Tax Justice vs. more just taxation

The following contains principles and criteria in form of theses, adopted by the participants in the “Tax Justice & Poverty” Project.

1 General guidelines

(1) Among human capital, social capital, natural capital and financial capital, the latter has to be placed into a serving, position once more as a means, serving to the end of an economical order orientated towards the end of increasing the Common Good of All. Within such transition processes, taxation plays a role, for example, businesses using Common Good balance sheets could receive tax concessions.

(2) Many of today’s “fashionable” reform proposals and voluntary initiatives based within the present neoliberal ideology (Corporate Social Responsibility, Social Impact Investment, activities of charitable or non-profit foundations…) do not convince us since on balance their emphasis still seems to be on the preservation of privileges of those profiting from the present status quo. And yet: there are admittedly better ways to reduce inequality and poverty than taxation, even within the present economical order, e.g. fairer trade relations or a stronger role of trade unions representing labour vis a vis employer or capital.

(3) Given the plurality of world views in today’s societies, agreement is first needed regarding as to who is responsible for what in society: (a.) the market(s), (b.) the state, (c.) CSOs/civil society and (d.) private initiative of families and individuals. Conflicts arising in view of regulation and taxation are dependent of positions taken here.

(4) Competitive capitalism made “competitive” thinking enter areas where it should not be at home. This calls for pushing back competition where it hurts the Common Good and replace it with stronger cooperative efforts, including efforts to enforce legitimate tax claims.

(5) Competitive Capitalism increases market failures and inequality among market participants, distorts market access and the distribution of gains and profits. Taxes are among those instruments to regulate market activities and to cushion their negative social and ecological consequences, e.g. by protecting own industries and markets (developing countries!), collecting fair taxes from all (including removal of disadvantages from SMEs as opposed to MNEs!), improving market access of market player by improving education and training. Pigovian taxes may negatively, direct subsidies may positively advance the transformation of the competitive/free market economy towards a socio-ecological market economy.

(6) Inequality may be acceptable as far as development improves indeed qualitatively and sustainably the situation of present and future generations. Inequality turns bad where some are left behind, social and income mobility no longer works and/or where the privileged position of some expands its dominant influence also via the open or hidden manipulation of political power. This endangers social cohesion and democratic participation of equal citizens in view of determining the nature of the Common Good

of All. Here the state is called to intervene, e.g. by imposing taxation decreasing asset concentration in the hands of few, inequality and power-imbalance.

(7) The Common Good of all grows in an acceptable manner only if it increases fairly and sustainably the qualitative wellbeing of each individual. In order to secure that, a minimum bottom line should be agreed and implemented on the background of growing consensus regarding minimum standards arising from Human and Basic Social Rights, SDGs, "Happiness Economics" etc.…

(8) Today it is no longer adequate to think the Common Good of All nationally. The emergence of a Global Network Society, making traditional borders redundant when it comes to migration, volatility of global financial markets, crime, terror, climate change etc., calls for a new way of thinking, because borders are powerless against those phenomena – they at bests keep them out of sight for a short moment while its destabilizing potential keeps growing. Today's challenges imply that the Common Good must be thought globally and call for new forms of international governance and solidarity. Here, taxation and tax cooperation can play a role also in view of combating root causes of the problems mentioned.

(9) Combating such global and "borderless threats" require a pooling of resources between countries. Here, the Principle of Common but Differentiated Responsibilities should apply in many ways because developed states have more potential to contribute to solutions than developing states. This could mean that changes in the economic system or trade may justifiably put a higher burden upon wealthy nations, even that tax revenue collected in wealthy states may be spent on projects inside poor countries. Here, policy coherence is called from within governments, e.g. between Ministries for Development and Finance.

(10) This is even more justified, given the extent of historically grown privileges and advantages of developed states, depriving developing countries after political independence of financial independence. By assisting developing countries in their effort to fight Illicit Financial Flows and/or to collect their fair share of taxes wealthy states could make up for this injustice and put them on their own feet.

(11) Determining a "more just taxation" is a complex situational and conceptual "composite". It requires careful empirical analysis and assessment and draws from different concepts of justice: most importantly social and distributional justice, but also legal, commutative, contributive, ecological, intergenerational, international legal and restorative/retributive/corrective justice. This cautions against too much emphasis on theoretical reflection.

2 Specific guidelines and criteria

(12) Since we suggest starting with the identification of unjust situations, especially the following may be considered, whereby the potential for agreement is likely to decrease from top to bottom:

- Illicit, immoral and illegal offenses against existing laws (e.g. hiding wealth assets in Tax Havens, aggressive tax avoidance, tax evasion, tax fraud…).
- Unequal distribution of the total burden of taxes and mandatory Social Security Contributions.

- Offenses against equality and fairness in tax policy, laws and tax administration (e.g. transparency, checks and auditing).
- Offenses against the Principle of Ability to pay with consequential concentration of income and wealth as well as economical, financial, social and political power.
- Unequal living conditions and, from there, arising inequality in social and income mobility.

(13) Prioritize the enforcement of existing laws (by combating misuse and offenses and enforcement of legitimate claims) over the introduction of new laws.

(14) A just and fair tax is characterized by being passed by (a.) legitimate authorities, there needs to be (b.) a recognizable link to the common good and it (c.) should not put an disproportionate burden upon the poor and/or be proportional to everybody's ability to pay (impact assessment). These three aspects require corresponding underlying requirements, arising from the citizens' entitlement to participate in the writing of laws, which can be secured (d.) via hearings and periodical elections. Tax law formulation and administration needs to be (e.) transparent in terms of procedures, input into policy formulation ("legal footprint") and administration (insight into financial situations of tax subjects, auditing), (f.) ambiguity in legal terminology needs to be avoided (to lower risk of misuse) and (g.) there need to be adequate provisions and means right from the beginning for checks and controls, securing everybody's contribution to his/her abilities and excluding tax evasion ("The Principle of Enforceability").

(15) Simple tax laws seem to be impossible to define, or they offend against requirements of justice by ignoring individual situations. Rather, simplification of tax procedures should be aimed for.

(16) Sharing insights arising from improvements in the exchange of information and international cooperation is precondition for reconsidering tax rebates and privileges given over past decades to private and corporate wealth holder since relocation of assets is made more difficult.

(17) Increase transparency of wealth holder by striking a better balance between justified privacy interests and the public interest in a fair burden sharing. Distinguish between the right to intimacy and privacy on the one hand, and the social impact of decisions taken by individuals, i.e. where the behaviour of wealth holder impacts upon society and the wellbeing of its members.

(18) Taxation should not endanger jobs. Regarding "hard-to-tax" areas and on balance, scarce resources should be spent on enforcing justified claims towards wealth holders rather than on getting the informal economy into the tax net, since the latter is a way for many to find employment.

(19) Conversely: If machines replace jobs, a machine tax should be imposed whose revenue may fund the support of the unemployed.

(20) If people, their dignity, capabilities, labour and quality of life have priority over capital, growth, goods and economic gains, this implies the abrogation of tax privileges for capital as opposed to taxing wages and salaries.

(21) Tax privileges should be removed where they unjustifiably diminish the tax base of private and corporate wealth holder. If justifications exist, direct subsidies are

preferable to tax exemptions since the former are transparent and verifiable, the latter are non-transparent regarding the extent of tax losses.

(22) The Principle of Horizontal and Vertical Equity in combination with the Principle of Ability to Pay require that the equal is taxed equally and the unequal is taxed unequally. Since nobodys wealth is merely accumulated by individual effort, but always implies contributions from society (infrastructure, public education, institutional safeguars) and social groups (especially labour), a higher taxation of “unearned” income is justified as opposed to earned income from labour.

(23) Since wealth assets privilege its owner by its sheer possession and awards a number of options ordinary citizens do not have, it distorts principles of democratic equality. Here adequate, even expropriating taxation is called for to reduce the gap in wealth and undue socio-political influence in society.

(24) The entire burden arising from tax ***and*** mandatory Social Security Contributions should be distributed fairly in accordance to the Principle of Ability to pay. Regarding the support of low income households, income tax allowances are preferable to the payment of social welfare support. While there is tax relief, but no relief in the payment of mandatory SSCs, low income households are inadequately burdened here and corrections are needed.

(25) Progressive direct taxation on income and mandatory Social Security Contributions seem, on balance, to be more adequate under a justice perspective than alternatives (flat taxes, indirect taxes on consumption, private options…).

(26) Taxation should also be considered as a way to change behavior, e.g.: prompt private initiative to donate or endow more, or prompt corporate initiative to reduce “Silent Reserves” by investing more in the real economy, paying better wages or doing more for ecologically sustainable production.

(27) In order to secure tax honesty of all, a higher number of checks and audits is needed towards those who submit their own tax declaration (self-employed, wealth holder, businesses) and who most likely reduce their tax base with the help of professional advisors.

(28) In developing countries, corruption seems to be among the biggest obstacles against tax honesty. Fighting corruption implies paying attractive remuneration packages as well as elaborated systems of transparency, checks and balances. To the extent that citizens perceive that the state makes good use of tax revenue, their identification with state institutions will grow alongside their willingness to participate in administrating their Common Good of All.

(29) Because there are so many gaps and deficits in the national and international enforcement of tax laws, the provider of leaked data uncovering aggressive tax avoidance and evasions (“Whistleblower”) should be protected, not punished. Their deeds may be illegal or immoral, but the preceding, even larger illegal and immoral deeds of some with its impact upon the many justify that.