

CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY	Korea	REPORT	
SUBJECT	Taxation in North Korea	DATE DISTR.	21 January 1955 25X1
DATE OF INFO.		NO. OF PAGES	4
PLACE ACQUIRED		REQUIREMENT NO.	RD 25X1
		REFERENCES	

This is UNEVALUATED Information

THE SOURCE EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
THE APPRAISAL OF CONTENT IS TENTATIVE.
(FOR KEY SEE REVERSE)

1. In North Korea a statement of the village tax quotas to be collected from individuals is sent from the central government to the province, from there to the county and on to the village. The village attempts to assess each individual a sufficient amount so that the total collected in the village will equal the government quota. If the amount collected in the village does not meet the quota because of decreased crop yields or improper assessments, the matter is referred to the county and province authorities who then assign teams to investigate the situation. Invariably, the village leaders are told to collect enough to equal the government quota. Tax defaulters are listed by name on a bulletin board in each market. Several people are selected from among the local businessmen to urge each merchant to pay his full taxes. If they are successful in seeing that the taxes are paid, the county People's Committee chairman sends them a letter of appreciation. If unregistered merchants are discovered conducting business, the Finance Section of the county People's Committee imposes taxes on the amount of goods in the possession of the merchants. Taxes on merchants are usually heavier than those imposed on farmers even though his food consumption allowance and some other expenses are deducted from his total sales figures in calculating his local self-government tax. 25X1

2. Farmers pay 27 percent of their rice crop and generally 23 percent of their other crops as taxes-in-kind. Their 6 percent irrigation tax is also paid with grain. No taxes-in-kind are paid for the first three years on newly exploited land as it is usually burned off and tilled for three years under government supervision. In the fourth year, ten percent of each crop is levied as taxes-in-kind. If a farmer fails to pay the full amount of his tax-in-kind by a specified date, a fine of five percent per month of the full amount of the tax is levied, so that if he owed 200 kilograms of potatoes and paid only 150 kilograms on the due date, his debt would be 60 kilograms the following month since five percent of the 200 kilograms is added to the unpaid 50 kilograms. The village People's Committee appoints an inspection committee to make a preliminary inspection of the taxes-in-kind paid by each farmer before the

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grain is sent to the county People's Committee, where it is again inspected by permanent inspection teams and then stored in the county warehouse.

3. Monetary taxes paid by farmers include the local Self-government Tax which is imposed upon each family at the rate of 1.1 to 3 percent of the total yearly income, and paid quarterly. The rate varies if readjustments have to be made to meet government quotas. A Vehicle Tax of two-hundred won is paid yearly for each cart, whether oxen or horse drawn. Fines for non-payment of the Local Self-government and the Vehicle Taxes amount to one percent a day of the unpaid amount. Both these taxes are collected by the village People's Committee and sent by bank channels to the county People's Committee. The Farmers' Union Fee is levied at the rate of three won monthly for each male member of a family. The Korean-Soviet Association Fee and the Patriotic Champions Supporters Association Fee are both levied at the rate of two won monthly for each male member of a family. The National Defense Supporters Association Fee is levied at the rate of three to five won monthly for each male member of a family.
4. In calculating the taxes-in-kind and the self-government tax for the average farmer, crops are divided into two categories, major crops such as rice, millet, and barnyard millet, and minor crops such as potatoes, beans, and other vegetables. Although taxes-in-kind are levied on all crops, the farmer may pay his major crop taxes-in-kind with only one of the three types of grain if he desires, as the tax rate of 27 percent is the same for all three. He may do the same with his minor crops, but may not substitute a minor crop for a major crop.
5. In calculating the self-government tax for a farm family of five people, consideration is given to such factors as total kilograms of crops harvested; taxes-in-kind in kilograms; the farm expenses allowance, which includes items such as food consumed by hired help and privately purchased fertilizer; a seed allowance of thirty kilograms for 1,000 p-yong of rice paddy; a fodder allowance; a food consumption allowance of 600 grams (300 in major crops and 300 in minor) daily for each member of a family.
6. A balanced amount of crop income in kilograms is figured by deducting from the total crop harvested, the taxes-in-kind, the farm expenses, the seed allowance, the fodder allowance, and the food consumption allowance. Based on official won price rates, the balanced amount of crop income is then converted into a won figure. In August 1954 the official prices used for the conversion were approximately 55 won for one kilogram of rice, 40 for millet, 20 for potatoes, 30 for beans, and 10 for other vegetables. In order to calculate the farmer's quarterly income for self-government tax purposes, the fodder allowance and the food consumption allowance are also converted into a won equivalent. In August the price equivalents for these two allowances as set by the government were 11 won for a kilogram of rice, 9 for millet, 10 for potatoes, 8 for beans, and 5 for other vegetables. The farmer's adjusted quarterly income is then computed by totalling the won equivalents of the balanced crop income and of the fodder and food allowances. The farmer may then be assessed 2.2 percent of his quarterly income for the local self-government tax. (See attachment for chart showing how a five-member farm family which had harvested 5,310 kilograms would be assessed).
7. The farmer usually tries to subtract all his allowances from his major crop yield since the tax rate on major crops is higher than on minor crops. He thus lessens his self-government tax considerably. This is allowed by the village People's Committee and the tax assessors, provided the total of the taxes from the village equal the government quota. If the village taxes fall short, the Committee readjusts the farmer's deductions and thus increases the self-government tax to equal the quota.

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- 8. For tax purposes, the tax inspectors and crop estimators multiply the average yield of the previous year by the amount of planted land in p'yong in the present year in order to estimate the total year's harvest for assessment purposes. In the case used in the attached table, the farmer who planted rice on 3,000 p'yong of land averaged in the previous year one kilogram of rice per p'yong, and 500 grams of millet, 400 grams of barnyard millet, 5 kilograms of potatoes, 300 grams of beans, and 6 kilograms of vegetables.
- 9. Merchants, such as peddlers and shopkeepers, pay a commercial tax levied on their profits. Profit is regarded as two to three percent of monthly sales. The tax is figured quarterly. Each merchant must keep daily account books which are audited quarterly by the Finance Section of the county People's Committee. Tax adjustment on a quarterly basis is accomplished by the Finance Section at the same time. The merchant pays his commercial tax each month for an earlier month, i.e. in April he pays the tax for January, in May he pays February's tax. He also pays a local self-government tax which includes land, education, and building taxes. A merchant who retails 30,000 won worth of goods in a month would pay about 3,400 won as his commercial tax and about 1,000 won as self-government tax. A salaried employee of a government organization is assessed a certain amount of his salary as the self-government tax and in addition pays one percent of his salary for social insurance and generally one percent of his salary monthly for each association or group to which he belongs. He pays three percent of his salary monthly to the local branch of the Labor Party as his Labor Party fee. If a farmer has living with him a son who is a salaried employee, each must pay his self-government tax independently. With regard to the unemployed and to free laborers, since each member of a family presumably consumes 600 grams of food daily regardless of income, a percentage is levied upon the total food consumption of the family for the self-government tax.

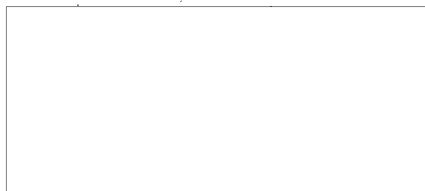
- 1. Comment. The allowance is based on a rate of 17 kilograms for 1,000 p'yong of rice paddy and 13 kilograms for 1,000 p'yong of minor crops.
- Comment. One p'yong is equal to 3.95 square yards.
- 2. Comment. By "balanced amount" of crop income, probably means a "net balance" of crop income.

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ATTACHMENT

Self-Government Tax for Farm Family of Five People

	Rice	Millet	Barnyard Millet	Potatoes	Beans	Other Vegetables	Total
Total crop harvest in kilograms (Kg)	3,000	250	400	1,000	60	600	5,310 Kg
a. Taxes-in-kind	990	56	92	230	14	138	1,520 Kg
b. Farm expense allowance	51			39			90 Kg
c. Seed allowance	90	1	5	100	14	2	212 Kg
d. Remainder, after subtracting a, b, and c from total harvest	1,869	193	303	631	32	460	3,488 Kg
e. Fodder allowance	33			27			60 Kg
f. Food allowance	540	193		347			1,080 Kg
g. Official price for e and f	5,940	1,746		3,740			11,426 won
h. Balanced crop income (d minus e and f)	1,296		303	257	32	460	2,348 Kg
i. Official price for balanced income	71,280		9,090	5,140	960	4,600	91,070 won
j. Total yearly income (g and j)							102,496 won
k. Quarterly income							25,624 won
l. Quarterly self- government tax							563.73 won

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