

## Taxes in Europe: the lost trillion



(1st June 2015) Public services will only work if there is money to run them, and tax is the blood running through them.

It seems this blood is no longer flowing sufficiently as Europe's tax collection is going backwards. "Building awareness of tax justice" was the aim of a meeting held recently in Madrid, by EPSU, the Spanish trade union of public services (UGT-FSP) and War on Want. They were addressing the need of corporate transparency and that tax should be spent to reduce inequality and to fund universal public services.

### **Cutting numbers of tax staff**

Despite strong verbal commitments from governments on tackling tax evasion and avoidance, austerity policies mean that the resources to do so is being reduced. The European Commission has made recommendations to at least 15 countries on the need to improve tax compliance. However, the number of people to carry out these

recommendations has been sharply cut. Throughout Europe there has been a 20 % cut into the number of employees in the tax administration, meaning a total of 56.865 jobs have been lost.

The shortage of staff has led to a failure to collect the taxes that are due, and damaged the service provided to the public. The cuts are also having an impact on morale in the tax authorities.

### **Losing public money**

The European Commission has emphasized that the consequences of tax evasion and tax avoidance go far beyond their impact on government finances. A study from 2012 estimates annual losses in potential tax revenue to be in the scale of a stunning 1 trillion euro. Businesses find themselves at a competitive disadvantage compared to their counterparts that engage in tax avoidance schemes. Tax dodgers also contribute to give the honest citizen a heavier burden, in terms of tax hikes and spending cuts to compensate for unpaid taxes.

### **All about attitude**

- There is a mental gap between what we want and what we need, says Magdalena Alvarez, tax inspector and former minister for Public Infrastructures in Spain. She is talking about the way people regard taxes.

- Some people want to, but cannot commit tax fraud, while others can, but will not do it, says Alvarez.

The former minister suggests we need to start building a positive attitude even among children.

- If you were to ask the children in school what they would like their country to be like, you would get some sense of it being a safe and fair place for everyone. Next you ask them how we are going to pay for it being this fair and safe place, she says.

That way we can explain the cost of public services. It could build a deeper understanding of taxes being a very big gain for each and every one of us.

- When you don't pay taxes, you cheat your neighbour – and for every person who does that, the public welfare services become a bit poorer, Alvarez adds.

### **Creating inequality**

According to Oxfam (the Oxford committee for Famine Relief), the recovery of tax

collecting is an important step on the way to achieving social justice. They find that 7 out of 10 Europeans live in a country where inequality has increased over the last few years.

- Tax justice equals social justice, says Susan Ruiz from Oxfam.

See also: [Unhappy meal - report on McDonalds tax avoidance](#)

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