

Tax justice as an alternative to public service cuts

On 27-28 May 2010, the EPSU Executive Committee approved a Tax Justice Charter.

(10 June 2010) The charter calls for a European positive strategy for fair taxation as part of a balanced response to halt the headlong rush into needless austerity.

Progressive and sufficient taxation is essential to finance quality public services for all and to redistribute income and wealth in society.

The government's austerity responses that will suck demand out of the economy, fail to support the jobless and put at risk of poverty public sector employees, will also reduce tax revenues. Yet tax revenues are essential to tackle public sector deficits.

Job and wage cuts in the public sector that includes tax collection services will make it near impossible to reclaim uncollected tax that represents at least 250 Billion € in Europe, a third of the EU stabilization mechanism.

In the EU, the steady decline in top personal and corporate income tax rates since 2000 must be put to a halt. Average corporate tax is now below the rates in Japan and the US. Surprisingly, environmental taxes are also on a downward trend. In contrast, tax rate on labour remains stable and indirect tax, whereby the rich and poor pay the same % of tax (eg VAT), is on the increase.

In brief, the less well off pay more tax, proportionately, than the well-off in the EU.

EPSU calls for 5 areas of action to reverse the negative trends and support the EU social model, in combination with closing tax heavens and fighting corruption:

1. Direct progressive taxation as the rule: As a matter of urgency, the appropriate level of and balance between direct, progressive and indirect taxes must be revised in favour of the former. The principle whereby the more you earn the more you pay tax should guide taxation policy, including environmental taxes, across Europe;

2. EU common strategy to increase tax on corporate profits: large companies have

benefited the most from the internal market, a fairer return of profits to society makes social and economic sense;

3. Corporate social responsibility starts with paying tax: Large corporations and wealthy individuals have been evading taxes, employing an army of advisors to find loopholes. An obligation for multinational companies to provide details in their annual reports of activities, revenue and taxes paid per country would be a first step in the right direction;

4. Tax on all financial transactions: EPSU strongly supports the campaign by the ETUC, amongst others, for a Tobin, or Robin Hood, tax as a tool to yield substantial revenues and regulate financial transactions, the large majority of which are not re-injected in the real economy. By definition, it should be a global tax, but as first step the EU could become the first Tobin Tax zone;

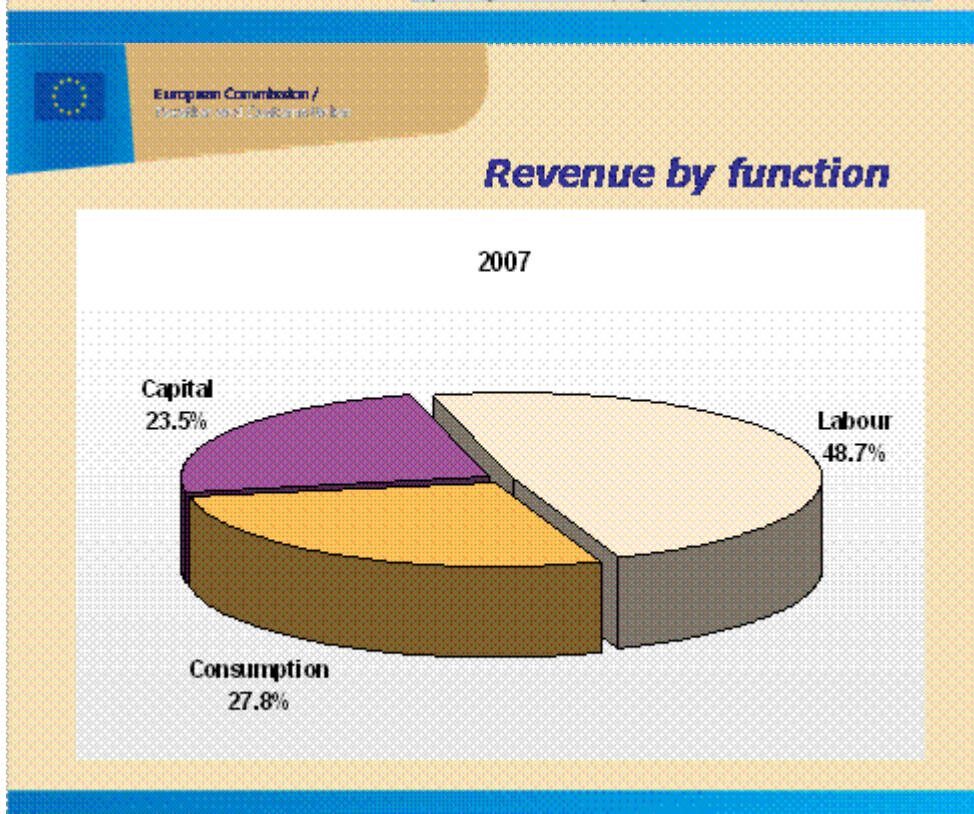
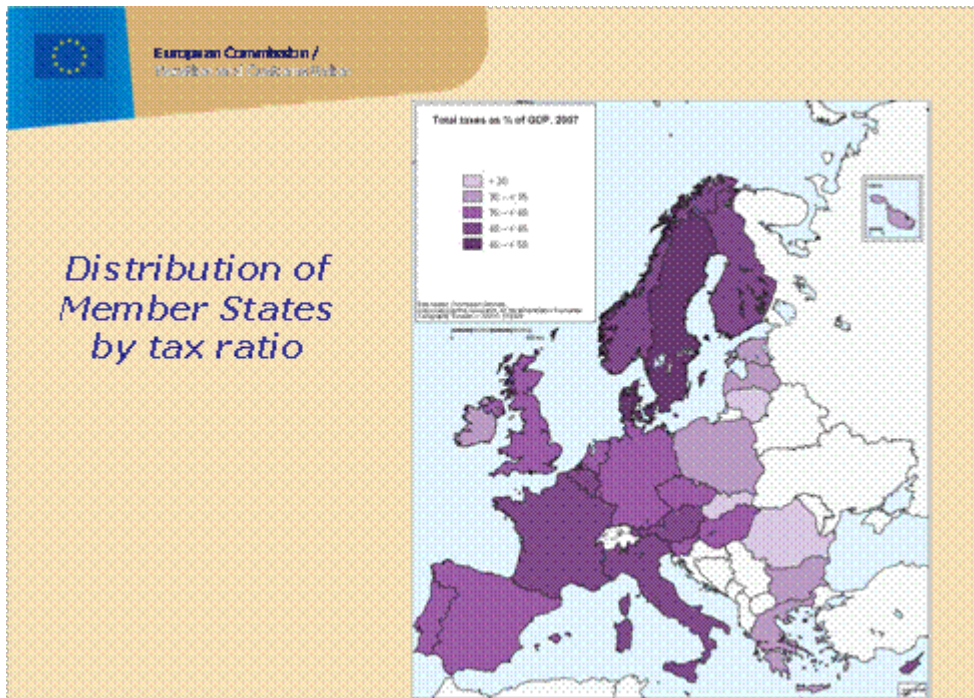
5. Good tax governance: Administration cooperation, transparency, fair tax competition are key ingredients. But the best governance model in taxation is one that acknowledges and strengthens public services. Additional measures should include a dialogue between the trade unions and Ministers of Finance, Commission and Parliament on macroeconomic policy, public budgets (sustainable public finance) and public deficits, and private household debt; recognition of the key role tax collection services play and the establishment of an EU anti- tax fraud agency.

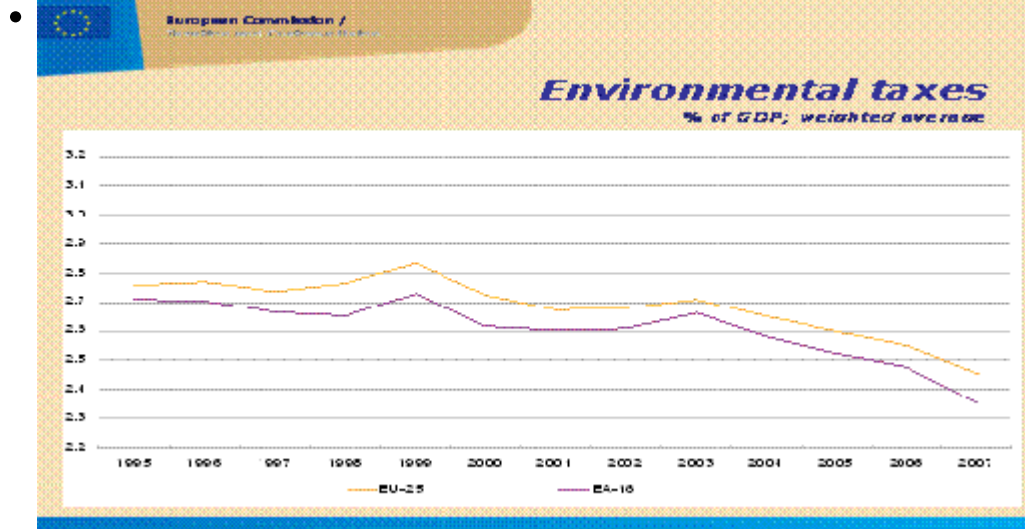
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Graphs on taxation trends, source: European Commission, 2009 taxation trends report - click to enlarge





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