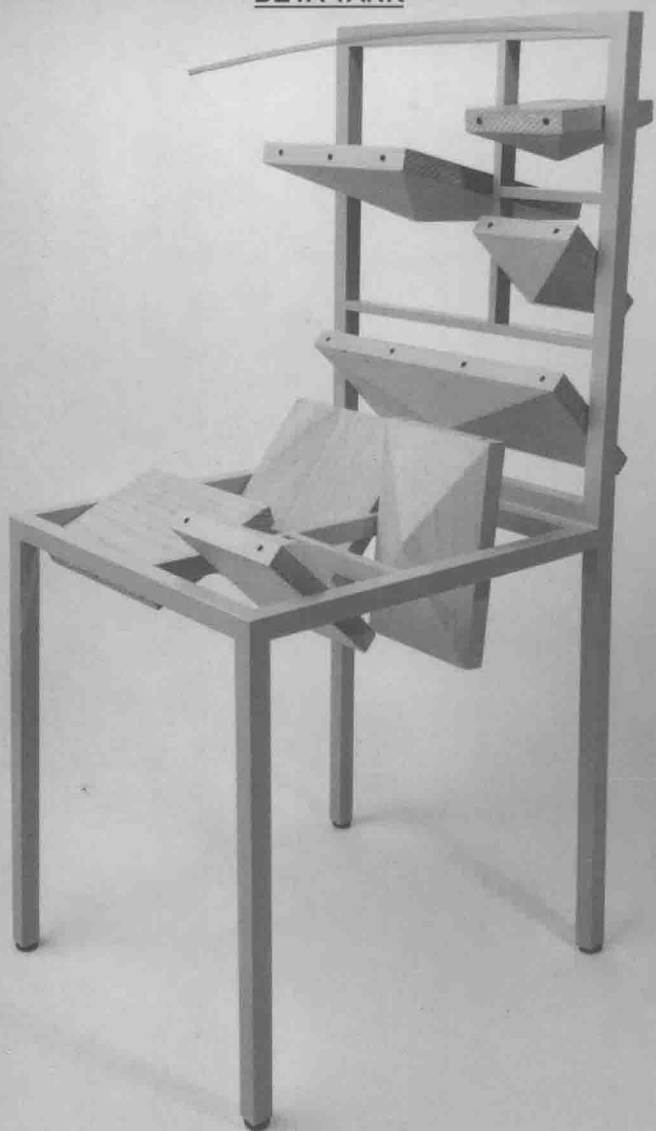


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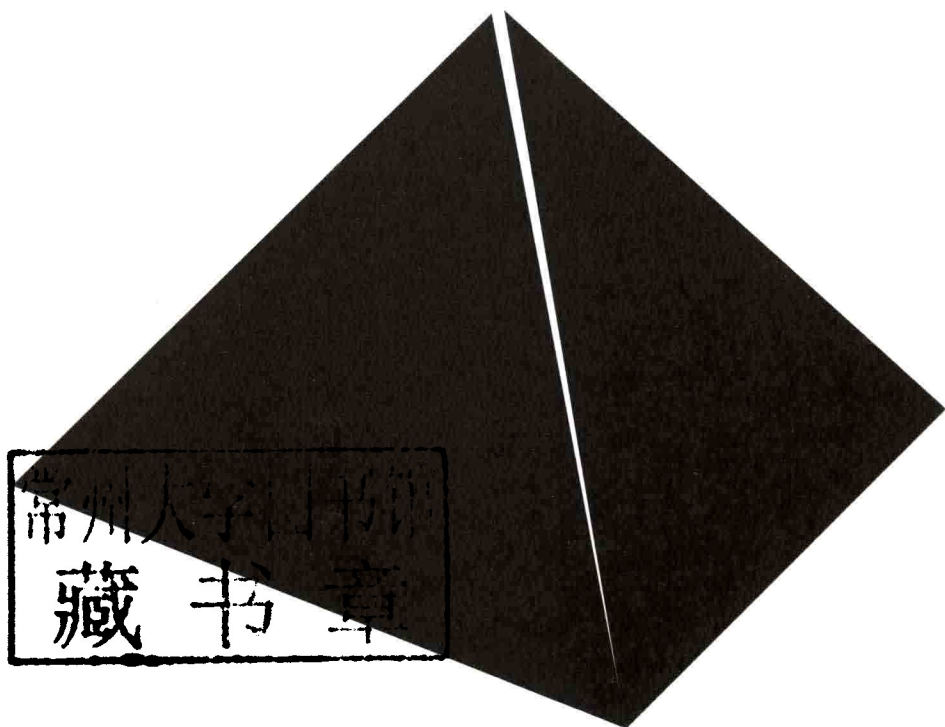


TAXING ART

When Objects Travel

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Imprint

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Beta Tank

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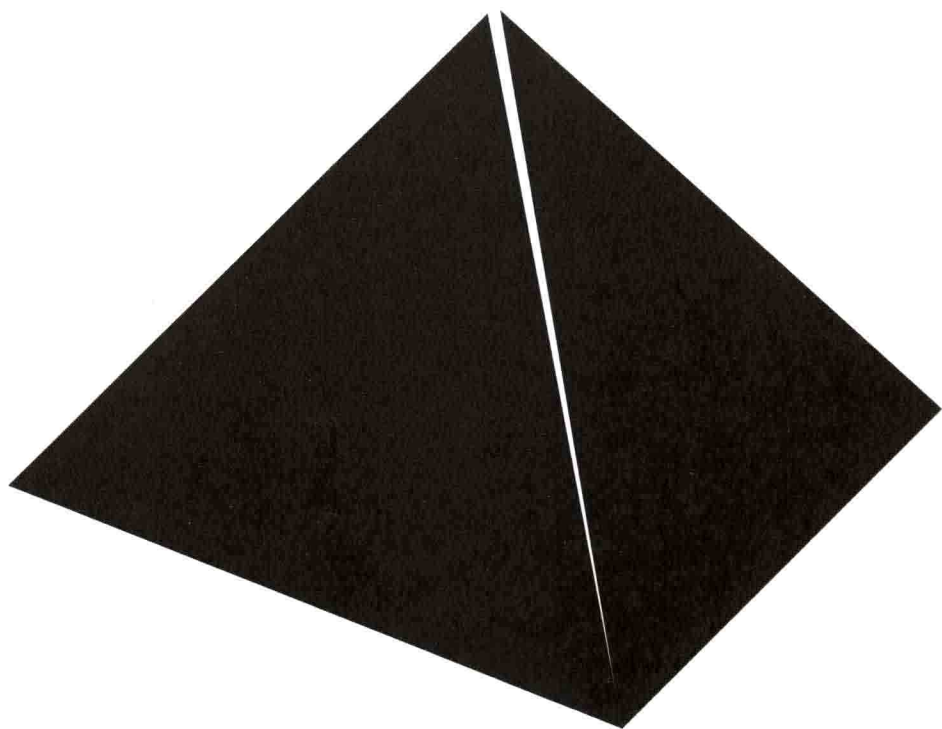
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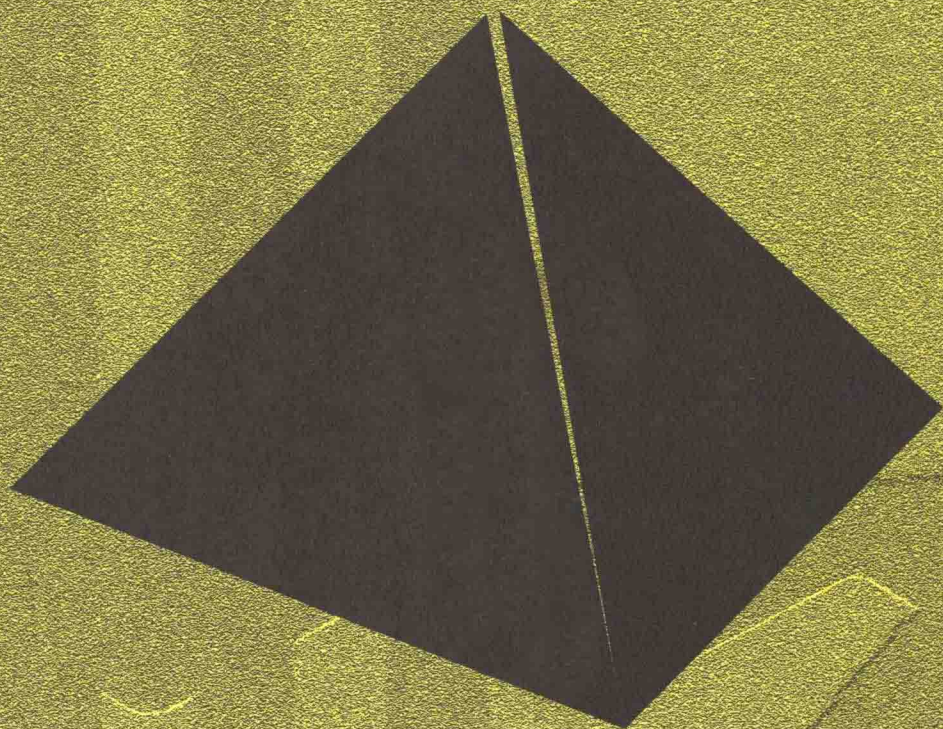


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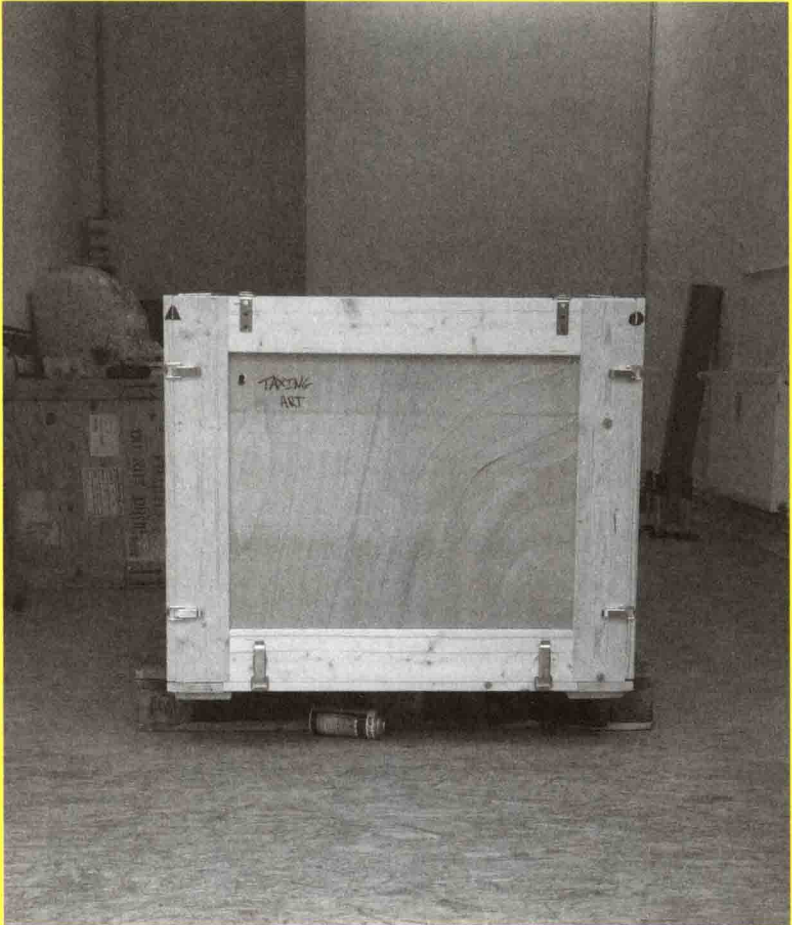
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When Objects Travel

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INTRODUCTION



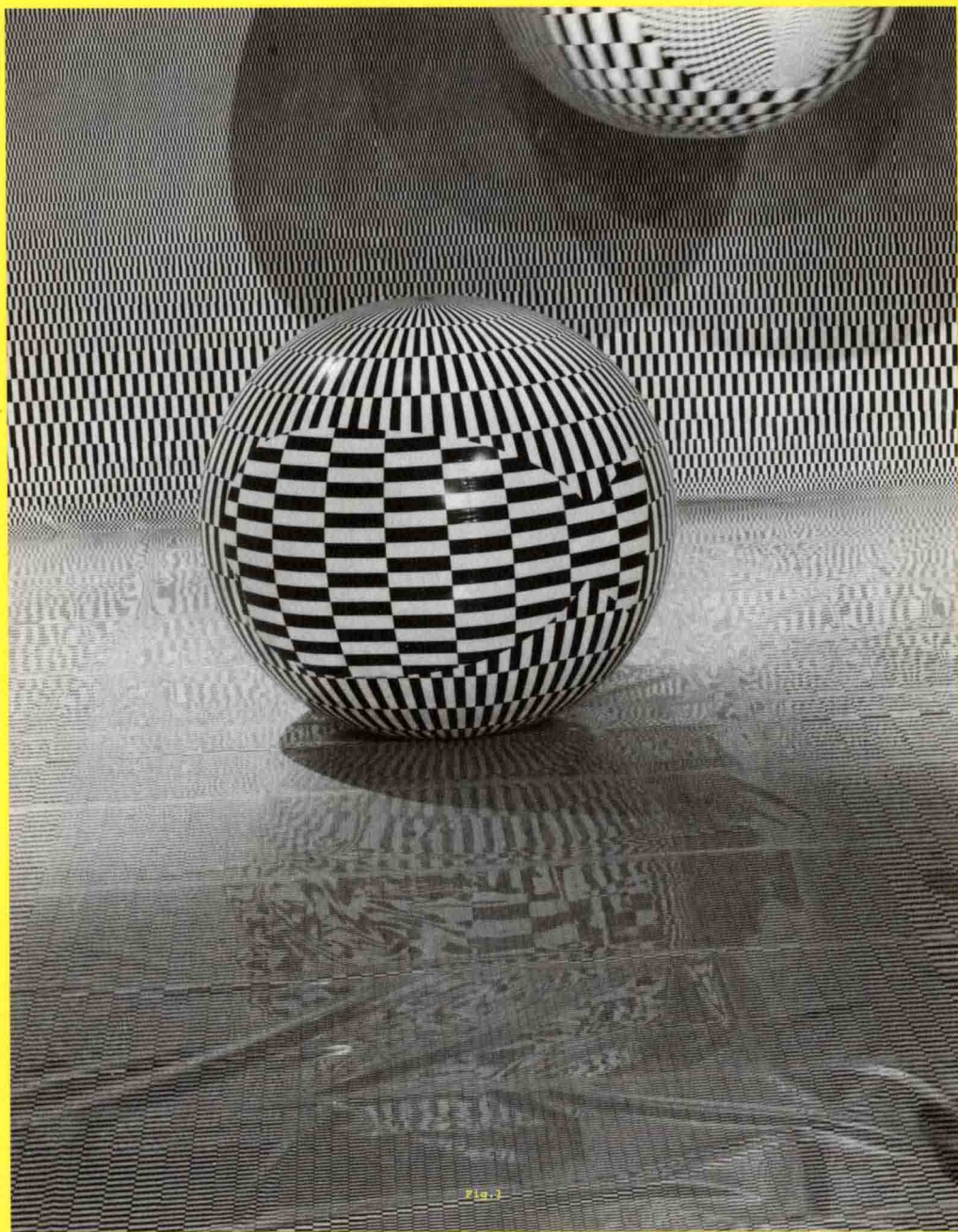
Introduction

Taxes never really interested me. It was usual for my company in the U.K. to show a loss at the end of

the year, so invoices and receipts were not a big part of my work life. It was only when my career developed that the business had to become more organized. Running a profitable niche design practice is no small feat and taxes play a far more decisive role in the practice's success than it does in a normal business.

So how did I begin to make objects that confronted German tax laws and send them around the world in the hope that they would get stopped at customs?

This book charts that journey, which began with conversations with my bookkeeper in Berlin and ended with an exhibition in the deserts of Qatar.



The Designer

I was born in 1977 in the suburbs of Tel Aviv. In 1986 my parents permanently relocated our family to London, where I lived until 2009 when I moved to Berlin.

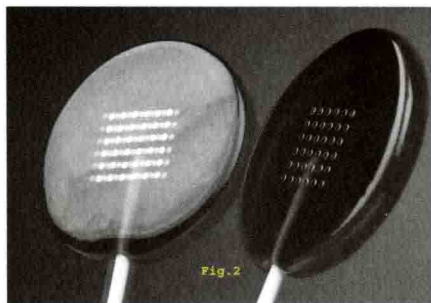


Fig. 2

Beta Tank

I began Beta Tank, a conceptual product design practice, directly after my graduation from the Royal College of Art. Each project at Beta Tank is self-initiated, with research used only as a starting point—a project's end is never known. What I do know is that I like to leave a trail of objects behind and whenever I come to a realization, I like to encapsulate that realization in an object—a kind of

physical place marker for my thoughts.

Beta Tank's first project, *Sensory Substitution* (2008), looked at human visual perception and how and why we see things. Paola Antonelli, who was putting together the "Design and the Elastic Mind" show at the Museum of Modern Art in New York City, was a supporter of the project and eventually invited Beta Tank to participate in the exhibition. We made a series of objects for the MoMA exhibition utilizing

a technology that allows the brain to receive images from senses other than the eyes. These lollipop-shaped objects contain a USB connector that enables a person to download an image onto the lollipop, using it to see with their tongue.

Taxing Art is Beta Tank's second project. Unlike *Sensory Substitution*, it started as a commission for Design Miami / Basel 2010.

Fig. 2 A model of the Eye Candy lollipop, which puts images in the mind using sensors on the tongue. This object is now in the permanent collection at the Museum of Modern Art in New York.

Fig. 1

The Thought Bubble, an object commissioned for the Deitch Art Parade in New York in 2000, which was canceled due to Hurricane Hanna.



Fig. 2

Working in Berlin

When I decided to relocate from London to Berlin, I was in for a shock; in comparison to the laid back business attitude in the U.K., Germany has extremely tight regulations and controls in place.

In Germany a person can only work as a freelancer if they are working for more than one client. Also, health insurance is compulsory and costs between 200 € and 300 € a month for a healthy 30 year old.

A robust legal framework ensures a high standard of German business ethics. Every service provider, for example, is required to be transparent about who they are and accountable for what they provide, resulting in the Impressum page on German websites which contains detailed information about the people behind the advertised service. During my first year in Berlin I refused to register Beta Tank as a German company; it was just too hard to communicate with the authorities. But after a year, I had no choice; it was required by law.

This business environment produces a surprisingly relaxed attitude towards money—but the downside is that most companies are unwilling to produce anything outside their comfort zone or anything with a tight deadline. For Beta Tank this situation is a nightmare; every Beta Tank project involves producing unique objects and that requires imaginative flexibility from manufacturers. There is only one art fabricator in Berlin. Unfortunately its prices are too high for fabricating design objects. The exception to this is a metal workshop in Berlin-Wedding called Uzuner Edelstahlverarbeitung who are extremely accommodating and produce high quality and complicated objects for us.

Fig.1 The Mind Chair Polyprop uses sensory substitution technology in an attempt to visualize the potential for this technology to be used in an everyday environment, such as a classroom. On this particular project, Beta Tank collaborated with Peter Marigold.

Fig.2 The Mind Chair is a reconstruction of the original sensory substitution made in 1969 by Paul Bach-y-Rita. Back then they used a dentist chair.

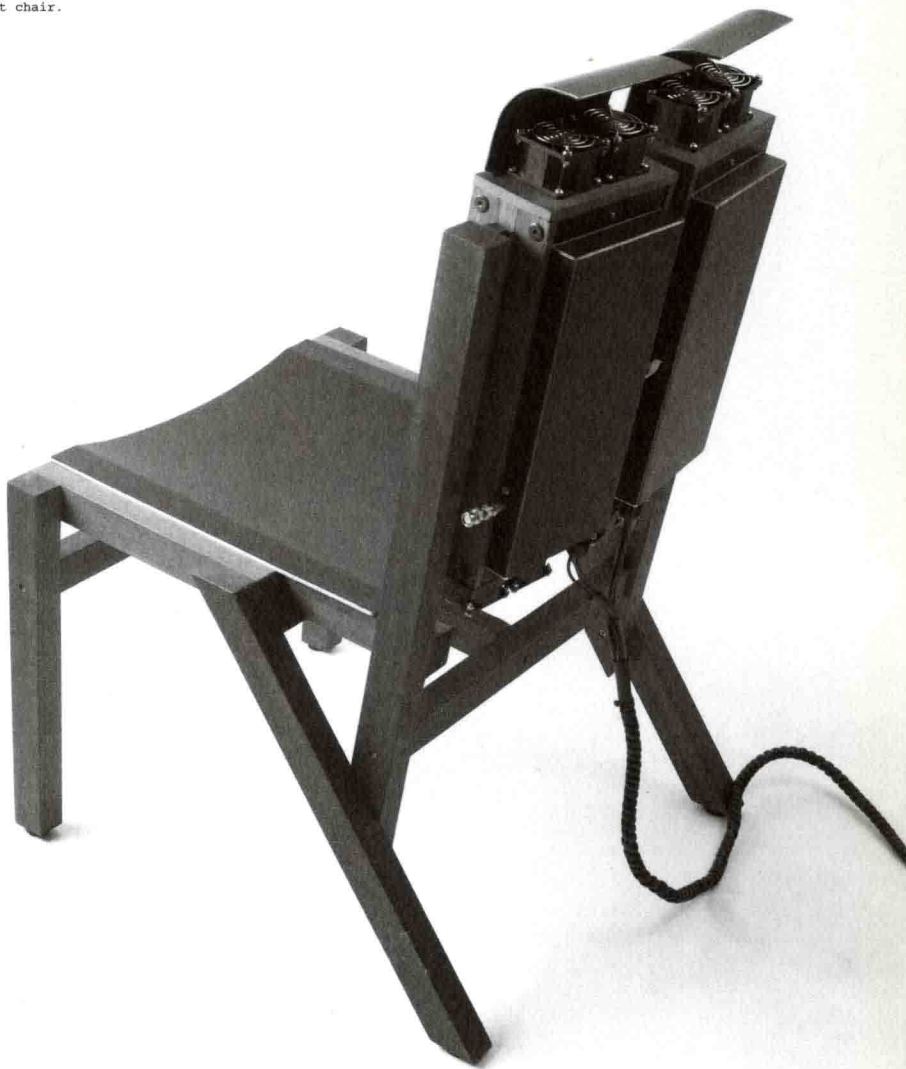
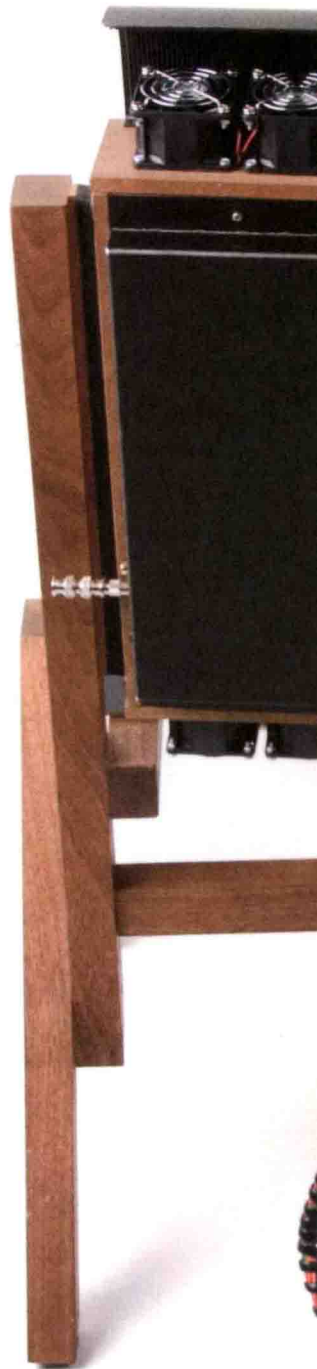


Fig.2





Taxes in Berlin

Ultimately there were many little events—conversations, arguments, assumptions, interpretations, and misunderstandings—that lead me to take a closer look at taxes.

In London I spoke with my accountant about four times a year but in Berlin we had weekly chats—and of course one really big chat towards the end of the month because I had to pay the previous month's Value Added Tax, or VAT, meaning that the entire accounting needed to be done every month.

I have acquired an appreciation for this monthly system. I am, for instance, able to remember exactly what receipts were for rather than trying to remember why I purchased something a year ago. At the beginning, however,

my former business partner, Michele Gauler, was in charge of the bureaucratic section of the company and I was left out of the conversations between the accountant, bookkeeper, and our local tax authority. I did, however, learn about what fines we had to pay, which objects we purchased that were not accepted as expenses, and the monthly costs of accounting. All of this created friction in the company; we were making the same type of objects in Berlin that we had made in London, but for some reason we were having a harder time with the authorities.

It was Michele who realized that the tax system is more than just a nuisance—it is a very interesting phenomena that represents German culture and assumptions about fairness and competition.

In January 2006, the United Nations' organization for education, science, culture, and communication will award Berlin the title of "City of Design."

UNESCO has appointed Berlin as the first city in continental Europe—to the Creative Cities Network under the framework of UNESCO's Global Alliance for Cultural Diversity.

The Accountant

The accountant plays a large (and sometimes quite expensive) role in almost every business in Germany. A couple of years ago, as part of a Camper store pitch in Berlin, I went into a Camper store and bought a pair of shoes so that I could get a sense of the rhythm in the store and experience the service. The shoe was

Beta Tank's accounting bill ranges from 5% to 10% of its monthly turnover, a figure that is similar to many freelance designers in Berlin.

then used as a prop in the photo shoot for the pitch presentation. I was not successful in getting the pitch, but I handed in the receipt for the shoes to my bookkeeper. A couple of days later I received a call from my accountant asking me in detail about the shoes. It was obvious that I couldn't just expense any purchase, but even after explaining their use, I could not con-

vince my accountant that the shoes would not be used by me at some point in the future. Because of this they would have to be entered into the company accounts as an owner's loan of shoes to the company. This taught me that it made sense to speak with the accountant before making a new object.

Beta Tank produced a series of objects called *Memory*

Stücks for the 2009 DMY Berlin Design Festival.

These objects were equipped with USB sticks that carry their digital memories. The *Memory Stücks* are individual, handmade, and limited in quantity. Our accountant informed me that they must be sold at a 7% VAT rate—a fact that had more implications than I initially thought.

It is very difficult to find an English-speaking accountant in Berlin and the tax authorities do not like it when you hand in receipts from clients that are written in English.

I would love to say that my understating of this subject has improved greatly and that by researching this topic I have found solace in the knowledge that there is some sense attributed to how goods are classified and taxed. Frankly, I found it much simpler to grapple with neuroscience and the issues surrounding perception than to decipher the almost endless amounts of information, rules, and annexes in the

world of taxation. I want to make it clear that I am by no means qualified to explain these concepts. I am simply discussing the problems faced when running a creative business inside the European Union, as I understand them; I still constantly ask my accountant for VAT advice.

VAT and Import Duties

The EU VAT Directive, the common VAT framework set up by the European Union, must be followed by all EU member states. In broad terms, it allows for two rates of VAT: a reduced rate and a normal rate. The reduced rate must not be less than 5% and the normal rate must not be less than 15%. Within this framework, each country is free to apply these rates at their discretion. In Germany, for example, works of art purchased directly from the artist incur the reduced 7% VAT rate.

The framework was set up to insure that competition is maintained between the EU member states but on an international level things are very different; every country has different import duties and it is not easy to find out what the rates are. The Harmonized Com-

modity Description and Coding System (HS) is the one uniting factor for about 150 countries. It is a list of roughly 10,000 entries that cover between 50 million to 100 million goods. It has the legal status of a convention and has been in effect since January 1, 1988. It does not mean that all these countries have common tariffs—it just means that they at least all agree on the goods classifications.

In turn, the EU has a list called The Combined Nomenclature (CN), which is taken in full from the HS list. I became very familiar with this list while working on this project. Each time I exported my objects they would change from one classification to another. As I moved from Europe through Asia and then to the Middle East, the classifications became exceedingly confusing.

nomenclatura
"calling of names,"
from nomenclator
"namer," from nomen
"name" + calator
"caller, crier,"
from calare "call
out"

The U.K. negotiated with the EU to enable art sold in the U.K. to be charged at 2.5%. Consequently, the U.K. accounts for 40% of all the EU art sales.