1888), wrote a report in which they proposed to increase taxes for all 'non-indigenous' people by introducing a Personal Tax and 'Patent Law' (*patentrecht*) for Europeans and Foreign Orientals.¹² Both were modelled on taxes existing in the Netherlands, as introduced by I.J.A. Gogel (1765-1821), during the French occupation.¹³ Patent Law (or patent tax), originally a contribution to gain a license was awarded by guilds to trade or exercise a specific profession, was centralized under Gogel in the Netherlands in 1806.¹⁴ In the colony, it was introduced in 1878, and translated as a 2% income tax (but still termed 'Patent Law' to continue familiar nomenclature) paid by all "but those belonging or assimilated to the indigenous population."¹⁵ This was the first form of direct tax on individual and

9 Soebekti, *Some Facets*, 7.

10 In 1886, the *verponding* was unified over the entire archipelago. From 1912 onward property values were determined to be ten times the annual rental value or land revenue, taxed at 0.75%. In 1917, *verponding* was introduced for indigenous people all over the archipelago, with rates of 10% of the annual rental value for buildings, and 1% of the sales value for other lands. In 1924, these rates were lowered to 7.5% and 0.75% to keep them in line with the rates of European *verponding*. See Departement van Binnenlandsch Bestuur, *Handleiding ten Dienste van de Indische bestuursambtenaren op Java en Madoera*, no. 46/F: *Verponding* (Batavia: Kolff & Co, 1922), 30.

11 L. Lancée, *Beknopt Overzicht van het Nederlandsch-Indisch Belastingrecht* (Batavia: Noordhoff-Kolff, 1935), 5.

12 Van Rees was preceded by inspector P.H.B. Motké who died within a year after his arrival in Java in 1871.

13 Vording and Ydema, "The Rise and Fall", 255-259; J.K.T. Postma, *Alexander Gogel (1765-1821): Grondlegger van de Nederlandse Staat* (Hilversum: Uitgeverij Verloren, 2017); De Jong, *Van Batig Slot naar Ereschuld*, 143-145; Lancée, *Beknopt Overzicht*, 5; J. Visser, *Overzicht van het Belastingwezen van Nederlandsch-Indië, in het Bijzonder van Java en Madoera: voor Onderwijs en Praktijk* (Semarang: Van Dorp, 1927), 14.

14 Postma, *Alexander Gogel*, 212-223.

15 Stbl. 1878 n350; Soebekti, *Some Facets*, 20; 28A. J.N. Graafland, *Iets over de Fiscale Wetgeving in Nederlandsch Oost-Indië* ('s Gravenhage: Martinus Nijhoff, 1905), 17.

corporate incomes of European and 'Foreign Orientals.' In practice, only the 'Foreign Orientals' in Java were assessed in the Patent Law.

The Personal Tax, also introduced in the colony in 1878, was basically a wealth tax. Its assessment was based on 'observable indicators of welfare', such as property value, indicated, for instance, by the number of doors and windows of houses, or the quality of furniture, carriages and number of horses in a household.¹⁶ As such, tax officials, armed with detailed assessment rules, visited European and 'Foreign Oriental' households to assess the value (or rental price) of their houses, taxed at 5%, and inventory, taxed at 2%, sometimes by measuring the thickness of curtains and heaviness of chairs to come to a completed tax assessment bill. Moderation in assessment was advised to prevent friction¹⁷, especially in the case of 'Foreign Orientals', many of whom had an important role in local colonial economies. The advice of Minister P.P. van Bosse (in office 1877-1879) was to "keep tax revenues below expectations for the first few years, and let the principles of the new taxes sink in" rather than "causing serious difficulties and resistance because of narrow-mindedness."¹⁸ Such doctrines of moderation were commonly applied, to ensure stable, gradual adaptation and compliance. For this reason, the tax threshold for rental value was determined in consultation with provincial Governors and Residents.¹⁹ Many Residents took this opportunity to attempt to negotiate rates with the Director of Finances for their provinces, which he did not appreciate.²⁰ The Director eventually had no choice but to acknowledge that welfare and income levels varied profoundly throughout the archipelago. He set the standard at f240 for 'rich', f180 for 'middle-ranking' and f120 for 'poorer' Residencies (f 90, f70 and f50 respectively for Foreign Orientals).²¹ Administration and collection of the Personal Tax and Patent Tax was delegated to provincial authorities, for which model tax registers were drafted.²² Firms within the Netherlands

16 Stbl. 1878 n349. In the Netherlands, these personal (wealth) taxes largely derived the taxes as levied in the cities of Holland, and were centralized by Gogel. See W. Fritschy, *De Patriotten en de Financiën van de Bataafse Republiek: Hollands Krediet en de Smalle Marges voor een Nieuw Beleid (1795-1801)* ('s-Gravenhage: Stichting Hollandse Historische Reeks, 1988), 152; T. Pfeil, *Op Gelijke Voet: De Geschiedenis van de Belastingdienst* (Deventer: Kluwer, 2009), 41-50; Postma, *Alexander Gogel*, 215-217.

17 ANRI AS Besl. 30-12-1878 n1, herein: Besl. Invoering van de personele belasting en het patentrecht.'

18 MinKol 1850-1900 3162 Vb. 12-30-1878 n1, herein: MinKol to GG, 8-11-1878.

19 ANRI AS Besl. 30-12-1878 n1, herein: RvI 30-9-1878, DirFin, 5-10-1878, DirFin to GG 28-11-1878.

20 The Governor of West Borneo even proclaimed that he "refused to be held responsible for a political slip-up." See: ANRI AS Besl. 30-12-1878 n1, herein: DirFin to GG 28-11-1878: Bijlagen: 'correspondentie Gewestelijk bestuurshoofden': Res. West Borneo ["Wester-afdeling van Borneo"] to DirFin, 23-9-1878. See also Centraal kantoor voor de statistiek, *Korte Mededelingen no. 15: Enkele Opmerkingen over de Uitkomsten van de Statistiek der Personeele Belasting Gedurende 1929/1936* (Batavia: Landsdrukkerij, 1938), 4-8.

21 ANRI AS Besl. 30-12-1878 n1, herein: DirFin to GG, 5-12-1878, DirFin, 5-10-1878; Stbl. 1878 n352.

22 ANRI AS Besl. 17-4-1879 n27, herein: DirFin to GG, 12-4-1879.

were initially exempted from paying Patent Tax as they were expected to pay taxes in the Netherlands. This caused an increasingly heated debate between the Dutch national and colonial governments, signalling increasing friction over distribution of colonial profits and burdens.²³

The existing horse tax was incorporated into the new Personal Tax at a fee of 6 guilders annually per horse. However, since civil servants needed horses and carriages for their daily jobs, they were exempted, as were government salaries, wages and pensions because, according to contemporary logic, it was considered redundant to tax government salaries deriving from tax revenue.²⁴ Consequently, an overwhelming majority of the European population paid little Personal Tax, and no Patent Tax at all.²⁵ Major limited liability companies, such as the NHM, KPM and *Deli Tabak Maatschappijen* were also exempted, as they were often owned by persons living outside Indonesia (usually in the Netherlands) where its profits were supposedly taxed.²⁶ Nonetheless, both the Personal Tax and Patent Law were ill received among the contemporary European colonial elite. Lively protest against the new taxes, symptomatic of the rising political tensions between metropole and colony, emerged. It was voiced most prominently by N.P. van den Berg (1831-1917), Director of the Javaasche Bank (1873-1889).²⁷ He argued that the colony could no longer be treated as a profitable dependency but had become a state in its own right, and considered the proposed taxes a continuation of exploitative extraction of a colony by a metropole.²⁸ Surely, he argued, the European civil servants, who had carried the administrative burden of the Cultivation System for so long, deserved better than to be overtaxed by a Dutch state that still refused to tax its own subjects properly. Van den Berg even suggested the colony would be better off under British imperial rule than under the exploitative Dutch regime.²⁹ In the Netherlands, these arguments were interpreted as the quintessential grumbles of what was seen as a self-interested, corrupted and greedy colonial elite. The Ministry in The Hague presented the taxes as a true piece of fiscal governance, to guide the new liberal economy and improve colonial socioeconomic and financial health. No longer were Europeans to be favoured. If the colony had indeed become a state in its own right, all had to

23 ANRI AS Besl. 8-4-1878 n43, herein: MinKol to GG, 6-10-1877.

24 Stbl. 1878 n350; ANRI AS Besl. 30-12-1878 n1, herein: DirFin to GG, 27-12-1878, DirFin 17-12-1878; NA MinKol 1850-1900 2961, Vb. 15-2-1877 n22: Concept-ordonnantie.

25 ANRI AS Besl. 30-12-1878 n1, herein: 'Consideratie en Advies', DirFin., 17-12-1878. The lengthy list of exempted persons includes the Director of the Botanical Garden in Buitenzorg, the engineers and supervisors of the Mining Department, bailiffs, sheriffs and judges in the provinces, telegraphists, and many others working in service of the government.

26 Soebekti, *Some Facets*, 21-22; Graafland, *Iets over de Fiscale Wetgeving*, 18-19.

27 De Jong, *Van Batig Slot naar Ereschuld*, 145-149, 234-240.

28 Ibid., 145-148, 166-167, 235-238; N.P. van den Berg, *Mist het Protest Tegen "de Bijdrage" een op Recht en Billijkheid Steunenden Grondslag?: Brief aan den heer F. Alting Mees* (Batavia: G. Kolff, 1878), 7, 13-14, 19-25, 29.

29 Van den Berg, *Mist het Protest*, 14, 20-22.

contribute to it to capacity.³⁰ The colonial opposition managed to delay the introduction of the taxes for some years, but upon the cessation of the *batig slot* (colonial profits) in 1878, both taxes were promptly implemented.³¹

Taxing 'natives'

Simultaneously, the government pursued the updating of the tax system for the indigenous population. The practice as inherited from the VOC, as put by J.S. Furnivall, was one where, "Europeans paid taxes, and the Natives tribute."³² In order to align the burdens carried by the three population groups, all had to pay comparable forms of taxes. By 1870, apart from the land rent levied in Javanese peasants, the indigenous population in Indonesia under Dutch rule paid little or no taxes at all to the Dutch government, except for some consumption taxes and import and export duties.³³ Instead, they 'paid' by performing labour. 'Foreign Orientals' living outside of Java did not pay in the Patent Law. Instead, they paid specific 'head' or 'poll' taxes to their own quarter heads, the *Kapitan Cina*.³⁴ So to summarize: Javanese peasants paid land rent and performed compulsory labour duties, non-agricultural Javanese paid various smaller taxes, 'Foreign Orientals' in Java paid a 'Patent Law' and some head taxes, while 'Foreign Orientals' on the 'Outer Territories' only paid head taxes and indigenous peoples in the 'Outer Territories' paid virtually no income taxes at all.

Hence, to transpose some of the heavy burden imposed in Javanese peasants to the indigenous peoples and 'Foreign Orientals' outside of Java, between 1872 and 1924, the government attempted to reform the land rent in various stages, and started looking at the possibility of imposing new income taxes. In theory, yields in Java were taxed based on the size of land to which peasants held the rights, at 20%, differentiating between dry and wet fields, sub-divided into three classes following the average

30 NA MinKol 1850-1900 3162, Vb. 30-12-1878 n1, herein: MinKol to GG 30-9-1878.

31 NA MinKol 1850-1900, 3006, Vb. 11-7-1877 n3, herein: 'Voordracht aan Koning'; De Jong, *Van Batig Slot naar Ereschuld*, 160, 160-180.

32 Furnivall, *Netherlands India*, 38. Taxation had a different background and meaning in Indonesia. Terminology in use, such as *pajak* / *pajeg* or *upeti* are not the exact same thing as taxation. *Pajak* (from the Javanese *pajeg*), which today in the Indonesian language translates as taxation, was originally only a regular levy in Java on agricultural produce in return for land-lease or ownership to which village elites and ultimately the Javanese emperor's administration and the emperor himself were entitled. *Upeti*, today translated as 'tribute', was a specific practice in which lesser lords paid homage in trade, money or gifts to the Javanese emperor at special occasion such as religious celebrations and festivities. (On Bali, these taxes were used slightly differently. See: Geertz, *Negara*, 67-68, 185-18.) S. Moertono, "Dulu, Kedudukan Wajib Pajak itu Terhormat", *Prisma* 14:4 (1985), 59-62: 60. See also P.B.R. Carey, "Civilization on Loan: The Making of an Upstart Polity: Mataram and its Successors, 1600-1830", *MdAS* 31:3 (1997), 711-734; Boomgaard, *Children*, 23-26; Drakard, *A Kingdom of Words*, 1.

33 See Furnivall, *Netherlands India*, 37-41.

34 Lohanda, *The Kapitan Cina*, 10, 152, 175-177; Lohanda, *Growing Pains*, 42.

yearly production. However, in practice, many officials lacked the tools and were unable to administer assessments, ignored actual yield, and ended up blindly following the presumed size of land entitlements of peasants, skipping the burdensome process of measuring yields.³⁵ But the wealth of peasants depended on more factors than merely the size of their land, and poorer peasants frequently found themselves facing tax assessments they could not afford, especially in times of privation. Lack of central coordination, trained civil servants, a proper cadastral system to enable land surveys and reliable data, further problematized the levying of land rent. Tax rates turned out to be much higher in practice, than the 20% originally intended. As shown by W.R. Hugenholtz, the land rent revisions imposed in 1872 and 1907 brought little improvement. Only in the 1920s did the government undertake a programmed land survey to enable fairer, more systematic assessments. Up until then, bridging the interests of Javanese peasants and European planters while professionalizing the tax administration at the same time, was virtually impossible. Land rent levying was delegated to specially appointed local committees of local indigenous officials and village chiefs who had to assess yields and negotiate assessments with land-holding peasants.³⁶ Village chiefs remained responsible for payment, and negotiated assessments (through a bargaining system called *admodiatie*) with peasants, in ways rather unrelated to the imposed principles and regulations, leading to many injustices in the distribution of taxes among villages and their individual members. It remained an unjust but highly practicable system, which indeed was “complimentary to the administration in that it met the qualification of Adam Smith’s fourth principle in taxation, namely, to collect taxes with the least cost, but at the same time it violated his second principle which is that taxes must be fixed and non-arbitrary.”³⁷ The burden of the land rent remained relatively high, but would perhaps have been higher still, if regulations had been applied properly.³⁸

To include the non-agricultural population in Java in the tax regime, a ‘Company Tax’ had been introduced, which tax originated in Raffles’ ‘house(hold) tax’ (1815) that probably built on the Javanese *pacumpleng* or

35 ANRI AS Besl. 23-10-1879 no3; Hugenholtz *Landrentebelasting*, 34-37, 283-284; Soebekti, “Some Facets”, 12.

36 Hugenholtz, *Landrentebelasting*, 39-40; Fasseur, *Kultuurstelsel*.

37 Soebekti, *Some Facets*, 6.

38 Visser, *Overzicht van het Belastingwezen*, 70-72. Land rent or similar taxes on yield or land came in use on Bali and Lombok (*padjeg* [*pajak*], *upeti* and *tigasana*, all land-based yield taxes. See appendix 4; Stbl. 1904 n275-277 and 1914 n130-132; see also ANRI DepFin 357, herein: DepFin, 5-1-1915: Res. Bali en Lombok to DirFin, 24-8-1914), South and East Borneo (*‘vertieningsbelasting’* or *‘puluhan’*, a tax of 10% on rice yields; See Stbl. 1878 n300-301) and Sulawesi, some of which had known similar cultivation systems as in Java. See also: ANRI AS GB TGA 7889, G. Robinson, *The Dark Side of Paradise: Political Violence in Bali* (Ithaca: Cornell University Press, 1995), 56-58 and Touwen, *Extremes in the Archipelago*, 69.

'door tax.'³⁹ The house tax had been collected largely from urban households (mostly in Batavia) that did not pay land rent, based on their size and wealth.⁴⁰ Through a number of revisions under Dutch colonialism, the house tax was transformed into a tax on non-agricultural livelihood and employment, and was named a "business" or company tax" (*bedrijfsbelasting*) in 1837 and reformed in 1851.⁴¹ It was split into a tax similar to the European *verponding* and a basic tax on the incomes of the inhabitants of these houses.⁴² It delivered up to 1 million guilders annually in 1870, and 1.36 million guilders by 1875.⁴³ As with the land rent, house taxes were levied arbitrarily and disconnected from central regulative standards. In 1875, officials noticed that 38% of the taxable population was assessed at the lowest amount of f1 per year, while average tax assessments in other Residencies varied between f2.76 to 6.60 – too divergent to be explained by economic differences. To solve these discrepancies, in 1878 it was reformed into a slightly more complex 'Company Tax', which taxed all 'non-agricultural' incomes of Javanese and 'Foreign Orientals' in "sufficiently developed" 'Outer Territories'.⁴⁴ Its rate was set at 2% – a rather low rate when compared to the land rent that taxed at 20% – at a minimum of 3 guilders per year from the incomes of adult men, who supposedly represented their families.

Tax registers (*kohieren*) were drafted in which all taxpayers were to be registered including their age, place of residence and the local chief they adhered to. These registers were supposedly maintained according to detailed standards as ordered in the *Compatibility Laws*, issued from 1864 onward, of which all *controleurs* were supposed to have a copy including instructions and prescriptions of how to levy taxes, order the treasury

39 *Pacumpleng* was levied reportedly either at a fixed amount of money per 'door' (cump-leng, 'an opening' in Javanese), or (according to Boomgaard after 1800) rendered as 'yarn-money', tax levied as a skein of cotton per household. Boomgaard, *Children*, 24; Carey, *The Power of Prophecy*, 452. See also KITLV Collectie Kern H 797-[373], 'Stukken betreffende de belastingen in Java over de jaren 1830 to 1914' (1922), pp. 12-13.

40 ANRI AS Besl. 7-1-1878 n14. The rate for Javanese was between f1 to 5, and for 'Foreign Orientals' up to f20.

41 Stbl. 1837 n26 and 1851 n97; B. ten Bruggen Cate, *De Belasting op het Bedrijf in Nederlandsch-Indië* (Batavia: Kolff & Co, 1898).

42 See: Stbl. 1818 n14, 1819 n5 and 29, 1824 n47, 1836 n26 (here the term 'house tax' was replaced with 'Company Tax'), and 1851 n97; Lancée, *Beknopt Overzicht*, 125-128; Departement van Binnenlandsch Bestuur, *Handleiding 46/F: Verponding* (Batavia: Kolff & Co, 1922), 30; CtHBNI, *Vierde Verslag van de Commissie tot Herziening van het Belastingstelsel in Nederlandsch-Indië* (Weltevreden: 's Landsdrukkerij, 1925), 51.

43 NA MinKol 1850-1900 3006, Vb. 11-7-1877 n3, herein: 'Voordracht aan koning.'

44 Stbl. 1878 n86 and 87. The population of Batavia was exempted from the 1851 regulation until 1860 as the indigenous non-agricultural population paid a retail trade tax, while the Chinese of Batavia were expected to pay in the Chinese head tax (Lohanda, *The Kapitan Cina*, 177). The 1878 regulation covered the Residencies of 1. 'Sumatra's West Coast' 2. 'Sumatra's East Coast', 3. Sulawesi, 4. Bengkulu, 5. Lampung, 6. Palembang, 7. South and East Borneo, 8. West Borneo, 9. Ambon, 10. Aceh, and 11. Bangka and Biliton.

and maintain proper accountancy.⁴⁵ Every act was guided and legalized by regulations, every penny had to be formally accounted for, and precise forms of registration in tables, graphs, summaries and maps were at the heart of the colonial power exercise.⁴⁶ They supposedly enabled colonial officials to shape and alter facts to create governable and taxable subjects and “improve their human condition.”⁴⁷ The notion of a quantifiable and agreeable colonial population in itself (rather than diversified heterogeneous groups), for instance, was impossible without statistical recreation.⁴⁸ But filling tables with reliable data often depended on slightly less conventional techniques. The taxable age, for instance, was determined by the registered date of birth, which in practice was not always known. Therefore, a ‘Civil Governor’ on Timor used the following method:

“A small rope is stretched from nipple to nipple around the back, and when the boy’s head fits through the circle of this rope, he is considered of taxable age. If not, he is given another year so his chest can grow wider and stronger. Of all methods, this one never failed.”⁴⁹

Such creativity, as will be demonstrated more extensively in the following chapters, was a determinant in the successful assessing and levying of taxes.

Initially, Director of *Binnenlands Bestuur* C. Bosscher (in office 1875-1876) contemplated making the rate progressive, to tax higher incomes more heavily, but both the Governor General J.W. van Lansberge (1875-1881) and Director of Finances L.J.J. Michielsen (in office 1877-1883) claimed that the “Eastern societies” were too “underdeveloped” for such complexity.⁵⁰ These sorts of arguments, upholding the ‘ungreediness’ of the indigenous civilization for fairer principles of taxation, were often deployed to mask the incapacity of the government to maintain the administrative complexities this involved. In addition, the incomes of clergymen, teachers and the

45 See for instance Anonymous, *Voorschriften Betreffende de Comptabiliteit in Nederlandsch-Indië* (Batavia: Landsdrukkerij, 1887) and D. Brakel, *Het Administratief, het Geldelijk en het Materieel Beheer in Nederlandsch-Indië* (3 vols.; Bandoeng, 1912-1913).

46 T. Rowse, “The Statistical Table as Colonial Knowledge”, *Itinerario* 41:1 (2017), 51-73: 52, 68.

47 Scott, *Seeing Like a State*, 88.

48 Rowse, “The Statistical Table as Colonial Knowledge”, 51-52.

49 C.L., “Bepaling van Belastingplichtigheid”, *TBB* 44 (1913), 146-147: 146-147. This story is also found in Reys, *De Inkomstenbelasting der Inlanders*, 76-77. Reys’ own observations relate deeply to experiences of what he significantly calls “powerlessness” against the “unwillingness of joint people and their chiefs” and the “impossibility of acquiring reliable data for the assessment.” This is symbolic of the frustrations of officials over various methods of evasion, which indeed included the categorizing of young men as yet untaxable, underage boys by local family chiefs in reply to the connection between enumeration and compulsory labour and tax liability. See Nitisastro, *Population Trends*, 52.

50 ANRI AS Besl. 1-7-1878 n14, herein: DirFin to GG, 27-12-1878. See also (in *ibid.*), MinKol to GG, 8-11-1878 and RvI 5-12-1878.

indigenous aristocracy were exempted, presumably for political reasons, as these were the people who held some sway over the mentality and behaviour of local populations. Furthermore, to ensure the zealous cooperation of indigenous chiefs in the maximal assessment and payment of this tax, they were awarded an 8% 'collectors wage.' Until 1905, 'collectors wages' were also awarded to (Indo-)European officials on the Outer Islands, attributing a handsome extra to their incomes.⁵¹ Such wages were in fact a continuation of the 'cultivation percentages' of before, keeping alive older practices of patrimonialism and corruption.

Deployed at the same time as the Patent and Personal Tax, the Company Tax was supposed to close the fiscal gap between ethnicities. But administrative incapacity "to fully apprehend the income of every taxpayer"⁵², as argued by Van Lansberge, set the conditions for the following decades and provided little of a substantial basis to redistribute the tax burden. With the first act finished, all Europeans, the indigenous populations of Java, and part of the 'Foreign Orientals' in the Outer Islands were now subjected to income taxes of some sort. But the design of all of these taxes seemed to have been driven largely by pragmatic choices, while important questions of justice and equality had remained unanswered. The tax system remained deeply unfair towards Java's agricultural population.

The 1878 tax reforms had included a great new number of subjects in the archipelago making direct contributions to the state, but in absolute terms, these contributions constituted only a marginal share of the governments' balance in the years following their introduction (see table 2.1). Coerced, unpaid labour kept carrying the brunt of the fiscal burden. In the 1860s, a head start had been made, with the abolishment of forced cultivation but the final cultivation services were only terminated in 1919. *Corvée* services remained in use until the end of the colony, even though the Government Regulation of 1854 had already stipulated their "gradual abolishment." This was caused by various factors to be discussed in the next three chapters, but what is important to realize here, is that the levying of coerced labour into monetary taxes was among the government's main ambitions. As summarized in 1905 by Director of Finance N.J. Struick du Moulin (in office 1905-1906), the government "no longer required labour, but money."⁵³ Rapid policy change however, encumbered stable reduction policy. For example, after Governor-General J.P. van Limburg Stirum (in office 1916-1921) had prohibited use of *corvée* services for the construction of paved traffic roads in 1919, a few years later they were reinstated by the more conservative Dirk

51 Stbl. 1905 n277.

52 ANRI AS Besl. 1-7-1878 n14, herein: 'Besl. bepaling dat bedrijfsbelasting wordt gebracht tot werking (nieuwe regeling betr. bedrijfsbelasting)', Kabinet besl. n14: GG to HGB.

53 NA MinKol 1901-1953 OV 441, Vb. 6-3-1907 n27, herein: DirFin to GG, 14-12-1905'.

Fock (in office 1921-1926).⁵⁴ Van Limburg Stirum believed *corvée* services hampered economic development while Fock thought they were essential to maximize the utility of labour and production. Both argued their policies would help to improve society to the benefit of colonizer and colonized, but through opposite means. So, the delay in fully replacing *corvée* with monetary tax was also caused by continuous disputes over policy within both the Dutch national and colonial governments and continuous policy changes, depending on who was in charge.

Table 2.1. Government revenue from various taxes compared to coffee revenue and total government revenue, 1879-1883.⁵⁵

	Personal Tax	Patent Law	Land rent	Company Taxes	Coffee revenue	Total government revenue
1879	683	702	1,428	2,400	60,347	144,127
1880	760	592	1,525	2,591	55,973	148,260
1881	716	640	1,616	2,652	57,829	139,418
1882	743	682	1,617	2,652	47,050	132,591
1883	725	792	1,540	2,645	36,596	143,587

In order to reduce the use of *corvée*, regulations were adopted that allowed those who performed *corvée* labour to ‘buy off’ (*afkopen*) their services. This meant that a small monetary payment was made instead of performing a day of service (usually at one guilder per day). In many regions, this was the first step in transforming coerced labour into monetary taxes. Yet, even though in many places *corvée* was considered a “humiliating practice”⁵⁶, buying off remained unpopular among people who had more time than money, and chiefs were not keen on giving up the prestige attached to their entitlement to labour. Meanwhile, there was an increase in the amount of labour services levied, in the newly conquered ‘Outer Territories’. As we shall see in the following chapters, these territories were structurally subjected to labour service regulations copied from the earliest colonized regions, such as Java and West Sumatra.⁵⁷ Therefore, the government actively started replacing *corvée* services with ‘head’ or ‘capitation taxes’ (*hoofdengelden*), as already paid by the Chinese population in various cities,

54 W. Middendorp, *Twee Achterlijke Arbeidssystemen voor Inboorlingen in Nederlandsch Oost-Indië: (Heerendienst en Poenale Sanctie)* (Haarlem: Tjeenk Willink, 1929), 29-30.

55 J.L. van Zanden (et al.) “Government revenue in the Netherlands East Indies 1848-1940” (Dataset, Amsterdam: IISH, 2003).

56 Coolhaas, *Controleur B.B.*, 228.

57 Brunner, *De Unificatie*, 10-12.

usually a fixed rate of one guilder per person per year.⁵⁸ The first central head tax for ‘inlanders’ was imposed in Java in 1882. Intended to curtail the use of labour services and promote payment of monetary taxes, head taxes were slowly normalized as the standard form of annually fixed direct tax for “inlanders liable for corvée” across the archipelago (see appendix 4).⁵⁹ Chapters 3, 4 and 5 will examine to what extent this transformation was successful, and what specific problems occurred in the process.

Head and company taxes were levied by indigenous chiefs in the service of the government. Its rates varied widely, ranging from 1 guilder per annum in Billiton in 1918⁶⁰, to 6.50 guilders in North Sulawesi in 1897⁶¹, inevitably following the huge diversification of socio-economic conditions and developments crossing the archipelago. While rates were fixed in the most of the archipelago, in Palembang, Lampung, Billiton and West and Southeast Borneo (in 1877-1879), the head tax was levied as a percentage of income, like the Company Tax in Java.⁶² In some regions, such as Bali and the majority of Borneo, instead of head or company taxes, land taxes (generally set at 10% tax of the yield) were imposed. This generated a highly diversified tax regime of numerous distinct head, company and land taxes, paid at different rates, in different ways and according to different principles.

2.2 EXPANSION AND REFORM, 1900-1914

As an increasing number of people in the archipelago became subject to direct monetary taxes, following the expansion of the state, new questions arose about managing larger groups of taxpayers and redistributing the burden. Between 1895 and 1914, a series of tax reforms were passed and resulted, at least on paper, in a consolidated tax regime encompassing the whole of Indonesia.

58 Across colonial world, such fixed head taxes were in use. In Portuguese Africa, as exemplified by Havik, the principle form of direct taxation, the ‘hut or poll tax’, was uniformly applied to indigenous adult males at fixed rates, regardless of their income. P.J. Havik, “Colonial Administration, Public Accounts and Fiscal Extraction: Policies and Revenues in Portuguese Africa (1900-1960)”, *African Economic History* 41 (2013), 159-221: 185.

59 See Stbl. 1914 n313-316. Regulations for buying off corvée were expanded in 1919 for Bali, Lombok, Lampung, East Sumatra, Aceh, the whole of Borneo and Sulawesi, Ambon and Timor. See ANRI AS GB TGA 7853, herein: Besl. 7-7-1919; Stbl 1918 n772.

60 ANRI AS GB TGA 7853, herein: BGS 11-10-1918, advies AS no 43A, ‘Invoering van een hoofdgeld op het eiland Biliton’, and BGS 9-8-1918: RvI 9-7-1918, DirBB to GG, 22-7-1918, ‘Voorstel Ass-Res Biliton om de HD in zijn gewest af te schaffen en daarvoor in de plaats te stellen eene belasting onder den naam “afkoopgeld van heerendiensten”’, Ass-Res Biliton to GG, 1-12-1917 and DirBB to GG, 13-6-1918.

61 Stbl. 1897 n13;

62 Stbl. 1877 n197, 1878 n301, 1879 n167 and 377 and 1895 n295.

Establishing equity or favouring finance?

Financially, the head taxes for the indigenous population were of little value. Of much greater importance were the income taxes for Europeans. But the extravagant profits in the tobacco, mining and sugar industries rapidly rose out of the scope of the low rates of the Patent Tax, which taxed both the corporate profits of large sugar corporations and the much smaller personal incomes of European individuals. The European community was far from homogenous and comprised rich sugar planters, shareholders and industrialists, but also poorer civil servants, day labourers and soldiers, whose incomes differed profoundly according to the region, so taxing these incomes in the same way as corporate profits made little sense.⁶³ Except for in the Patent Tax, the profits of European industry were taxed indirectly through the import and export duty regime. Therefore, a series of special excise duties and 'product taxes' on oil, sugar and other valuable commodities were launched on an ad-hoc base to tax corporate profits to a larger extent, between the mid-1890s and 1905.⁶⁴ But these taxes were considered insufficiently sophisticated to justify reshuffling the burden, as they also effected consumer prices. To justly tax industrial profits, a structural reform of the income tax system for Europeans became inevitable.

63 The Resident of Surabaya, for instance, reported in 1878 that every guilder taxed from poorer Europeans in his province would needed to be taken from their daily needs, as a daily meal of some rice, sambal and a small piece of meat [...] and the bare minimum of clothing" was all they had. ANRI AS Besl. 30-12-1878 n1, herein: Res. Surabaya to DirFin, 25-10-1878.

64 Stbl. 1906 n250-251; Visser, *Overzicht van het Belastingwezen*, 48; Brunner, *De Unificatie*, 8-9.

Table 2.2. Tax rates in the income tax of 1908 for Europeans.⁶⁵

Level of annual income in guilders guild		Amount of tax to be paid annually in guilders
From	To	
0	900	0
900	960	1.50
960	1,020	3
1,020	1,080	4.50
1,080	1,140	6
1,140	1,200	7.50
1,200	1,260	9.15
1,260	1,320	10.80
1,320	1,380	12.45
1,380	1,440	14.10
1,440	1,500	15.90
1,500	1,560	17.70
1,560	1,620	19.50
1,620	1,680	21.30
1,680	1,750	23.10
1,750	1,800	25.05
1,800	1,860	27
1,860	1,920	28.95
1,920	1,980	30.90
1,980	2,040	32.85
2,040	2,100	34.80
2,100	3,600	36.75
3,600	5,400	89.25
5,400	7,200	156.75
7,200	12,000	228.75
12,000	+	+5 per 100 guilders of income

Table 2.3. Tax rates in the 'Company Tax' of 1907 for the indigenous people and 'Foreign Orientals'.⁶⁶

Level of annual income in guilders guild		Amount of tax to be paid annually in guilders
From	To	
0	50	0
50	60	0.72
60	70	0.96
70	80	1.20
80	90	1.44
90	100	1.68
100	110	1.98
110	120	2.28
120	130	2.58
130	140	2.88
140	150	3.18
150	160	3.48
160	170	4.08
170	180	4.38
180	190	4.68
190	200	5.04
200	210	5.40
210	220	5.76
220	230	6.12
230	240	6.48
240	250	7.20
250	260	6.84
260	270	7.20
	[...]	
620	630	27.72
630	+	4.5%

Note that at an income of 900 guilders, Europeans paid 1.50 guilders tax, while indigenous peoples and 'Foreign Orientals' paid ($4.5\% \times 900 =$) 40.50 guilders.

65 Stbl. 1908 n298, p.9. The progressivity hence rose from 0,17% tax at a rate of 900 guilders, to about 3,71% at the top rate of 12,000 guilders income.

66 Stbl. 1907 n182.

In 1905, the Ministry of Colonies requested N.G. Pierson, former Dutch Minister of Finance (1891-1894 and 1897-1901), economics professor and banker, to design a new income tax. Pierson had had a leading role in the design of incomes taxes in the Netherlands in 1893, and as a liberal he had vividly supported the conversion of the Cultivation System to system of free trade.⁶⁷ Together with the Groningen Law professor C.D. Segers, he drafted an 'income tax for Europeans', which was introduced in 1908 to replace the Patent Tax.⁶⁸ This was an annual tax on incomes above 900 guilders, the rate set at 1.50 guilders, climbing with mild progressivity (see table 2.2).⁶⁹ Civil servants were no longer exempted.⁷⁰ Additionally, a 4% 'excess profit tax' was introduced to supplement the taxation of the profits of joint stock companies and prevent them from withholding or deducting profits to avoid tax payment. 'Excess profit' was calculated based on the relationship between distributed profit and the amount of paid-up capital; an 8% tax was levied over the amount of net profits that exceeded 5% of this amount.⁷¹ But determining the amount of paid-up capital was a difficult and bothersome process which often resulted in rigid, time-consuming negotiations between officials and corporations.⁷² In 1913, the 8% tax over excess profit was complemented with a 4% tax over the full amount of net profits (in 1920 these rates were raised to respectively 10 and 6% under the unified income tax). Additionally, a proportional 'extra profit tax' (*extrawinstbelasting*) was introduced. This taxed net profits, exceeding 10% of paid up

67 See M. Kuitenbrouwer, "N.G. Pierson en de Koloniale Politiek, 1860-1909", *Tijdschrift voor Geschiedenis* 94:1 (1981), 1-28: 3-3-17.

68 See: NA MinKol 1901-1953 OV 470, Vb. 22-6-1907 n41, herein: Part 1: 'Algemeen Progressieve Inkomstenbelasting: de Minister van Koloniën vraagt advies aan Prof. mr. C.D. Segers te Groningen (tevens MinFin), bijgestaan door DirFin H.J.M. Bouwmann', various attachments, and Part 2b: 'Korte aantekeningen Pierson op Segers antwoord op zijn eerste nota/advies Pierson 2'. See for the introduction of income taxes in the Netherlands by Pierson: Vording and Ydema, "The Rise and Fall", 252-264; Fritschy, *A History of the Income Tax*, 1052-1058; C. Smit, *Omwille der Billijkheid: de Strijd over de Invoering van de Inkomstenbelasting in Nederland* (Amsterdam: Wereldbibliotheek, 2002); G. Meijer, "The Contribution of the 'Dutch School' in Public Finance to the Theory of Personal Income Taxation (1870-1920)", *European Journal of Law and Economics* 10:2 (2000), 161.

69 Stbl. 1908n298; Reys, *De Inkomstenbelasting der Inlanders*, 12-45.

70 Ibid., 50-51.

71 Taselaar, *De Nederlandse Koloniale Lobby*, 223.

72 M.W.F. Treub, *Nota van Mr. M. W. F. Treub, Voorzitter van den Ondernemersraad voor Nederlandsch-Indië, over de Inkomstenbelasting, de Extrawinstbelasting en de Overwinstbelasting van Naamloze Vennootschappen, de Productenbelastingen en de Uitvoerrechten op Producten* ('s-Gravenhage: Mouton & Co, 1922), 1. Taselaar, *De Nederlandse Koloniale Lobby*, 223-224. For larger companies, capital demonstration (*kapitaalsaantoning*), was usually dealt with by specially appointed committees that specifically were designated for this job, but the numerous smaller companies fell directly under the responsibility of the ordinary income tax committees.

capital, progressively up to 12%.⁷³ These profit taxes replaced the product taxes. Assessments of expected profits were drafted at the beginning of the year based on preceding profits.⁷⁴ World War I caused a sharp increase in the demand for many colonial export products, such as oil and rubber, but also depressed government spending. Critical progressive-liberal Dutch parliamentarians such as H.P. Marchant (1869-1956) argued that larger companies, especially those producing rubber, oil and other highly-demanded products still profited massively from the relatively low colonial tax rates and free access to colonial resources while the metropolitan and colonial states paid for defending their interests.⁷⁵ Supported by Leiden professor and publicist D. van Blom (1877-1938), he proposed to further increase profit taxes to spare smaller businesses and increase taxes and duties for large corporations.⁷⁶ Finding parliament in agreement, their plea induced the slow replacement of duties with more specific product taxes.⁷⁷ Additionally, 'War Profit Taxes' were introduced in both the Netherlands (1916) and the Indies (in 1917).⁷⁸ The latter was levied retroactively from 1914. Because of the economic hardship of the post-World War I recession, only a small proportion of its assessments was actually collected.

The incipient taxation of both individual and corporate European incomes seemed to provide for a more equitable tax regime, but the indigenous population of Java still carried the brunt of the colonial burden, largely by performing services. Tax reforms always brought the risk of revenue drops, and by and large in the colonial state the quest for financial benefit seemed to outweigh the call for fiscal justice.⁷⁹ Given the severe limitations of the tax administration at the time, Governor-General Van Heutsz believed that imposing taxes similar to the progressive income tax for Europeans required "little effort on paper", but in practice would be impossible, considering how the assessment was determined under the circumstances at the time. Whoever thought it was possible, he asserted,

73 8% extra profit tax had to be paid over the share of profit that exceeded 25% of paid-up capital, 10% over the share that exceeded 50% and 12% over the share that exceeded 100%. See: H.J. van Brink, "Overzicht van de Onlangs tot Stand Gekomen Herziening en Uitbreiding van de Belastingen in Nederlandsch Indië", *De Economist* 70 (1921), 535: 14-15.

74 Lancée, *Beknopt Overzicht*, 10; CtHBNI, *Eerste Verslag van de Commissie tot Herziening van het Belastingstelsel in Nederlandsch-Indië*, (Wetevreden: 's Landsdrukkerij, 1923), 16-17.

75 Handelingen Tweede Kamer, [vergaderjaar] 1916-1917, 82^e vergadering, 14-3-1917, herein: H.P. Marchant, p. 2033. See also H.P. Marchant, *Arm of Rijk?* (Offprint from: *Vragen des Tijds*; S.l.: s.n, 1914); D. Blom, "Uitvoerrechten voor Indie?", *Quarterly Review of The Royal Netherlands Economic Association* 66:1 (1917), 529-537: 532-533.

76 Handelingen Tweede Kamer, 1916-1917, 82^e vergadering, 14-3-1917, herein: H.P. Marchant p. 2033; Blom, *Uitvoerrechten voor Indie?*, 534.

77 T. Ligthart, "Uitvoerrechten voor Ned.-Indië", *Economisch-Statistische Berichten* 4:202 (1919), 1032.

78 H.J. Nieboer, *De Wet op de Oorlogswinstbelasting 1916* ('s-Gravenhage: Nijhoff, 1916), 1-4.

79 De Leeuw, *Hoofdlijnen van het Belastingstelsel in Ned.-Indië*, 8-9, 12-13.

"grossly misunderstands the capacity of our government in those areas."⁸⁰ Still, the accelerating ideas about colonial responsibility and benevolence provided by ethical Dutch colonialism that were launched around 1900, enhanced the call to replace the rather blunt, unfair head taxes and its fixed rates with progressive Company Taxes.⁸¹ These were to be levied in similar fashion for 'inlanders' and 'Foreign Orientals.' In 1907, the disparate systems of company and head taxes imposed on these groups were integrated into a unified, somewhat inelegantly termed, 'tax on company and other incomes' (*belasting op de bedrijfs- en andere inkomsten*) both in Java and a selection of the 'Outer Territories.'⁸² This tax announced the first step towards fiscal unification. As before, only men were held to be taxable and were responsible for the payment of the tax on their family members, unmarried women were exempted while 'non-indigenous' and 'non-agricultural' *inlanders* were treated as 'Foreign Orientals.'⁸³ Moreover, like the European income tax of 1908, the 1907-Company Tax assessed incomes from any form of profession, trade and capital, at gradually progressively climbing rates (see table 2.3).

The tax ritual

This new Company Tax enabled more routinized taxation, requiring more uniform and systematized levying practices. Assessments took place at the beginning of the first quarter of the year, carried out by local tax committees consisting of a number of local, indigenous officials under the supervision of a district chief and a European administrator, usually a *controleur*, who functioned as tax collector and manager of the local treasury. *Controleurs* maintained an extensive 'compatibility' according to model registers as ordered by the *Compatibility Law* of 1864 (revised in 1880, 1903, 1917 and 1925).⁸⁴ They were the districts' chief accountants, tax administrators and collectors and judges. The tax committees had to investigate all individual incomes, usually based on the incomes of the preceding years, to determine and communicate assessments to the taxpayers, after which taxpayers were allowed to appeal in specially organized tax gatherings. An enlightening excerpt from an article by *controleur* G.L. Tichelman offers a peek into how these gatherings worked. In the article, he describes his experiences of orga-

80 ANRI DepFin 347, herein: Extract besl. GG, 9-3-1906.

81 ANRI DepFin 347, herein: Extract besl. GG, 9-3-1906.

82 Stbl. 1907 n182 and 183.

83 The ordinance (Stbl. 1907 n183) sums up a number of specificities and exemptions, but basically all those 'inlanders' that were directly subjects to the government (so not to an indirectly ruling chief in a self-governing authority) were considered to be taxable in the Company Tax. It was levied on Aceh, South New Guinee, East Sumatra, Menado, Riau, West and South and East Borneo, and some districts of Bali and Lombok (see table 3.6).

84 The *Compatibility Law* of 1864 also awarded the Dutch parliament direct control over colonial profits. See De Jong, *Van Batig Slot naar Ereschuld*, 31, 80-83, 116-117, 267-275; Stbl. 1864 n106, 1880 n116, 1903 n315, 1917 n275 and 521 and 1925 n328 and 448.

nizing 'tax gatherings' in Northern Sumatra in the 1930s. Boating around lake Toba (see figure 2.1), he visits villages together with the local *raja* (ruler) and his *mantri* (ministers) (see figure 2.2), to levy and collect taxes in gatherings at which the taxpaying population is given the opportunity to object. He emphasizes how in the absence of reliable data on the taxpayers' incomes, in order "to apply a sense of justice, credulity and benevolence", the colonial tax payers pay "in accordance to their levels of welfare, to be gauged by observable clues."⁸⁵ "All behave in accordance to this knowledge", Tichelman continues,

"anon, they will come forward and sketch in detail their scantiness of incomes and weakness of limbs, tell of diseases, calamities and hardships that have made it difficult, if not impossible, to scrape together the necessary essential daily needs, discoursing to the commission in order to be exempted from paying tax. [...] The gathered crowd, squatting in front of the table in the sunlit field, creates the impression of abject poverty. Nowhere has one seen as many togs as botched and torn as here. 'Tax attire', the mantri calls it. [...]"

Then, a little man appears at the table, opening a ragged jacket to show an impressive cobbler's chest. This chest will be the topic of his prolonged plea, dwelling upon the drawbacks of cobbler's chests at large and of his, in particular, in the performance of labour. The 'bigwigs' listen with increasing attention, and, as it appears, vivid agreement. Barely has the last word on the cobbler's chest been spoken, when the Authority taps his pencil on the table, permitting the commission to reduce the assessment by 25 cents. "Wah", sighs the squatting crowd, their belief in the drawback of a cobbler's chest suddenly turned into a conviction of its advantages. But the little man does not leave, and with a smile frolicking around his mouth he turns around to the bigwigs of the commission, showing an immense hunchback. Before the man can start pleading about the drawbacks of hunchbacks at large and his in particular, the Raja gives his judgement. And satisfied, having received a total reduction of 50 cents, the man disappears."

Next, a young man limps forward, exhibiting the most broken impression. Groaning and squirming, he laments his excruciating rheumatism, that mutated his once so vigorous body to the repugnant corpse that has dragged itself in front of the commission, and never ever again being able to taste the joy of labour, he asks for complete remission [...] But the Raja knows the lad, and knows he has a sharp mind but a vile heart. Just a few days before, he strolled the streets, straight-up, strumming sweet songs on his string instrument. [...] The Raja, with a disapproving look on his face, winks to the 'mantri blaasting', exclaiming:

--- "Double the assessment of this person!"

--- "Mercy", the hapless youngster screams, writhing and convulsing, but the commission remains untouched.

--- "Triple the assessment of this barnstormer!", the Raja says laconically.

85 G.L. Tichelman, "Bataksche Belastingbelevnissen", *IG* 60:1 (1938), 135-141: 136.

--- "Stop it, enough, your honour, I confess! I confess to misleading this commission that excels in its exquisite wisdom! I am but mere dust under your magnificent feet."

And escorted by the cheerful jeers of his fellow villagers, and a hail of suggestions and comments about the flaws in his performance, the lad quickly retreats. [...]

A seemingly aged person squats in front of the commission. [...] His wretchedness is shown by a filthy rag covering his body. Truly, every sign of visible welfare is absent [...] yet, the complainer is the area's wealthiest person, owning a large acreage of land and an impressive livestock, and he has eight women. Still, it is this double quartet of women that makes the core of his complaint [...] as they "drain his larder, while providing poor compensation." The embittered man dwells on age and absence of all forms of charm in his life companions. [...] The audience listens attentively and amused, but The Raja [...] knows the man is seriously deceiving the commission [...] and the first minister loses his temper and enlightens the commission of how this 'lamentable' person has at least two youthful and apparently 'highly attractive creatures' among the eight consorts. Not a penny is reduced from the assessment. (Murmuring of pleased assent from the crowd). [...]”⁸⁶



Figure 2.1. Tax-collection tour with controleur G.L. Tichelman (in the centre) and Indonesian civil servants across Lake Toba, 1930s.

Source: UBL KITLV A190, 83822.

86 Tichelman, "Bataksche Belastingbelevenissen", 135-141. Translated, summarized and edited by the author.



Figure 2.2. Tax-collection gathering with G.L. Tichelman (third from the left), an indigenous raja (presumably fifth from the left) and various mantri, Indonesian civil servants and the taxpaying crowd in the background, around Lake Toba, 1930s.

Source: UBL KITLV A190, 83824.

Tichelman portrays the business of taxpayment in a rather frivolous tone and the taxpayers as a bit clownish; what to him must have been an entertaining afternoon of tax evasion might have been serious business to the taxpayers. More importantly, he illustrates how tax practices were governed, not by laws and *kohieren* (tax registers) “weighty paperwork”, as he calls it⁸⁷, but by the negotiating skills of taxpayers and their chiefs. Of crucial importance for the taxpayers was Tichelman’s presence. He represented the supreme authority of the colonial state. Negotiating with their chiefs in front of him must have provided taxpayers an opportunity to secure lower assessments and protection against their chiefs’ fiscal appetite. Consolidating their agreements on signed and stamped tax forms or bills, provided evidence. As mentioned in the prologue, tax forms demonstrate how office realities and field rituals conjoined into a hybrid tax practice in which the rich instruments of state and society were joined together and were used both ways.

These assessment bills were maintained throughout the year in terms (see figures 2.3 and 2.4), and once the assessment was final after the tax gathering, copies (receipts) of these were awarded to the taxpayers. A significant proportion of the assessment seems to have consisted of *opcenten* or surtaxes (as in the Netherlands, municipalities were allowed to levy

87 Tichelman, “Bataksche Belastingbelevenissen”, 136.

surtaxes, an extra percentage of tax to the benefit of local treasuries).⁸⁸ The tax ordinance is explained on the back of each form and is bilingual. In many regions, they were also used as travel passes and proof of identification to impede avoidance of payment.⁸⁹ Assessed taxpayers located outside their registered place of residence and unable to show an assessment bill, were punishable with a fine of 15 guilders (in 1914).⁹⁰ Keeping track of all taxpayers was impossible; many people were reported to 'wander' the forests, evading tax assessments by moving between places of residence. Some local administrators became so eager to catch these 'wanderers', that in one case in West Sumatra, a person was convicted of not being able to show his tax receipt, while in fact he had not yet been assessed.⁹¹ The conviction was revoked by the Council for Justice in Padang, necessitating yet another change in the ordinance.⁹²

Many people in the colony were illiterate, and creative ways of communicating tax assessments came into use. A governor of Flores designed a system of corresponding receipts with practical symbols to clarify the assessments. As can be seen on figure 2.5, the receipts represented the amount of tax to be paid, to be cut into the bill with a special machine, so that each and every one could verify his assessment. An assessment of 2.95 or 3.05 guilders was rounded off to 3 guilders, for simplicity's sake.⁹³ The Resident of Ternate used a different mechanism, awarding assessment bills and receipts printed on the same piece of paper, with the amount of tax to be paid represented by circles. By ingenuously drawing lines on this paper and then separating the bill from the receipts, both the bill and receipt corresponded to each other, so that the taxpayers always had proof of payment to prevent double assessments or 'jobbery' by indigenous chiefs (see figure 2.7).⁹⁴

Tools to tax

Assessments were based on reported income, but assessing these incomes remained problematic, and not only in the case of indigenous people. As acknowledged by Resident J. Hofland of Batavia (in office 1906-1907), "correctly assessing the incomes of 'inlanders' and 'Foreign Orientals' [...] was a difficult task [...] but indisputably assessing the incomes of Euro-

88 Pierson, *De Progressieve Inkomstenbelasting*, 745.

89 Paradoxically, non- or late payment was sometimes punished by imposing coerced labour, which was among the many reasons why use of *corvée* prevailed.

90 Stbl. 1914 n130, art. 11-13.

91 In Burma, head tax receipts were also used as a form of personal identification for the same purpose by the French. See Scott, *The Moral Economy*, 108-109.

92 ANRI AS Besl. 23-8-1916 n35, herein: DirFin to GG, 26-4-1916.

93 B. van Suchtelen, "Een Controlesysteem op Belastinggebied voor Analphabeten (Voor Streken Waar Individuele Belastingaanslag Wordt Toegepast)", *TBB* 44 (1913), 117-129: 117, 123.

94 W. Frijling, "Een Controle Middel op Belastinginning", *TBB* 48 (1915), 67-70.

peans was equally utopic.”⁹⁵ Around the same time, a civil servant wrote to a Dutch newspaper that even “an approximate assessment of the incomes of taxpayers was impossible” and that “assessments in the Company Tax in Java and Madura were carried out blindly.”

Aⁿ. SOERAT AANSLAG BAGI ORANG YANG WAJIB MEMBAJAR PADJAK YANG TINGGAL DITANAH INI DAN JANG PENGHASILANNYA DALAM SETAHUN LEBIH DARI f 1 200.—

PADJAK PENGHASILAN NEGERI DAN BIA KRISIS DARI PADA PENGHASILAN.

GEMEENTE/KABUPATEN: Djakarta TAHUN PADJAK 1933
GEWEST/PROVINCIE: Djakarta KANTOR TEMPAT MEMBAJAR: Handika Djakarta

NAMA JANG WAJIB MEMBAJAR PADJAK: Handjah
Sulphandern: Ind. School No. 12 Djakarta

DIBERIKAN TANGGAL: 22/30 Juni 1933 No. 5381 KOHIER

Anslag padjak penghasilan tentang pokoknya centek setahen penoeh dihitioeng loem
menderoet penghasilan bersih jang besarna 1 9 80
..... Opoenten 2 7 20
Anslag bia krisis dari pada penghasilan 3 19 -
Djoemlah anslag 4 19 -
Pokoknja dan opoenten dari pada pokoknja dikorangi hingga f

HARI BAJARAN PADJAK: Samygd 16 dari bulan Juli - Desember 1933.

Hari bajarn.			Padjak dan opoenten jang dibajar.		Denda jang dibajar.	No. register (ketijil) penoer rimaan.	Tanda tangan soedah menerima.
Tahoen.	Boelan.	Hari.	Dengan hoercof.	Dengan anslag.			
1933	Aug	11	Res. guld.	6			
	16 SEP 1933		Priv. guld.	3			
	10/10		iden	3			
	7 NOV 1933		iden	3			
	5/12		Priv. guld.	2			

NORMAALFORMAAT A. 4. VERTOEKSTELD RIJ. BEEL. WO. RP. VAN 20-9-32 NO. D 1/100/1. MODEL F. 0. 10. B (1933). RUP.

Figure 2.3. Example of an income tax assessment bill (soerat [surat] aanslag; ‘assessment letter’), of an assistant teacher from Yogyakarta, 1933.

The teacher earned more than 1,200 guilders indicating his particular category (see above), in the (temporary) ‘crisis income tax’ of 1932 (see below) which was a revision of the 1920 unified income tax. These bills were awarded to taxpayers as proof of payment. As had been allowed since the introduction of ‘Company Taxes’ in 1878, this particular taxpayer paid in 5 terms, each checked off on the form. The total amount comprised 9.80 guilders, plus 7.20 guilders of ‘surtaxes’ (opoenten) which were levied at the benefit of the municipal administration.

Source: Belasting & Douane Museum, BDM 33210.

95 ANRI DepFin 355, herein: DirFin 11-6-1906: Res. Batavia to DirFin, 28-4-1906. This was not much different in The Netherlands, where the administrative basis for the income tax of 1893 was also weak, see: Vording and Ydema, “The Rise and Fall”; Smit, *Omwillie der Billijkheid*, 253-256, 260, 261-254.

The Director of Finance dispatched a circular to all officials in Java to inquire about the sentiment behind this article and elicited a storm of complaints about the limited instructions for gathering information on income and the practical implementation of the tax system.⁹⁶

[illegible]

Figure 2.4. Tax assessment bill (*soerat aanslag*), of a Chinese or 'Foreign Oriental' taxpayer from Bengkalis in Riau, 1939.

The tax form is approved and signed by the 'Lieutenant of the Chinese' of Bengkalis and paid in a single term. The total amount of tax due comprised 7 guilders, following the rates of the unified income tax of 1920 in the income group of 300-400 guilders (see table 2.5): 1.20 guilders as base rate, plus 0.20 guilders per 10 guilders income above 120 guilders per year, hence $1.20 + (29 \times 0.20) = 7$ guilders tax, plus 0.50% opcenten makes 10.50 guilders.

Source: National Library Board Singapore, "Padiak penghasilan negeri / Soerat Aanslag", B20113968H.

96 ANRI DepFin 355, herein: DirFin 11-6-1906: 'Extract uit besluiten', 17-6-1906. I was not able to trace the original article, which allegedly was published in an unspecified colonial newspaper and copied by a lawyer named P. Maclaine Pont in the '*Utrechts Provinciaal en Stedelijk Dagblad*', somewhere in May or June 1906.

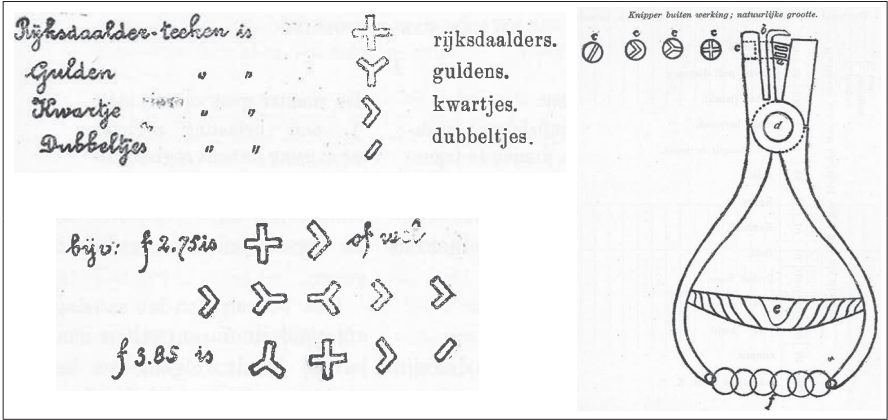


Figure 2.5. Drawing of a cutting machine in use on Flores. This machine was used to ‘cut’ specific symbols in assessment bills to enable illiterate people to understand their assessment. These would correspond to their receipts (‘kwitantie’).

Source: Van Suchtelen, “Een Controlesysteem op Belastinggebied voor Analphabeten (voor Streken waar Individuele Belastingaanslag wordt Toegepast).” *Tijdschrift voor het Binnenlandsch bestuur* 44 (1913), 117-129.

No _____ Onderafdeeling: _____ Nama: _____ Pangkat: _____ Kampung: _____ Landschap: _____ Oemoer dan tanda: _____ TAHOEN: _____ Tanggal: _____ Padjek: f 3.85 n/ De Commissie v. aanslag, Belom Bajar De Mantri	No _____ Onderafdeeling: _____ Nama: _____ Pangkat: _____ Kampung: _____ Landschap: _____ Oemoer dan tanda: _____ TAHOEN: _____ Tanggal: _____ Padjek: f 3.85 n/ De Commissie v. aanslag, Soedah Bajar De Mantri
AANSLAGBILJET	QUITANTIE

	Perampocan
	Anak laki
	id. perampocan
	Roemah
	Kebon padl, djagong
	Kebon
	Klappa berboeah
	id. hampir berboeah
	Koeda
	Kerbo
	Kamblng
	Bahl
	Prahoes besar
	id. sedang
	id. ketjil
	Sampan
	Pekerdjaan

Figure 2.6. Sample assessment bill land accordant receipt in use on Flores. On the back of the form (displayed bottom left), a taxable person’s specific socio-economic conditions, possessions and income, such as wife and children, cattle, job and land can be ticked off or filled out.

Source: *ibid.*

No. _____ Tahoen _____

Onderafdeeling _____

District _____

Kampong _____

Soerat peritoengan bea pentjarian

Namanja _____

Pekerdjaan _____

Djoemlah bea 5.35

Terberi pada Oleh _____

No. _____ Tahoen _____

Onderafdeeling _____

District _____

Kampong _____

Soerat tanda bajaran bea pentjarian

Namanja _____

Pekerdjaan _____

Djoemlah bea 5.35

1 2 3 4 5 6 7 8 9

0 0 0 0 0 0 0 0 0

0 0 0 0 0 0 0 0 0

Figure 2.7. Sample of an assessment bill as designed by Resident Palmer van den Broek of Ternate (in office: 1912-1915).

The small circles represented guilders (the top row) dimes (of 10 cents, the middle row) and cents (the bottom row), and crossing those that were not to be paid rendered the tax amount, in this case 5.35 guilders. The paper would be ripped along the corrugated line. The part in black ink was the assessment bill, the red-inked part the receipt, which was awarded to the taxpayer as proof of payment and doubled as proof of identity and a travel pass. The diagonal lines ensured that each and every bill would correspond to a unique receipt, so that no taxpayer could be taxed twice (on purpose or by accident).

Source: W. Frijling, "Een Controle Middel op Belastinginning", TBB 48 (1915), 67-70: 70.

Taxation seemed to have put an increasing burden on the Interior Administration. Many Residents complained how much time assessments cost them every year, both in case of companies as well as the income taxes for, respectively, the indigenous populations, 'Foreign Orientals' and the European population.⁹⁷ Officials constantly had to initiate new, cunning methods of acquiring information about incomes and encourage compliance. In Buitenzorg and Karawang (part of the Residency of Batavia), virtually all information on incomes was acquired by intermediaries, such as village heads and the *Kapitan Cina* in the case of 'Foreign Orientals.' The understaffed Interior Administration was unable to supervise every individual assessment and instead compared compiled sets of data with that of preceding years. To verify, *controleurs* took samples of incomes and compared these to other regions, or assessed local minimum costs of sustenance.⁹⁸ As emphasized by the Resident of Semarang, drafting tax assessments was not 'desk-work but required "going into the field." Hence, every year, he examined factories, *pasar* and plantations to take stock of prices and profits, which he then used to map average incomes and determine tax assessments for coolies on sugar-fields, tile factory workers, market vendors and the like.⁹⁹ A recurring problem was that many indigenous people did not adhere to the idea of private, individual incomes. Instead, they participated in larger taxable households under schemes of shared yield, land and labour. While levying coerced labour services from such societies had been relatively simple, extracting monetary taxes on an individual level appeared to be much more complex.¹⁰⁰ Many villagers on Bali, as explained by Resident Korn (whom we met in the introduction), "knew how much they earn per day or per week, but not per year."¹⁰¹ Hence, even though all the ordinances neatly defined what was income and what was not, in practice tax levels remained conditioned by 'observable indicators of welfare', and frequently, people who earned below 1,200 guilders per year did not even fill in their tax forms.¹⁰²

97 NA MinKol 1901-1953 OV 470, Vb. 22-6-1907 n41, herein: 'part 2', MinFin to MinKol, part III attachment 16, 'Mailrapporten en Circulaires over Patentrecht': Res. Batavia to DirFin, 5-6-1906, DirFin to GG, 23-6-1906, Res. Surabaya to GG, 15-6-1906, Gov. Aceh to DirFin, 14-11-1906, DirFin to GG, 29-09-1906.

98 ANRI DepFin 355, herein: DirFin 11-6-1906: Ass-Res Buitenzorg to Res. Batavia, 6-4-1906, Controleur Buitenzorg to Ass-Res Buitenzorg, Res. Karawang to Res. Batavia, 3-4-1906.

99 ANRI DepFin 355, herein: Res. Semarang to DirFin, 26-4-1906.

100 In forced cultivation schemes, peasants were expected to deliver predetermined amounts of cash crops to government warehouses to get paid a fixed price. If they failed to deliver enough, or refused to perform labour, this became clear immediately, resulting in consequences for the responsible chief who would transfer his punishment to his population.

101 ANRI AS Besl. 17-3-1920, n742-743, herein: Res. Bali and Lombok to DirFin, 21-12-1919, Controleur Badung to Ass-Res South Bali, 17-12-1919.

102 Departement van Landbouw, Nijverheid en Handel, *Mededelingen van het Centraal Kantoor No. 69 Eenige Bijzonderheden*, 1.

Incomes of 'Foreign Orientals' were notoriously hard to tax; they usually enjoyed larger incomes than 'inlanders' but either refused or failed to maintain proper financial administration and ignored calls to appear at the tax committee. Though an accountancy obligation was already in place, many Chinese merchants were unable or pretended to be unable to maintain their records in Malay or Dutch, the only languages which the colonial Chamber of Commerce allowed.¹⁰³ A variety of ruses were developed to disclose their incomes. Some Residents, for instance, used data on the importation and value of their merchandize, as registered at the customs office. Others provoked merchants to disclose the incomes of their competitors in return for a tax reduction.¹⁰⁴ And sometimes, they deliberately over-taxed in order to force taxpayers to respond and come forward with their true incomes. This is what happened, for example, to a Chinese goldsmith living in Batavia named 'Khoe A Njie', who had refused to provide the government with proper income data and bookkeeping for his assessment of income tax. After failing to reply to calls from the tax administration, he was assessed at an income of 30,000¹⁰⁵ guilders – much more than he could have possibly earned throughout the year. Together with the even richer Arabic merchant and 'Lieutenant of the Arab quarters' named 'Syech Salim bin Awab Balowel' who was assessed at an astonishing income of 250,000 guilders.¹⁰⁶ They successfully filed a protest at the municipal tax administration, but in order to do so, both of them had to disclose their true incomes.¹⁰⁷ Whether Khoe A Njie and Syech Salim were truly unable to maintain the proper administration of their incomes is questionable. It is more likely that they chose to pretend they could not do so. Both persons seemed perfectly capable of navigating the colonial litigation system and won their cases, so

103 In 1925, Director of Finance C.W. Bodenhausen (in office 1921-1926) suggested to impose an 'accountancy obligation' in other languages as well, after learning the same problem had existed in the Philippines as well where many Chinese struggled keeping their records in English or Spanish. He proposed to allow record-keeping in Mandarin and hire Chinese persons at the tax office but, rather absurdly, met with severe resistance of the Chamber of Commerce that considered this a needless and impractical interference in its accountancy regulations. NA MInKol 1901-1953 OV 2755, Vb. 19-6-1925 n8, herein: Consul Manilla to MInKol, 16-2-1925, Consul Manilla to DirFin, 9-4-1923, DirFin to GG, 11-11-1921, 'Voorzitter Kamer van Koophandel' [chair of the chamber of commerce] Batavia to DirFin, 24-9-1921.

104 ANRI DepFin 355, herein: DirFin 11-6-1906: Res. Karawang to Res. Batavia, 3-4-1906.

105 Which would translate to the equivalent of roughly 240,000 euros in purchasing power today.

106 Ca. 2 million euros today.

107 ANRI AS GB TGA 8299, herein: BGS 16-4-1929 n758: Gov. West-Java to GG, 8-2-1929, 'Burgemeester' [mayor] Batavia to GG, 13-8-1928. From 1903 onward, starting with Batavia, larger cities were administratively reclassified as municipalities under a mayor and a municipality council.

the assessments were corrected to their benefit.¹⁰⁸ Because these were hardly the fiscal-administrative methods characteristic of a rational, bureaucratic state, the case of these merchants was severely disapproved of by superior officials like the Governor of West Java, the mayor of Batavia, and even the Governor-General, A.C.D. de Graeff (in office 1926-1931), himself.¹⁰⁹ Yet, deliberate over-taxation had become one out of many routine strategies stored in the colonial toolbox, used to elicit protest and gain correct income data from the unwilling and uncompliant, even if it alienated and embittered taxpayers.¹¹⁰

Payment of income taxes largely occurred in cash. Officials hoped that stimulating cash payment would encourage the local populations to become accustomed to using money. Government official and advisor C. Lulofs (1873-1922), for instance, emphasized that changes towards monetization were already taking place, upon which the government could build. On the case of New-Guinea, where he later became Resident, he commented:

“One must not imagine that the official arrives back home with a cargo of *klappers* [coconut] and pigs, no, instead on his levying journeys he will be accompanied by buyers who on the spot exchange the products offered as taxation into money, so with some goodwill one can consider the taxation to be paid in money.”¹¹¹

People would realize at some point, Lulofs argued, that it was more profitable to sell their products at the market instead of on the spot at the moment of taxation, and therefore taxpayers would acquire more money, because of taxation.¹¹² Indonesia – like other colonies in Southeast Asia – became a net capital exporter, and likely had demonetized as a result of colonial capi-

108 ANRI AS GB TGA 8299, herein: BGS 9-8-1929 1838: Bezwaarschrift: Syech Salim bin Awab Baloewel, and Khoe A. Njie in idem: TGA 216/30: DirBB to GG, 10-1-1930, ‘College B&W’ / Burgemeester Batavia’ to GG, 20-12-1929, ‘Gemeente Batavia’ to GG, 20-12-1929: Bijlagen: ‘Beschikking uit het register der Beschikkingen van den Inspecteur van Fin. 1^e klasse, Hoofd Inspectie Weltevreden’ to GG, 13-8-1928.

109 ANRI AS GB TGA 8299, herein: BGS 16-4-1929: Gov. West-Java to GG, 8-2-1929.

110 As testified by, amongst others, *controleur* Willem Coolhaas (1899-1981), and the Residents of Batavia and Semarang. On the island of Flores, where Coolhaas was *controleur* of the district of Manggarai in 1925-1927, people often reported suspiciously low estimates of their possessions. Coolhaas decided to keep doubling tax assessments of those who he thought lied to him, while exempting those he thought behaved honestly. Coolhaas, *Controleur B.B.*, 135-138. For the descriptions of the Residents of Batavia and Semarang, see: ANRI DepFin 355, herein: DirFin 11-6-1906: Ass-Res Batavia to Res. Batavia, 23-3-1906 and Res. Semarang to DirFin, 26-4-1906.

111 ANRI DepFin 357, herein: DepFin 4-1-1915: AdvBzBG to DirBB, 12-9-1914. By comparison, in some cases in Portuguese Africa, taxation was used as a monetizing tool in similar ways, though as in the Indies forced labour remained an appealing alternative, see Havik, Keese, and Santos, *Administration and Taxation in Former Portuguese Africa* (Introduction), xi.

112 ANRI DepFin 357, herein: DepFin 4-1-1915: Ass-Res South New Guinea to Res. Ambon, 16-5-1914; DepFin 22-2-1915, DepFin 23-12-1914: Extract besl. GG 16-3-1915.

talism, hence little capital accumulation or financial development occurred from the bottom up.¹¹³ In rural areas on the 'Outer Territories', levels of monetization were (contrary to Java) usually low. Only regions where a lot of foreign capital and investment had accumulated, such as East Sumatra, did an increase in buying off labour services after World War I support some growth in the use of money.¹¹⁴ In other regions however, economic growth did not lead to higher levels of monetization. On Billiton, for instance, money was abundantly earned in the tin industry, but among the indigenous population such an alarmingly low level of monetization and capital formation was signalled in 1928, that the Director of Finance considered revoking the head tax and reimplementing labour services.¹¹⁵ Therefore, the government adopted an active policy of infusing regional economies with cash. Various currencies were in use in the nineteenth century, up until 1854 when the Dutch East Indian Guilder was made legal tender.¹¹⁶ By that time, Java had, as before colonization, again a rather monetized and credit-informed economy based on locally produced copper coins or '*duits*' (*duiten*).¹¹⁷ These *duits* became so abundantly used for tax payment during the Cultivation System, that their collection became a logistical challenge. They were actively withdrawn from 1855 onward but remained in circulation, even in the twentieth century.¹¹⁸

Credit was extended, largely by Chinese moneylenders, through pawn shops, to which they leased the rights. The role of the Chinese in the early-modern tax system deserves emphasis here. As 'tax farmers', Chinese businessmen had had an important role in the development of

113 W. Huff, "Monetization and Financial Development in Southeast Asia Before the Second World War", *Economic History Review* 56:2 (2003), 300-345: 301; P.W. Klein, "Dutch Monetary Policy in the East Indies, 1602-1942: A Case of Changing Continuity", in E.H.G. van Cauwenbergh (ed.), *Money, Coins and Commerce: Essays in the Monetary History of Asia and Europe* (Leuven: Leuven University Press, 1991), 419-453.

114 Potting, *De Ontwikkeling van het Geldverkeer*, 84-118, 138-140.

115 NA MinKol 1901-1953 OV 3025, Vb. 6-9-1928 n12, herein: DirFin to GG, 14-5-1927, Ass-Res Biliton to DirFin (via DirBB), 19-1-1927, Besl. GG 26-6-1928.

116 Potting, *De Ontwikkeling van het Geldverkeer*, 24, 29.

117 P. Boomgaard, "Geld, Krediet, Rente en Europeanen in Zuid- en Zuidoost-Azië in de Zeventiende Eeuw", in Davids, Fritschy, and Van der Valk (eds.), *Kapitaal, Ondernemerschap en Beleid*, 483-510: 489-490, 495-497; see also A. Weber, "Renegotiating Debt: Chemical Governance and Money in the Early Nineteenth-Century Dutch Empire", in L. Roberts and S. Werrett (eds.), *Compound Histories Materials, Governance and Production, 1760-1840, Cultural Dynamics of Science* (Leiden: Brill, 2017), 205-225 and L. Blussé, "Trojan Horse of Lead: The Picis in Early 17th Century Java", in Creutzberg and Van Anrooij (eds.), *Between People and Statistics* (The Hague: Martinus Nijhoff, 1979), 33-47; L. Blussé, *Strange Company. Chinese Settlers, Mestizo Women and the Dutch in VOC Batavia* (Dordrecht: Foris Publications, 1986), 35-48.

118 N.P. van den Berg, *Munt-, Crediet- en Bankwezen, Handel en Scheepvaart in Nederlandsch Indië: Historisch-Statistische BKI* ('s-Gravenhage: Martinus Nijhoff, 1907), 1-4. See also Elson, *Village Java*, 14-15, 123, 262; A. Claver, *Dutch Commerce and Chinese Merchants in Java. Colonial Relationships in Trade and Finance, 1800-1942* (Leiden/Boston: Brill, 2014), 83-84, 88-93; Bosma, *The Sugar Plantation*, 100; Elson, *Village Java*, 261-264.

local economies as intermediaries between the colonial government, entrepreneurs and the indigenous population. From early VOC times until deep into the nineteenth century, they bought the rights to levy specific taxes and sell specific commodities such as salt and opium at special government auctions.¹¹⁹ The ‘revenue farming’ system (*pachtenstelsel*), as it was known, solved problems of administrative incapacity and suppressed the costs of colonial governance. Revenue farming was a common feature and an important step in the economic development of many (colonial) states and empires, and as such, has had a profound impact on the way in which tax payment has historically been experienced.¹²⁰ However, tax farming always ran the risk of syndicate formation, and was in itself entirely ‘unmodern.’ It provided the ability to “generate the maximum gross revenue in a way that obfuscated the government’s role in setting policy.” It often resulted in overzealous revenue collection but not guaranteed to benefit the state.¹²¹ Indeed, in the late nineteenth century, the growing dominance of the Chinese *kongsi*, in which tax farmers and moneylenders were united, started posing a threat to the power of the colonial government. Additionally, officials linked the ‘diminished welfare’ of the Javanese peasantry to what they considered to be aggressive and harmful exploitation, as well as the demoralizing influence of Chinese revenue farming – not only through pawning and lending practices, but also by enticing the high and the low class Javanese to get into debt at their *warung* (eating houses), brothels, opium and gambling dens.¹²²

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- 119 Pawned out taxes included tax on fishponds and fishing (1817-1863), sale of liquor (arak, rum and *ciu*; since 1720 in Batavia and since 1817 in the rest of Java, and since 1872 including European liqueurs), slaughter taxes (one of the oldest forms of taxation in the archipelago), small businesses (1829-1870), Chinese poll taxes (local head taxes for Chinese, until 1878), tax on gambling (1823-1851/1865), tax on organizing *wayang* shows (1835-1849 and incorporated into a gambling tax after 1849), pawnshop tax (since 1834), and tax on tobacco farms (1817-1896). Many of these taxes were levied as a form of consumption tax in return for the service provided by the government to host specific activities, to tax the use of public space or to control or discourage specific forms of behaviour. Wahid, *From Revenue Farming to State Monopoly*, 82-88. See also A. Wahid, *Turning Java into a Modern Fiscal State: the Abolition of Chinese Revenue Farming and the Creation of a Modern Taxation System in Colonial Java, 1870s-1920s* (MA Thesis, Leiden University, 2009), 122; C.A. Trocki, “Revenue Farming and the Chinese Economy of Colonial Southeast Asia”, in G. Wade and J.K. Chin (eds.), *China and Southeast Asia: Historical Interactions* (New York: Routledge, 2019), 303-313: 304, 309-310 and C.A. Trocki, *Opium and Empire: Chinese Society in Colonial Singapore, 1800-1910* (Ithaca: Cornell University Press, 2019).
- 120 On Indonesia, except for Wahid, see Rush, *Opium to Java* and the essays in J. Butcher and H. Dick (eds.), *The Rise and Fall of Revenue Farming: Business Elites and the Emergence of the Modern State in Southeast Asia* (Basingstoke/London: Macmillan Press, 1993).
- 121 C. Webber and A. Wildavsky, *A History of Taxation and Expenditure in the Western World* (New York: Simon and Schuster, 1986), *A History of Taxation*, 21, 234; See also P. Stella, “Tax Farming: A Radical Solution for Developing Country Tax Problems?”, *Staff Papers* (International Monetary Fund) 40:1 (1993), 217-225: 219, 221, 224.
- 122 P. Boomgaard, “Buitenzorg in 1805: The Role of Money and Credit in a Colonial Frontier Society”, *MdAS* 20:1 (1986), 33-58: 35-36, 41-46; Lohanda, *The Kapitan Cina, 178-199*; Rush, *Opium to Java*.

This fed a popular stereotypical image of exploitative, predatory Chinese loan sharks, eagerly selling opium to and leeching on naïve Javanese peasants, pauperising them through a system provided by the government.¹²³ In a modern, responsible state fiscal taxes were preferably levied by reliable and impersonal bureaucracies, rather than tax farmers. Hence, between 1895 and 1915, the colonial government monopolized taxation on various products including slaughter taxes¹²⁴, the sale of opium and salt and the pawnshop system, hoping to dismantle the revenue farming system.¹²⁵ Half-hearted ethical attempts to reduce mass consumption of opium and ratify international production agreements could not mask the fact that opium production continued to contribute substantially to government revenue.¹²⁶

From the twentieth century onward, all taxes were to be collected by local indigenous officials (in exchange for an 8% collection wage), and made over to a 'local treasury' (*landschapskas*). These were supervised by the Residents of Governors, cashiered by the *Javaasche Bank* and served as a base for the payment of wages and other administrative expenses within the Residency.¹²⁷ Under the 58th article of the Government Regulation of

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- 123 Wahid, *From Revenue Farming to State Monopoly*, 25-35, 60-25, 75-80, 122-129, 138-129, 143-151, 180-122, 294-303; G.R. Knight, *Commodities and Colonialism: The Story of Big Sugar in Indonesia, 1880-1942* (Leiden: Brill, 2013), 19-21, 151; Lohanda, *The Kapitan Cina*, 180; Anonymous, "Sedert Wanneer is het Gouvernement zoo Anti-Chineesch Geworden?", *TvNI* 1 (1857), 169-171.
 - 124 Slaughter taxes were a pragmatic form of taxation usually levied at a fixed rate depending on the specific local value of cattle, in a separate regime for every species (pigs, bovine/buffalo and horses). Therefore every province required its own local slaughter-tax ordinances which were frequently revised following market prices. See: H. Fievez de Malines van Ginkel, *Verslag van den Economischen Toestand der Inlandsche Bevolking, 1924* (Weltevreden: Landsdrukkerij, 1924), 4: 36-43.
 - 125 Wahid, *From Revenue Farming to State Monopoly*, 151-157, 161-171, 183-237. Sale of opium and salt was organized under the 'Opium and Salt Administration' (*Opium- en Zoutregie*), introduced in 1903.
 - 126 Wahid, *From Revenue Farming to State Monopoly*, 4, 75, 126-129. Dutch anti-opium campaigns in the colony may suggest that the colonial state attempted to achieve limitation of opium consumption in the twentieth century, but this has been typed a 'legal hypocrisy.' In reality, opium profits reached numbers into millions, often a thousand times more than official Dutch anti-opium campaign budgets. Anti-opium campaigns and the problems surrounding opium-consumption were handled by philanthropic organizations rather than the state. See H. Derks, *History of the Opium Problem: The Assault on the East, ca. 1600-1950* (Leiden: Brill, 2012), 348; A. Wahid, "'Madat Makan Orang': Opium Eats People: Opiumaddiction as a Public Health Issue in Late Colonial Java, 1900-1940", *Journal of Southeast Asian Studies* 51:1/2 (2020), 25-48.
 - 127 C.J.M. Potting, *De Ontwikkeling van het Geldverkeer in een Koloniale Samenleving: Oostkust van Sumatra, 1875-1938* (PhD thesis, Leiden, 1997), 137. Nb.: Europeans, 'Foreign Orientals', and 'non-indigenous inlanders' paid their taxes to the '*landskas*', the 'national' colonial treasury managed in Batavia. See Chapter 7 on Aceh for a more detailed explanation. In Northern Rhodesia, as mentioned by Gardner, similar types of local treasuries were imposed from 1929 onward to decentralize tax collection and administrative expenditure. Gardner, *Taxing Colonial Africa*, 229.

1854, only taxes levied under a 'Batavian' ordinance could be deposited in a central government's treasury.¹²⁸ For many locally levied taxes this was not necessary. The promotion of local treasuries fitted government policy of fiscal-financial decentralization, in which each region was expected to fund its own expenses.

Provision of credit was also monopolized by the state though a network of local, government sponsored popular banks (*Volksbanken*) organized in an overarching 'People's Credit System' (*Volkscredietwezen*).¹²⁹ Borrowing money seemed to decrease in popularity, perhaps aligned to the general welfare decline in Java in the later nineteenth century. In 1874, 11 million guilders was lent out, but in 1905 only 2 million. Peasants who were in debt with various moneylenders risked poverty, servitude or even slavery.¹³⁰

Accordingly, the tax administration was modernized and professionalized. In 1915, a tax agency was introduced at the Department of Finance, to coordinate all taxes in cooperation with the Department's 'Service of National Income' and 'Import and Export Duties'. Managed by a 'Head Inspector of Finances', the tax agency consisted of locally dispatched 'Inspectors' and 'Adjunct Inspectors of Finance', who, in cooperation with the local Interior Administration travelled their 'financial' or 'tax districts' to inspect the assessments and payments of primarily wealthier taxpayers.¹³¹ It also processed objections of taxpayers against their assessments.¹³² In 1925, the inspectorate was centralized and the agency was reformed into Tax and Accountancy Bureau (*Belasting- en Accountants Dienst*), which had more of a supervisory role¹³³; it advised on matters of taxation and investigated

128 Soebekti, *Some Facets*, 7.

129 D. Henley, "Credit and Debt in Indonesian History: An Introduction", in D. Henley and P. Boomgaard (eds.), *Credit and Debt in Indonesia, 860-1930. From Peonage to Pawnshop, from Kongsis to Cooperative* (Leiden/Singapore: KITLV Press/ISEAS, 2009), 1-40: 18; Boomgaard, "Buitenzorg in 1805", 33-58. Every *desa* also had a communal grain shed in which stocked rice was stored which could be borrowed by villagers against low interest rates to stabilize the price of rice year around. See Van Niel, *The Emergence of the Modern Indonesian Elite*, 73-76.

130 J.L. van Zanden, "Credit and the Colonial State: The Reform of Capital Markets in Java, 1900-30", in Henley and Boomgaard (eds.), *Credit and Debt in Indonesia*, 160-177: 168. See also: J. Wissemann Christie, "Preliminary Notes on Debt and Credit in Early island Southeast Asia", in *ibid.*, 41-60 and P. Boomgaard, "Following the Debt": Credit and Debt in Southeast Asian Legal Theory and Practice, 1400-1800", in *ibid.*, 61-79.

131 These inspectors were usually based in larger cities, their domains stretching either a number of districts (in Java), to a number of islands (in the case of Eastern Indonesia).

132 Every tax ordinance included an article enabling objection. In general, it seems that only Europeans and wealthier 'Foreign Orientals' (such as Khoe A Njie' and Syech Salim bin Awab Balowel') were able to successfully object, while Indo-Europeans and indigenous peoples usually settled for either alternative *corvée* services or negotiated their assessments at the instance of tax collection during tax gatherings. See: ANRI DepFin 362.

133 NA MinKol 1901-1953 OV 2751, Vb. 7-7-1925 n48 and 8-7-1925 n30. Since that moment onward, inspectors would only check the incomes of 1,200 guilders and higher, and gained greater power in fiscal matters as they were disaffiliated from the controlling weight of the Interior Administration.

tax reports and local and national accounts of tax revenue. The *Council of Tax Appeals*, installed in 1919, functioned independently to resolve tax disputes.¹³⁴ By the 1930s, the Accountancy Bureau set out to work on taxing internationally operating limited companies by sending its agent across the globe to Europe and America, and for this purpose even established a branch office in Amsterdam.¹³⁵

However, the majority of the colonial population rarely directly dealt with the European colonial administration or litigation system. They were taxed by their own chiefs, who collected taxes in return for collector's wages. This was not only considered more efficient but also a strategy to enhance compliance, as people were expected to pay more willingly to their own chiefs, than to a foreign state.¹³⁶ But with the expanded and more complicated tax system, the responsibilities of 'self-governors' and local officials had rapidly increased, for which reason they required more funding. They were therefore allowed to levy local surtaxes and services, although formally these had to be approved by the Governor-General.¹³⁷ Later in the twentieth century this caused conflict about what shares of tax revenue accrued to local, and what belonged to central colonial authorities.¹³⁸

The Company Tax of 1914

The Dutch seemed to have made considerable progress in imposing direct income taxes. By 1908, all Europeans and 'Foreign Orientals' throughout the archipelago, and the indigenous people in Java and the majority of the 'Outer Territories' were theoretically subjected to such a tax. Overall, the share of government revenue from taxes increased – up to 40% in 1897 – and government revenue from taxes rose from 50 million guilders in 1910 to 200 million in 1920, surpassing import duties (see appendices 1-3).¹³⁹

134 Lancée, *Beknopt Overzicht*, 14. See also: Stbl. 1908n412, 1914 n84, 1918 n2, and 1919 n461; Visser, *Overzicht van het Belastingwezen*, 45-46.

135 W.J. de Langen, "The Netherlands East Indies, and the Taxation of Limited Companies with International Interests", *Cahiers de Droit Fiscal International* 1 (1939), 105-122: 107.

136 Also in the case of Europeans. See De Jong, *Van Batig Slot naar Ereschuld*, 233-234.

137 Visser, *Overzicht van het Belastingwezen*, 32.

138 For instance, in the case of the wage tax (see below) levied from 1930 onward. In Deli and Aceh various shares imposed levied from 'directly ruled' and 'self-governed' subjects had led to differences in the tax burden. See: ANRI DepBB 1053, herein: Gov SOK to DirFin, 18-8-1936 and Ass-Res Deli to GovSOK, 24-3-1936, BGS 19-12-1939: DirBB to GG, 27-9-1939.

139 Booth, *The Indonesian Economy*, 141, 215-147. By 1930, income tax revenue comprised 20% of total government revenue, compared to 80% in Burma, but only 34% in the Straits settlements. See Booth, "Towards a Modern Fiscal State in Southeast Asia", 37-38, 43.

However, in particular the income taxation of indigenous peoples, over 95% of the total population in 1910¹⁴⁰, was highly diversified. The average assessment per capita diverged widely, from 0.42 guilders in Timor to 4.35 guilders in East Sumatra (see table 2.4). Collection of taxes was reportedly very difficult, adding to the inequality of the burden between regions where taxes were successfully levied, and regions where that was not the case. As put by Lulofs in 1912, the fiscal modernization had remained merely an “accomplishment on paper.”¹⁴¹

A far-reaching solution was announced in 1914, when a general ‘Company Tax’, was introduced to replace all separate company and head taxes in the Outer Islands.¹⁴² This was a much more elaborate tax instrument than those imposed before. The tax was set at 40 cents for every 10 guilders of income for the coming year, based on income assessments of the preceding year.¹⁴³ The Company Tax was presented, and should be seen, as a second step in the ongoing fiscal integration of the colony. A majority of the ‘Foreign Orientals’ and indigenous peoples of Sumatra, Borneo and East Indonesia was now taxed under a unified, progressive company annex income tax. However, in Java, peasants still paid a land rent, supplemented with head taxes and Company Taxes for ‘non-agricultural *inlanders*’ and ‘Foreign Orientals’, while in Sulawesi, for instance, local, semi-autonomous ‘self-governors’ levied their own forms of taxation (see map 2.1 below and appendix 4). The taxation of indigenous people remained a mishmash of head, land and company taxes.

140 See KV 1905; Boomgaard and Gooszen, *Changing Economy Vol. 11: Population Trends*, 10.

141 C. Lulofs, “Belastingpolitiek in de Buitenbezittingen”, *TBB* 43 (1912), 74-94: 77.

142 Stbl. 1914 n130. It made an exception of West and East Sumatra, Bangka, ‘indigenous *inlanders*’ in ‘Lingga-Riau’, specific parts of South and East Borneo, the ‘*inlandse burgers*’ (see chapter 6) of Ambon and Menado and the indigenous peoples of South New-Guinee. The latter were considered “not yet susceptible to taxes.” Similar exemptions as before were maintained, including indigenous officials, migrants (again, this refers to the ‘non indigenous’ – usually Javanese – migrant communities that had just settled in a particular areas shorter than two years), teachers, clergymen, unmarried women and senior (unmarried) men.

143 Except for South and East Borneo, Sulawesi and Bali and Lombok, where a land-based tax of usually 10% tax on yield existed. See: Stbl. 1914, n130.

Table 2.4. Average direct tax assessments per capita in the 'Outer Territories' in fl.¹⁴⁴

Province	Directly Ruled Territories	'Self-Governing' Territories ¹⁴⁵	
Timor	0.42	Aceh	0.54
Tapanuli	0.49	East Sumatra	0.72
West Borneo	0.68	Bali and Lombok	0.77
West Sumatra	0.885	Riau	0.86
Bali and Lombok	0.93	South and East Borneo	0.96
Jambi	0.97	Timor	0.99
Ternate	1.16	West Borneo	1.09
South and East Borneo	1.17	Ambon	1.14
Menado	1.185	Ternate	1.32
Riau	1.32	Menado	1.53
Bengkulu	1.41		
Aceh	1.43		
Ambon	1.58		
Lampung	1.62		
Palembang	2.22		
East Sumatra	4.35		

144 J. Roest, "Vergelijkend overzicht van de Buitenbezittingen van de Inlandsche Bevolking Geheven Directe Belastingen over 1913", *TBB* 48 (1913), 518-529.

145 Territories that remained governed by semi-autonomous indigenous rulers who took care of taxation and local public finances themselves. Part of tax revenue was rendered to the colonial government, as agreed in standardized contracts between the colonial government and the rulers of these territories. Hence, self-governing territories did not follow the tax rates as established in the central colonial tax ordinances of the *Colonial State Gazette*, but rather determined these rates themselves. See also the explanation in chapters 1 and 6, and map 2.1 below.



Map 2.1. The colonial tax regime around 1915.

The darker areas are 'self-governing', while the lighter areas are 'directly governed'. Some areas, such as Java and Bali, were subject to both land taxes (land rent) and head taxes, whereas the majority of Kalimantan was subject to head and company taxes and the puluhann ('verieningsbelasting'). See also appendix 4, on which this map is based.

2.3 CONSOLIDATION AND UNIFICATION, 1914-1935

Did the tax reforms up to 1914 make any structural improvement to the persistent inequality among colonial taxpayers? When comparing the tax rates of the Income Tax for Europeans of 1908 with the Company Tax for indigenous people and 'Foreign Orientals' of 1907, we see that the rates of the latter resulted in excessively higher taxes in absolute terms, due to the lower threshold at which to start paying taxes in the Company Tax (see table 2.2 and 2.3). This was rooted in the colonial idea that different ethnicities adhered to different welfare standards – even though in 1884, 82% of the 'Foreign Orientals' earned less than f500 per year.¹⁴⁶ As a result, sometimes 'Foreign Orientals' opted to gain status equal to Europeans. As observed by the Resident of Ambon, who frequently had to deal with such requests, "a Chinese with an income of f800 pays f36 in Company Tax, but at an income of f1000 he pays f45, though in the case he is made equal to a European, he would only pay f3."¹⁴⁷

Such evasiveness was among the many consequences of the diversified and disunited tax regime developed in Indonesia before 1915. Following the numerous social, ethnic and regional differences imposed by the colonial government, the tax system had become deeply differentiated, which, as discussed before, was at odds with the idea of a unified and consolidated colony envisioned by statesmen in The Hague and Batavia. This was why, in 1920, the various systems of income taxation were unified.¹⁴⁸ The unification was intended to include indigenous peoples across the archipelago in sharing in the burden of colonial administration and at the same time to transform the separate and dispersed peoples of Indonesia into a unified class of taxpaying, obedient subject-citizens, in an equal and just manner, and further enable redistribution of the tax burden. The tax subjected all directly governed subjects, aged 15 or older and enjoying incomes of 120 guilders and above, except those paying land rent¹⁴⁹ to a progressive tax

146 ANRI DepFin 347, herein: DirFin, 4-10-1888: MinKol to GG, 16-6-1888 and DirFin 25-7-1884 and 24-1-1885: MinKol to GG, 12-11-1884 and MinKol to Koning, 1-10-1884, DirFin, 4-10-1888: MinKol to GG, 16-6-1888.

147 NA MinKol Memories van Overgave [MvO] 311: A.J. Quarles de Quarles, Amboina, 1908, in Ch. F. van Fraassen, *Bronnen Betreffende de Midden-Molukken 1900-1942* (Den Haag: Instituut voor Nederlandse Geschiedenis, 1997), I: 64 (pp. 132-144: 143).

148 Brunner, *De Unificatie*, 20-22.

149 These existing taxes comprised the '10% rice tax' on Sulawesi, '*vertieningsbelasting*' (10% land tax) in South and East Borneo, and the '*padjég [pajak]*, *upeti* and *tigasana*' land or yield taxes on Bali and Lombok (see chapter 3). The introduction of a unified income tax was postponed for the indigenous people of Mentawai, Sipora and Siberut (West Sumatra), Bali and Lombok, Aceh, Timor, Bangka and of Ambon and New South Guinea, the 'indigenous *inlanders*' of Lingga-Riau and Upper-Mahakam (in South Borneo), the '*inlandse burgers*' of Ambon, Haruku, Saparua and Nusa Laut, and for the directly governed '*inlanders*' of Ambon and Yogyakarta. Most of these groups would be subjected at a later point through revisions implemented throughout the 1920s and 30s. See: ANRI AS Besl. 17-3-1920 n742-743, herein: Besl. 13-4-1920 n21: DirFin to HGB, 23-8-1919 and Besl. 13-10-1920 n9.

scheme, as displayed in table 2.5.¹⁵⁰ Taxes were paid ‘fictively’ in advance of the tax year over expected incomes based on the assessment of the preceding year.¹⁵¹ Indigenous civil servants were no longer exempted. The collection protocol remained, as before, locally executed by ‘tax commissions’, headed by teams supervised by local Dutch officials. Tax bills were to be distributed among all tax payers by village chiefs, who received the usual collectors wage of 8% of the tax assessment, filled in and delivered back to the Resident’s office. In this way, the Dutch seemed to have arrived at a unified, colonial fiscal state. All people across the archipelago paid some form of income tax and thereby theoretically contributed to the capacity of the central colonial state.

Table 2.5. Tax rates in the unified income tax of 1920.¹⁵²

Level of annual income in guilders		Amount of tax to be paid annually in guilders	
From	To		
0	120		+ 0.20 for every f10 above f120 income
120	1,800	1.20	+ 0.20 for every f10 above f120 income
1,800	3,600	34.80	+ 3 for every f100 above f1,800 income
3,600	5,400	88.80	+ 4 for every f100 above f3,600 income
5,600	8,400	160.80	+ 5 for every f100 above f3,600 income
8,400	12,000	310.80	+ 6 for every f100 above f5,400 income
12,000	18,000	326.80	+ 7 for every f100 above f 8,400income
18,000	24,000	946.80	+ 8 for every f100 above f12,000 income
24,000	30,000	1426.80	+ 9 for every f100 above f18,000 income
30,000	36,000	1966.80	+ 10 for every f100 above f24,000 income
36,000	+	2566.80	+ 11 for every f100 above f36,000 income

Although meticulously detailed in its design, in reality the unified income tax ordinance, with its 99 articles, was an impractical beast and subject to acerbic criticism from its inception, not only by local officials such as Resident Korn, quoted in the introduction, but also by civil servants in Batavia. According to an inspector at the Department of Finances, for instance, the unification was politically motivated, in the spirit of uplifting and integrating the indigenous populations into a unified colonial society that existed only in the minds of colonial theorists in The Hague.¹⁵³ “Decreeing a unification does not make it exist”, he concluded.¹⁵⁴

150 Stbl. 1920 n678.

151 Stbl. 1920 n678, art. 1; Soebekti, *Some Facets*, 26.

152 Stbl. 1920 n678.

153 Brunner, *De Unificatie*, 7-8, 20-22.

154 *Ibid.*, 35.

Indeed, the imposition of the unified tax regime did not resolve the huge income and welfare differences that still existed among the various ethnically separated socio-legal groups. On average, Europeans carried a tax burden, per-capita, 45 times higher than 'inlanders', while their incomes were 53 times higher in the 1920s.¹⁵⁵ The wages and incomes of many coolies, craftsmen or day labourers were in fact so low¹⁵⁶ that the majority of the indigenous population was virtually untaxable.¹⁵⁷ Around 1925, only 25% of the indigenous population in the archipelago was reported to earn above the minimal taxable income of 120 guilder per year.¹⁵⁸ And in fact, 80% of income tax was collected in Java and Madura alone.¹⁵⁹

The Residents in Java, upon request for feedback by the Director of Finance, showed much scepticism about its effective practicability.¹⁶⁰ Incomes below 120 guilders per year usually had to be estimated, and income tax-levying became a dreaded and time-consuming endeavour.¹⁶¹ Nonetheless, the Residents also applauded the unified income tax for its redistributive intentions. The Resident of Rembang subscribed to the idea that the payment of equal, unified taxes possessed "educative cogency" so that "...all would consider themselves 'citizens of the state'"; whereas

155 A.D.A. de Kat Angelino, *Staatkundig Beleid en Bestuurzorg in Nederlandsch-Indië* ('s-Gravenhage: Nijhoff, 1931), vol. II, 692; Burger, *Sociologisch-Economische Geschiedenis van Indonesia*, vol. I, 116; W.M.F. Mansvelt, P. Creutzberg, and P.J. van Dooren, *Changing Economy in Indonesia: A Selection of Statistical Source Material from the Early 19th Century up to 1940. Vol. 5: National Income* (The Hague: Nijhoff, 1979), 70; J. Alexander and P. Alexander, "Protecting Peasants from Capitalism: The Subordination of Javanese Traders by the Colonial State", *Comparative Studies in Social History* 33:2 (1991), 370-394: 381.

156 In 1906, the Director of Finance reported that 93% of the indigenous population earned less than 150 guilders annually, which was assessed as insufficient income for daily survival or productive economic participation. ANRI DepFin 355, herein: DirFin 1-5-1906: nota.

157 Day wages for coolies, craftsmen or day labourers working on sugar plantations were around f0.30 - 0.50 per day in 1870-1890 to about f2 for skilled craftsmen in 1920. By comparison: coolies working in the tin mines on Bangka earned around f0.44 daily in 1932. Until around 1930, this barely covered the costs of living. The average income of a Javanese labourer was calculated at f161 annually in 1921. See N. Dros, *Changing Economy in Indonesia: A Selection of Statistical Source Material from the Early 19th Century up to 1940. Vol. 13: Wages 1820-1940* (Amsterdam: Royal Tropical Institute, 1992), 11-12, 20-32, 42-44, 550-560, 569-571, 121-134-135, 138-141, 150; Reys, *De Inkomstenbelasting der Inlanders*, 103.

158 Those who were taxable on average earned 250 guilders in Java, and 284 guilders in the 'Outer Territories.' Departement van Landbouw, Nijverheid en Handel, *Mededelingen van het Centraal Kantoor voor de Statistiek. No. 69 Eenige Bijzonderheden Betreffende het Aantal Aangeslagenen in de Inkomstenbelasting, 1925* (Batavia: Landsdrukkerij, 1925), 3-4.

159 Ibid., 4.

160 See: ANRI DepFin 344, herein: DepFin, 28-4-1916: DirFin to HGB, 5-4-1913: Res. Surabaya to DirFin 20-3-1913, Res. Pekalongan to DirFin, 22-3-1913, InspFin Surabaya to DirFin, 8-3-1913, Res. Semarang to DirFin, 14-3-1913, Res. Banten to DirFin, 10-3-1913, Res. Kediri to DirFin 5-3-1913, Res. Madioen to DirFin 13-3-1913, Res. Cirebon to DirFin, 18-3-1913, Res. Banjoemas, to DirFin. 29-3-1913, Res. Batavia to DirFin, 2-4-1913.

161 J.W. Meijer Ranneft and W. Huender, *Onderzoek naar den Belastingdruk op de Inlandsche Bevolking* (Weltevreden: Landsdrukkerij, 1926), 76-78.

existing exemptions, he continued, had a “demoralizing influence [...] putting taxpayers in opposition to those who enjoyed remuneration.”¹⁶² This was a source of legitimate concern in 1918, when members of the local councils and the *Volksraad* received exemption from buying-off corvée and head taxes and gave a misleading impression about the benefits of holding public office, as ‘Advisor for Decentralization’ H.A. Kindermann (in office 1917-1921) argued. *Volksraad* members were to “give the right example”, so their exemption was withdrawn.¹⁶³ Other Residents feared that in practice, the unification would only cause an increase in the tax burden of indigenous peoples, which in light of growing political awareness, they assessed as a potential threat to social stability.¹⁶⁴ Indeed, especially under influence of the expanding growth of state expenses during World War I, the idea of fiscal unification had gained accelerating popularity among the political elite, as it was considered to enable even greater inclusion of taxpayers under generally higher tax rates.¹⁶⁵ The government had spent much energy on sharpening its political intentions and redesigning the fiscal system on paper. But the concern of Residents about the increase and redistribution of the tax burden was not ungrounded. The final part of this chapter will briefly address what were the consequences of the unification, and how the colonial government responded to them.

Investigating inequality

The years after the unification, concerns arose once again over the impact the income tax had on the fiscal burden carried by Javanese peasants. Already in the 1880s, Brooshooft had calculated the annual income of the average Javanese peasant to be around 90 guilders per year, taxed at averagely 27%.¹⁶⁶ In the 1920s, a series of investigations was launched by the colonial government to map the impact of unified taxation on ‘indigenous welfare’ and the practice of taxation. The first of these was carried out by *controleurs* J.W. Meijer Ranneft and W. Huender, commissioned by the Department of Interior Administration, and it returned a rather pessimistic report. In Java, peasants were taxed on average at up to 25% of their income, while people the ‘Outer Territories’ were taxed at no more than about 10%

162 ANRI DepFin 344, herein: DepFin, 28-4-1916: Res. Rembang to DirFin, 23-3-1913. See also: H.J. Köhler, “Het Opvoedend Element in Belastingheffing Gelegen”, *TBB* 45 (1913), 139-140.

163 ANRI DepBB ‘Afdelingsarchief’ 332, herein: Extract besl. GG, 18-11-1926, Extract besl. GG 15-3-1922, Extract Besl. GG, 25-4-1922 to DirBB: AdvDec to DirBB, 15-1-1921.

164 ANRI DepFin 344, herein: DepFin, 28-4-1916: Res. Rembang to DirFin, 23-3-1913 and Res. Besuki to DirFin, 25-3-1913.

165 Visser, *Overzicht van het Belastingwezen*, 33.

166 E. Locher-Scholten, “Mr. P. Brooshooft, een Biografische Schets in Koloniaal-Ethisch Perspektief”, *BKI* 132:2-3 (1976), 306-349: 323.

on average. Five decades of reform had barely had any impact on the redistribution of the burden, from Java to elsewhere. According to Meijer Ranneft and Huender, this was caused, in particular, by the complexity of the head tax system in relation to the persistence of ineradicable *corvée* services. While head taxes were theoretically introduced to replace coerced labour, in practice they were levied on top of them, next to the burdensome land rent and other taxes. This curbed potential for capital accumulation and led to welfare decline.¹⁶⁷ Moreover, the ambiguous role of village chiefs as government tax-collectors and village-representatives had prompted chiefs to navigate between the government's, the village's and their own interests. They advised a reduction in the number of *desa* chiefs and their labour entitlements, to diminish the demand for coerced labour and to reform the system of head taxes still in place (as an alternative to labour services), into a central system of simple labour taxes and land rent. Most notably, in Meijer Ranneft and Huender's proposal, there was no more mention of popular tutelage: "the era of popular elevation", they argued, "was over."¹⁶⁸ Such a remark may be seen as unsurprising coming from two former *controleurs*, generally sceptical of the theories of a popular uplifting as concocted in Batavia. Yet, a second investigation, conducted by bureaucrats and theorists – some of whom had contributed to the unification's realization – and headed by the Vice-President of the *Raad van Indië* E. Moresco (in office 1917-1923), agreed to the findings of Meijer Ranneft and Huender, that the existing system overburdened indigenous people, particularly in Java, and that 'corrupted' and 'unreliable' village chiefs were to blame. But whereas Meijer Ranneft and Huender sought to keep the tax system simple and operable, Moresco refused to give up the principles fundamental to fiscal governmentality. For instance, while the former simply suggested raising the tax threshold for all, to 600 guilders, to avoid inefficient levying of small amounts of tax from low incomes, Moresco argued that such a raise would favour people in many 'Outer Territories', who had smaller taxable incomes, at the cost of

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- 167 Meijer Ranneft and Huender, *Onderzoek naar den Belastingdruk*, 15, 25-29, 146-148, 156-159. Other officials also pointed at limited knowledge of local earning capacities and economic circumstances, leading to divergence and arbitrariness in the assessments of the income tax and the relatively high burden of indirect taxes on the indigenous population. See: H.J. van Brink, *De Belastingdruk in Nederlandsch-Indië* (Overdruk uit: Economische en Statistische Berichten, No. 664-665, Rotterdam: s.n., 1928), 5-12; Reys, *De Inkomstenbelasting der Inlanders*, 4-6, 11-14-25; Alexander and Alexander, "Protecting Peasants from Capitalism", 381-382. See also F. Fokkens, *Bijdrage tot de Kennis onzer Koloniale Politiek der Laatste Twintig Jaren* ('s Gravenhage: Couvée, 1908); F. Fokkens, *De Afschaffing van Heerendiensten op de Ontwerp-Indische Begrooting voor 1912 [i.e. 1913]* (Den Haag, 1912); F. Fokkens, *De Afschaffing der Laatste Heerendiensten op Java* (Baarn: Hollandia, 1914); C.J. Hasselman, *Eindverslag over het Onderzoek naar den Druk der Dessadiensten op Java en Madoera* (Ingesteld Krachtens Gouvts. Besluit dd. 25 Januari 1902 No. 19) (Batavia: Landsdrukkerij, 1905); J.H. Lieftrinck, *Onderzoek naar de Heffing van Belastingen en de Vordering van Heerendiensten in Eenige Deelen der Buitenbezittingen* (Batavia: Landsdrukkerij, 1917).
- 168 Meijer Ranneft and Huender, *Onderzoek naar den Belastingdruk*, 145.

the Javanese; precisely the issue the unification had attempted to resolve.¹⁶⁹ Rather than simplifying the underlying principles of the tax and giving up its potential 'educative cogency', his commission advised reducing the tax rates, abolishing the municipal surtaxes, replacing all head taxes in Java and Madura with labour taxes and, last but not least, separating the tax regimes of Java and Madura from the 'Outer Territories.' This in fact meant a reversion of the geographical unification of the tax system.¹⁷⁰

The structural lack of statistical data and knowledge, in particularly outside of Java, remained consistently problematic. According to Head Inspector of Finances E.P. Wellenstein, who participated in the Moresco-Commission, those taxable components of society which were easily counted or measured such as land, had become automatically overtaxed, vis-à-vis aspects that were more difficult to count, such as labour.¹⁷¹ Meanwhile, like the land rent, the head taxes and corvée services levied in Java, preyed on the availability of labour, fertile land and rice prices. In Java and to some extent on Bali, land survey programs were increasingly successful, and their more reliable data gave support to a functional tax system, leading to increasingly high and complete assessments. However, in the 'Outer Territories', where experiments with land rent and similar taxes had only limited success, this was not the case.¹⁷² As a result, peasants in Java and Bali automatically paid more taxes than people elsewhere in the archipelago. Those regions where the government had greater knowledge of, and access to, the possessions and incomes of taxpaying people, were automatically taxed higher than regions where this was not the case.

169 Ibid., 75-77; CtHBNI, *Vierde Verslag*, 37. In reality, very few 'inlanders' earned above 600 guilders annually, but that the tax burden was much lighter in the 'Outer Territories' was shown by yet another investigation. Former official R.J.W. Reys, who wrote his dissertation on the income taxation of indigenous peoples in the colony, agreed and claimed the existent threshold of 120 guilders was rather inept as no one in Java survived from that little money. According to Reys, taxing primarily wealthier individuals would create room for (modest) progressivity, and could eventually guarantee the legal principles of tax equality to bring about some degree of social wealth redistribution. He advised to increase the threshold of taxable incomes from 120 to 600 guilders, with a rate of 2% tax on incomes up to 1,800 guilders, the introduction of head tax on all the Outer Islands ("the primitive districts") and expansion of the excise duties on the Outer Islands, and a wage tax. See: Reys, *De Inkomstenbelasting der Inlanders*, 16-25, 41, 52, 159-160. Fievez de Malines van Ginkel suggested a raise to 300 guilders, to reduce the tax burden on small incomes and the administrative burden of levying on the administration. H. Fievez de Malines van Ginkel, *Verslag*: 4.

170 CtHBNI, *Vierde verslag*, 7-11, 13-14, 27-33, 36-37, 45-46.

171 E.P. Wellenstein, *Het Onderzoek naar den Belastingdruk op de Inheemsche Bevolking van Nederlandsch-Indië* (Weltevreden: G. Kolff & Co., 1925), 23-33, 43-46; See also the 'minority note' of Wellenstein and F.L. Pannekoek in: CtHBNI, *Tweede Verslag*, 28-47.

172 Hugenholtz, *Landrentebelasting*, 283-284, 286-288. 2/3 of all revenue from land taxes outside of Java was collected on Bali (Robinson, *The Dark Side of Paradise*, 56).

Corporate tax

Also, the unified income tax could not conceal the fact that incomes in the colony were still greatly diversified. In fact, large corporations were still taxed at the same level, which produced little opportunity for healthy progressivity and tax levelling.¹⁷³ Once again, the taxation of enormous corporate profits started lagging behind, compared to the increasing tax burden upon the colonial population. Except for income and profit taxes, which were increased in 1920, these corporations paid a number of extra product taxes on sugar, coffee, tea, tobacco and oil, introduced in 1919/1923, in an attempt to tackle the impending financial crisis which emerged after World War I.¹⁷⁴ Product taxes were levied based on the difference between market and (fixed) cost prices. This was an efficient but problematic method as it ignored profits and put the tax burden largely on particular branches of industry. Some critics feared that taxing these industries at a higher rate would harm their competitive capacity on the global commodity markets.¹⁷⁵ Product taxes were unpopular and seen as a mechanism for squeezing money from entrepreneurs in times of hardship.¹⁷⁶ The government responded by making product taxes deductible in the extra profit tax.¹⁷⁷ However, considering the erratic market fluctuations and the crumbling of the relationship between industry and the government, on which the success of product taxes ultimately depended, a more permanent solution was required.¹⁷⁸

Ultimately, the solution was the introduction of a corporate tax in 1925. But the construction of this tax, as demonstrated by A. Taselaar, was heavily influenced by the most powerful of the economic-industrial elite in the colony. They argued for a tax regime favourable to foreign investment and corporatism.¹⁷⁹ Frontman for this 'colonial lobby' was politician and economist M.W.F. Treub, former Minister of Finance (in 1914-1916 and 1917-

173 CtHBNI, *Tweede Verslag*, 37-47. See also: NA MinKol 1901-1953 OV 2817, Vb. 18-2-1926 n51, herein: 'Nota 2^e afdeling, voorstellen van de commissie [...]'.
 174 Van Brink, *Overzicht*: 14-15, 17-27. In addition, import and export rights and excises on petroleum, alcohol and matches were raised. Taselaar, *De Nederlandse Koloniale Lobby*, 225.

175 Treub, *Nota*, 1-2; A. Ritz, *De Indische Inkomstenbelasting voor de Naamlooze Vennootschap* (Amsterdam: De Bussy, 1923), 1-2; H.J. van Brink, *De Indische Ordonnantien op de Inkomsten- en Productenbelastingen* (Amsterdam: De Bussy, 1921).

176 J. Ramaer, "Nieuwe Belastingen op Javasuiker", *Economisch-Statistische Berichten* 4:202 (1919), 1027.

177 The highest tax assessment of both had to be paid, so companies with low extra profits risked paying an excessively high product tax. Additionally, instead of paid-up capital, nominal capital was used as a guideline for 'capital-demonstration'. As a consequence of this measure, many big corporations reinvested or split their profits, for which reason their nominal capital remained low, while their legal capital increased. As a result, they paid low amounts of tax in the extra and excess profit taxes, and primarily ad-hoc product taxes. Van Brink, *Overzicht*, 14.

178 Knight, *Commodities and Colonialism*, 189-194; Taselaar, *De Nederlandse Koloniale Lobby*, 303.

179 Taselaar, *De Nederlandse Koloniale Lobby*, 261-296.

1918) and chairman of the 'Entrepreneurs Council of the Indies' which he had founded.¹⁸⁰ Treub considered the existing mixture of product and profit taxes unfair, illogical and arbitrary.¹⁸¹ While colonial government in Batavia was planning on introducing a progressive corporate tax as advised by the Committee of Moresco, Treub argued that the difference between corporate and personal income rendered the former unsuitable for progressive taxation, claiming that corporations itself had no fiscal carrying capacity (only its shareholders did).¹⁸² He proposed the introduction of a proportional corporate tax and a 'dividend tax' (modelled on the one he had designed for the Netherlands), with a maximum rate of 10%, to replace the 'excess' and 'extra profit taxes' and better tax the flow of profits from corporations to private shareholders. Rigidly retrenching "ethical expenditures"¹⁸³, he urged, would bring down fiscal needs and create a favourable business climate attractive to foreign investment and, he claimed, would help to support "the noble pursuit of uplifting the indigenous economy."¹⁸⁴

Treub's proposal evoked strong protests, not least because he had made some provocative claims about the capacities of the tax administration. The chief of the colonial Tax Administration, J.L. Vleming expressed his indignation by accusing Treub of using the "administrative overload", demonstrated by Wellenstein, as a "vulgar argument" for lower taxes.¹⁸⁵ A more substantial response, by economist J. van Gelderen, expounded on how the emphasis on dividend tax would leave chunks of larger corporate profits untaxed; this is what the excess and extra profit taxes had attempted to prevent.¹⁸⁶ It was quite obvious that Treub, a classic tropical capitalist, sought to create a mild tax regime for corporate profits, but it was quite hard for his opponents to prove that his plea for dividend taxes was not genuinely motivated on legal grounds.¹⁸⁷

Treub's influence reached deep into the Dutch parliament, including the Ministries of Finance and Colonies, as is easily recognized in both the consecutive debates and the eventual introduction of the corporate tax in

180 Treub was also involved in the establishment of the 'petroleum faculty of Utrecht. See Fasseur, *De Indologen*, 414-420.

181 Treub, *Nota*, 41-50.

182 Ibid., 17-18, 22. He argued that progressively taxing companies could not be legally subjected to the 'ability to pay' principle, the principle that taxpayers should pay tax according to the relative impact that tax will have on their wealth. Legal persons like joint stock companies, he claimed, did not gain income nor acquired wealth but were merely the instruments natural persons used to acquire these.

183 Treub, *Nota*, 10, 15-16.

184 Ibid., 27-29, 30-24, 96.

185 J.L. Vleming, *Critisch Antwoord op de Belastingnota van mr. M. W. F. Treub, Voorzitter van den Ondernemersraad voor Nederlandsch-Indië* (Batavia: Javasche Boekhandel, 1922), 1-12, 20-26, 34-43; J.L. Vleming, *De Financiële Positie van Ned.-Indië en de Belastingpolitiek van de Laatste Jaren* (Amsterdam: Ontwikkeling, 1926); Taselaar, *De Nederlandse Koloniale Lobby*, 231.

186 Van Gelderen, *Voorlezingen*, 1., Taselaar, *De Nederlandse Koloniale lobby*, 231.

187 M.W.F. Treub, *Nadere Beschouwingen over de Indische Vennootschapsbelasting* (Weltevreden: NV Boekhandel Visser & Co, 1923), 45-48.

1925.¹⁸⁸ Moresco's 'Tax Revision Commission' had argued against a dividend tax and favoured a progressive profit tax¹⁸⁹, but its advice was largely ignored. To the frustration of many officials in Batavia, a proportional profit tax was introduced, using a tax rate of 10% levied over companies with a settlement in Indonesia.¹⁹⁰ The ordinance seemed largely informed by the advice of another commission, supervised by economist G.W.J. Bruins and appointed by the Minister of Colonies Simon de Graaff (in office 1919-1925), both closely related to the 'colonial lobby'.¹⁹¹ Thus the industrial elite, that constituted the top of the colonial system, secured its capitalist interests through the tax regime at the cost of fiscal-political and social development, even though it was sincerely opposed by the executive branch in Batavia.

Crisis and creativity: the wage tax, a fiscal endpoint?

The corporate tax would, nonetheless, make important contributions to the colonial treasury over the course of the late 1920s, in the region of about 42 to 72 million guilders in 1925-1926 (see appendix 3), and take over part of the revenue formerly assessed in the income tax.¹⁹² But following the global economic crisis unfolding after the stock market crash of 1929, it became clear how brittle the tax system had remained, as revenue from all taxes – especially corporate and European income taxes, connected more tightly to the global economy – plunged. In 1930, government expenses surpassed

188 Taselaar, *De Nederlandse Koloniale Lobby*, 31-37, 49-51, 92-38, 229-260, 503-225.

189 It proposed to levy a progressive profit tax that maintained a 5% rate at a 5% profit-capital relation, progressing with 0,7% per 1% growth of the profit. Following Van Gelder, the Commission argued that levying dividend tax would stimulate unequal spread of the tax burden and proportional taxes would put the burden decreasingly on big, and increasingly on small companies, and that dividend tax was too easily evaded and as many 'colonial companies' also employed activities elsewhere on the globe, encumbering the assessment of what share of the dividend was earned and taxable in the Indies. The Commission argued against a proportional profit tax, because a rate of at least 16% would have been necessary to generate the same revenue as under the profit and product taxes of 1917-1924, too much for small companies with modest profits, and deterrent for foreign investors. The Commission argued that company revenues should be taxed heavier in the colony than in the Netherlands, as natural persons (the shareholders) behind joint stock companies often lived outside the tax domain of the NEI. This would make it easier to spread the tax burden and decrease the 'colonial drain.' See: CtHBNI, *Tweede Verslag*, 8, 10-17, 14-16, 20, 23-24, 29-35, 24-29, 43-44; Taselaar, *De Nederlandse Koloniale Lobby*, 220; W. de Cock Buning, *De Herziening van het Belastingstelsel voor Nederlandsch-Indië* (Utrecht: Bruna, 1924), 6, 10.

190 Lancée, *Beknopt Overzicht*, 22. The corporate tax hence favoured larger corporations over smaller companies. The 'Vereniging van Nederlands-Indische Spoor-en Tramwegmaatschappijen' (Association of Dutch East Indian Railway and Tramway Companies) requested the implementation of a digressive scale in the application of the profit tax. This was the issue that originally divided the *Commission for Revision*. Eventually the majority of the *Commission* advised to levy an extra profit tax instead of using digressive rates. CtHBNI, *Tweede Verslag*, 2, 12-14, 25-17, 38, 46-17; Taselaar, *De Nederlandse Koloniale Lobby*, 243-248.

191 Taselaar, *De Nederlandse Koloniale Lobby*, 220, 249-251.

192 Ibid., 253-254; Lancée, *Beknopt Overzicht*, 22-23.

revenue, causing deficits. Declining market prices and the slow response of the government to the need for a decrease in taxes, rapidly led to increasing poverty and debt.¹⁹³

Consequently, arrears in the unified income tax assessment ran up to 34% on average in the archipelago in 1933, and many small incomes managed to dodge payment altogether. Even in Batavia, 42% of the taxpayers “was not reached.”¹⁹⁴ This added to the revenue problem, and the government started facing an increasingly uncontrollable fiscal crisis. Moreover, the introduction of the corporate tax and a new Income Tax in the Netherlands in 1914, affected a number of regulations of the 1920 income tax.¹⁹⁵ Hence, in 1932, the unified income tax system was revised. The revision comprised the introduction of an ‘extra’ income tax, originally introduced as a crisis measure in 1932, but made permanent in 1934. It was a duplication of the original unified income tax, but levied at a lower tax payment threshold of 60 guilders of income annually, in order to reach greater amounts of taxpayers.¹⁹⁶ Additionally, the revised income tax of 1934 included a tax on wages. This had already been suggested in the 1920s, for instance, by Meijer Ranneft and Huender.¹⁹⁷ However, it met with resistance from employers who were expected to carry the heavy administrative burden of taxing small wages. Nevertheless, in 1934 it was introduced, largely from pragmatic motivations, forcing companies employing four persons or more to gain a licence (that also served as the assessment bill for the income tax), and maintain wage administrations. Companies paid 4% tax over these wages by buying ‘wage-seals’ at post offices and optionally sticking these on signed wage lists (see figure 2.8) to withhold the tax from their employees’ salaries.¹⁹⁸ In this way, wages became the taxable objects and employers the legal taxpayers. They paid 4% tax over the wages of their employees, which saved the government the burden of chasing reliable data on the incomes of wage-earners.¹⁹⁹

193 Booth “The Burden of Taxation”, 101-104, 108; Booth, *Economic Change*, 110.

194 NA MinKol 1901-1953 OV 3524, Vb. 6-11-1934 and 7-11-1934 n1, herein: MvT n3; NA MinKol 1901-1953 OV 3534, Vb. 31-12-1934 n6.

195 Soebekti, *Some Facets*, 43.

196 Stbl. 1934 n649. See also H.J. Hofstra, “Een Vergeten Jubileum”, *Weekblad Fiscaal Recht* 1963/949 and G.C.D. Grauss, “De Loonbelasting: Een Zakelijke of Persoonlijke Heffing?” *Maandblad Belasting Beschouwingen* 80:4 (2012), 155-167: 155-159.

197 They suggested to deduct taxes for civil servants from their salaries immediately. Meijer Ranneft and Huender, *Onderzoek naar den Belastingdruk*, 82-83. The Tax Revision Commission of Moresco agreed but did not want to go as far as to obligate employers to do so. CtHBNI, *Vierde Verslag*, 40. Reys also mentions a wage tax as a solution to the levying problem. Reys, *De Inkomstenbelasting der Inlanders*, 150-160.

198 K.H. Dronkers, *De Loonbelasting* (Batavia: Noordhoff-Kolff, 1936), 3. Theoretically, sticking the seals was not mandatory; employers were free to determine whether they paid the 4% tax themselves or imposed the burden on their employees. To prevent double taxation, incomes below 900 guilders were exempted from the income tax over the part of income acquired through wage, while incomes above 900 4% reduction in income tax. When employing more than 100 people, paying in cash was also possible.

199 M.R. Manse, R. Arendsen, and M. Klever, “De Indische Loonbelasting in Perspectief: Fiscale Innovatie in Koloniale Context”, *Maandblad Belasting Beschouwingen* 86:1 (2018), 20-30.

Did this solve the problem of income administration? Low wages remained problematic and after 60 years of fiscal evolution, assessing taxes from incomes below 200 guilders was still based, as asserted by Minister of Colonies H. Colijn, on “visible signs of welfare.”²⁰⁰ So it seemed the levying problem had merely been handed down to the corporate sector. Nonetheless, the wage tax successfully helped to raise income tax revenues steeply, from 17 million guilders in 1934 to almost 25 million guilders in 1939, three to five times as much as the land rent revenue in the same period (see appendix 2).²⁰¹ In abstract fiscal terms, it was a success. It also forced employers to keep a tighter administration through registration and paperwork, which enhanced certainty among wage earners. Politically, it had far-reaching consequences, because the responsibility of assessing and collecting the income tax had been transferred to employers and the collector’s wages enjoyed by many indigenous civil servants and ‘Foreign Oriental’ *Kapitan*, were curtailed. An emergency fund was established in Java to compensate these indirect rulers, but enthusiasm for taking on such offices was reduced enormously.²⁰² Additionally, both the revised income tax and the wage tax explicitly lowered the level of equity by reducing progressivity for the sake of efficiency; instead of progressive rates, incomes were once again scaled into specific categories and taxed proportionately.²⁰³ The government had finally taken a more pragmatic stance, but largely out of financial need rather than in acknowledgement of the structural impediments which tax-levying problems kept posing to fiscal equity. Hence, by 1930, the burden of taxation had been reallocated to some extent but was still carried largely by indigenous, mostly Javanese peasants, who paid income taxes, land rent and performed services.²⁰⁴ Little was left of the colonial state’s passion to develop equity and fairness, as issues of efficiency became prioritized over issues of fiscal inequality.

200 NA MinKol 1901-1953 OV 3526, Vb. 7-11-1934 n1, herein: MvT n3, MinKol; NA MinKol 1901-1953 OV 3534, Vb. 31-12-1934 n6; NA MinKol 1901-1953 OV 3547, Vb. 19-2-1935 n4, herein: MinKol to GG, 20-2-1935. Employers that spent less than f2.50 on wages in total were exempted. See NA MinKol 1901-1953 OV 3526, Vb. 16-11-1934 n1 and NA MinKol 1901-1953 OV 3533, Vb. 21-12-1934 n30, herein: DirFin to GG, 31-10-1934, Besl. GG, 29-11-1934; NA MinKol 1901-1953 OV 3568, Vb. 14-6-1935.

201 Dronkers, *De Loonbelasting*, 2.

202 ANRI AS GB TGA 10180, herein: Besl. 23-12-1936: DirBB to GG, 7-10-1936, BGS, 9-9-1936: DirBB to GG, 18-7-1936, DirFin to GG, 31-7-1936, DirBB to HGB, 16-10-1936, ‘Rapporten gewestelijk bestuur over deze kwestie’ (for instance: Res. Surabaya to Gov. East Java to DirFin, 9-12-1935 and Gov. Central Java to DirFin, 8-3-1937).

203 They were divided in three different ‘income groups’ of below f200 per year, f200-900 and above f900. Incomes below f200 were to be assessed in accordance to ‘visible clues of welfare. NA MinKol 1901-1953 OV 3534, MinKol Vb. 31-12-1934 n6.




204 Booth, “The Burden of Taxation”, 106. See also D.S. Paauw, “The Tax Burden and Economic Development in Indonesia”, in B. Djuanda et al. (eds.), *Ekonomi dan Keuangan Indonesia* (Jakarta: Badan Penerbit Pembangunan, 1954), 564-588.

DAFTAR OEPAH
(Origineelnja jang haroes dipegang.)

PEJABATAN PADJAK.

NAMA PEMBERI KERDJA (MADJIKAN) ... Rim Wicakmay
NAMA DAULAN DAN NOMOR ROEMAH ... 2 Chinkamp Chaat
(ATAU KAMPOENG) ... Tegal
TEMPAT TINGGAL ...

N.B. Daftar ini origineelnja (salaja) hendaklah disimpan selama 5 tahun.
Doepiklat daftar oepah ini, tempat mentjatat oepah jang mesti atau jang sebelah dibayar dalam kwartal kaeterde jang berdjalan, haroes dimasokkan sebelum tanggal 15 dari bulan jang berikoetnja sereodeh kwartal itoe, tjadi sebelum tanggal 15 JANUARI, 15 APRIL, 15 JULI atau 15 OKTOEBER.
Origineel dan doepiklat daftar oepah haroes diisi bersama-sama.
Sibir segel oepah jang sebelah kiri ditempelkan pada origineel, sibir (constrôle) jang sebelah kanan pada doepiklat.
Tanggul memahai segel oepah haroes ditoeles dengan tinta pada tiap-tiap bagiannja.
Madjikan wajib membloeboekkan tanda tangganja dengan tinta pada tiap-tiap bagian segel oepah, sehingga tanda tangganja itoe sebagian tertoeles diatas segel oepah dan sebagian lagi diatas daftar oepah.
Kalku dapat dalam satoe kwartal orang memahai satoe stel daftar oepah sadja.
PAJAK ITOE BESARNJA 4% DARI OEPAH DAN DIBLOELATKAN KEATAS INJADI KELIPATAN f 0,10.

Djoemlah oepah jang dibayar atau haroes di bayar dengan pembayarja mata wang jang sah.	Harga wang dari pada oepah jang haroes dibayar atau di bayar dengan rupa laie.	Djoemlah kedoes kolom jang pertama ditoeles dengan hoerref.	Tempat oentook segel oepah. 1)
f 32.50	i-4 t/m 30/4/35 Tiga Pulas dua 50/100 Rapielch		
f 25.-	i-5 t/m 31/5/35 (Dua Pulas Lima Rapielch)		
f 22.50	i-6 t/m 30/6/35 (Dua Pulas Dua Rapielch)		

1) Djika sudah mendjari iden oentook membayar pajak itoe dengan tjara lain dari pada dengan segel oepah, dalam kolom ini haroes dibloeboeki tanda tanggan sadja sereodeh padjak serta ditanggalkan dengan hoerref harga djoemlahja jang sudah dibayar.

B. 1954-557-65. B-4127-54

Figure 2.8. Example of a wage tax assessment form of a Chinese employee from Tegal, Java, for the months of April, May and June (from top to bottom), 1935.

As can be seen, the seals, purchased by the employer at the local post-office (at which instance he basically paid the tax), represent different amounts. The green seals were worth one guilder, the red seals were available in amounts of 0.10 to 0.50 guilders. Hence, in this case, in April 4% tax over a monthly wage of 32.50 guilders, totalling 1.30 guilders of tax was to be paid, in May 4% over 25, guilders in wage, totals 1 guilder of tax, and in June 4% over 22.50 guilders, equals 90 cents.

Source: Belasting & Douane Museum, BDM 33212.

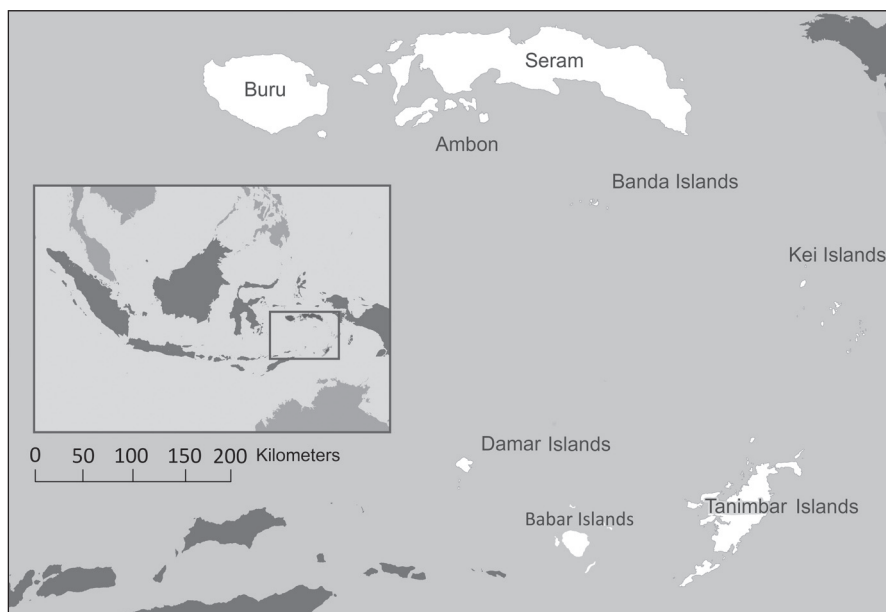
CONCLUSION

The evolution of the Dutch colonial tax system was supposed to propel a steady, systematic and controlled march from the 'depths of feudalistic patrimonialism' to the 'heights of European fiscal bureaucracy and modernity.' The series of tax reforms between 1878 and 1935 intended to replace systems of coerced labour and tax farming with progressive direct income taxes. These supposedly included all colonial subjects, no matter their ethnicity or location, to tax them in a unified, equivalent and fair manner and support indigenous economies by redistributing the burden. Strictly financially speaking, the reformation of the colonial fiscal apparatus can be considered successful, as there was increase in the proportion of government revenue carried by direct taxes (see appendix 3), following the expansion and inclusion of taxpayers across Indonesia under colonial rule.

However, intense debates about taxation within the colonial administration reveal that officials struggled in meeting the interests of various social groups in different regions, in connecting theory to practice and in matching the ambitions of supreme officials with the capacities of local bureaucracy and the expectations of taxpayers. During this struggle, the financial interests of the state and of corporate capital were prioritized almost without exception over those of regional governments and indigenous taxpayers. The premeditated paternalistic-altruistic ambitions of the colonial state were structurally limited by the disturbing effects of corporate interests, the reality of socio-economic differences, administrative incapacity and indirect rule. Furthermore, the tax reforms were expected to fiscally unify a state crossed by numerous geographical, ethnic, social and economic divisions. Colonial statesmen set themselves the impossible task of introducing fiscal equity and fairness to a state that was in itself fundamentally unequal and unfair.

As long as the various fundamental differences in the aims of the government, interests of its inhabitants and realities of governance were not taken into account, the grand designs of the unified fiscal state would not reach much further than the drawing tables in offices in Batavia and The Hague.²⁰⁵ If ideology and policy offered too few tools to solve these differences, than how did policy makers shape a workable tax regime? The following chapters will demonstrate how and why officials in different regions, from the early seventeenth to the mid-twentieth century, constructed the tax system on the spot, and how under specific circumstances these tensions played out.

205 Furnivall, *Colonial Policy and Practice*, 181-187.



Map 3.1. The Central Moluccas.



Map 3.2. Ambon and the Lease Islands of Haruku, Saparua and Nusa Laut, just east of Ambon (also called 'Ulias' or 'Oeliassers' in colonial sources). Ambon is comprised of two volcanic peninsulas, Hitu and Leitumur, the landscape of which contributed to the emergence of specific geographical, natural, cultural, religious, political and social distinctions on Ambon.