No Welfare without taxes

Elena Granaglia

The Future of Social Protection and of the Welfare State in the EU

Rome, January 18th

The main point

The double dividend of the Social Investment State (SIS)

Yet, the need of taxation

- to raise the resources to finance social expenditure
    - also in the SIS perspective
    - new social risks (double transition, demography..)
- to reduce inequalities and poverty

Some evidence

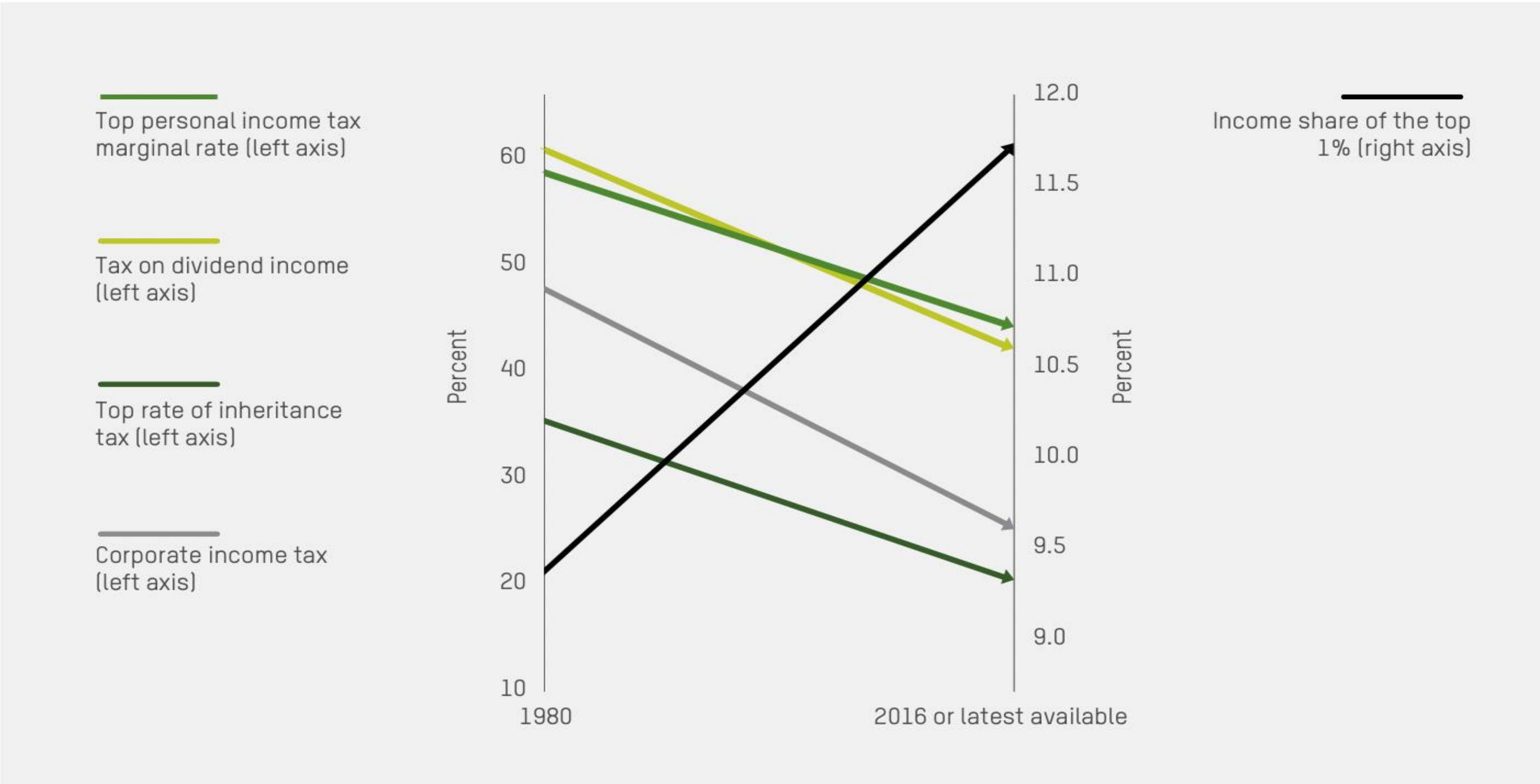
Yes, the high (and stable) fiscal burden = 41.7% of GDP

Yes, the new constraints posed by globalization and technological change (ie intangible assets and the difficulties to determine the tax jurisdiction where value is created)

Yet, many shortcomings to tackle

Loss of progressivity

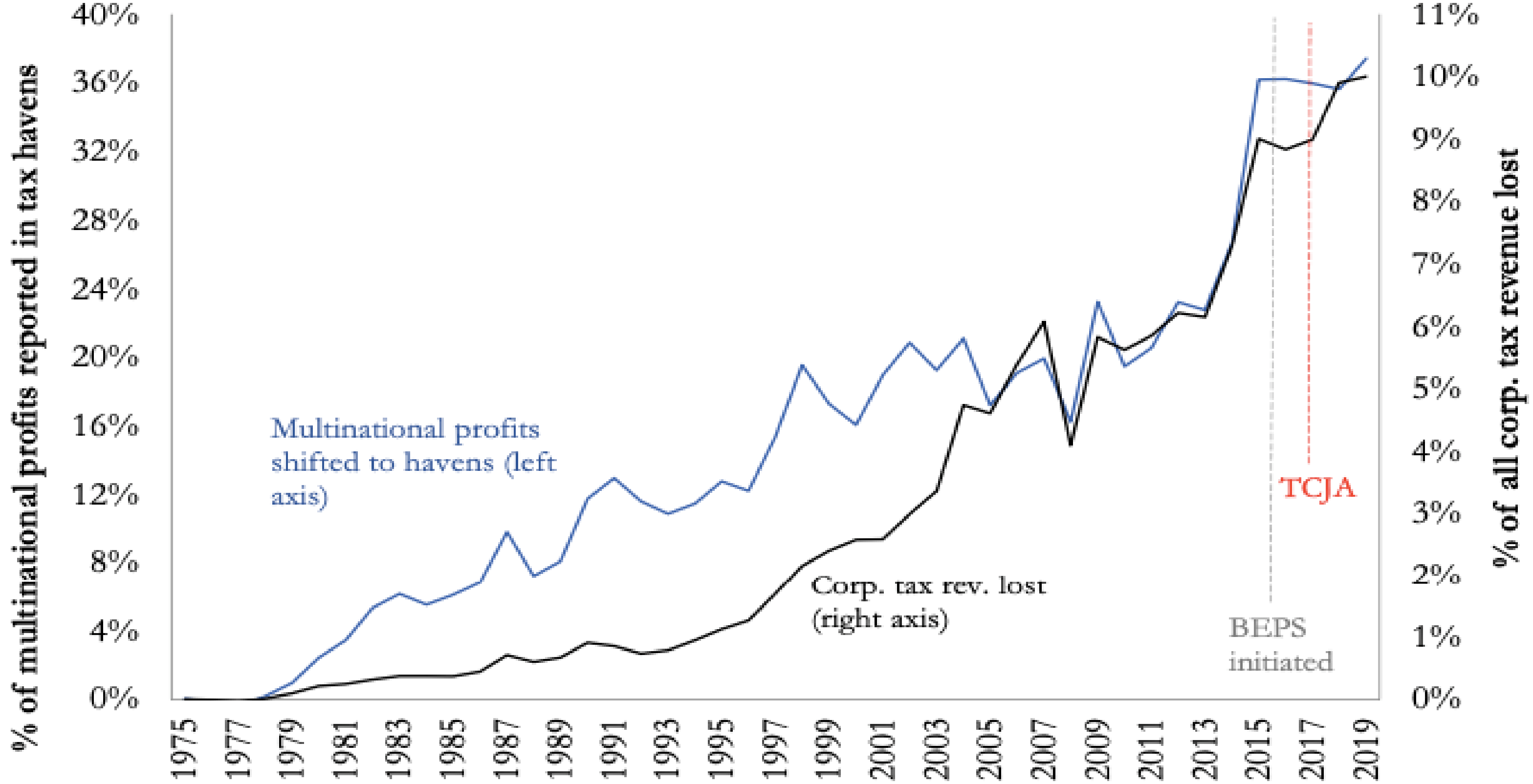
FIGURE 8 IN RICH COUNTRIES, FALLING RATES OF TAX ON THE RICH HAVE COINCIDED WITH A RISING SHARE OF INCOME GOING TO THE TOP 1%



Source: Oxfam calculation based on data from the World Inequality Lab, IMF, OECD, and Scheve and Stasavage (2016).[121]

Loss of revenues (Weir, Zucman, 2022)

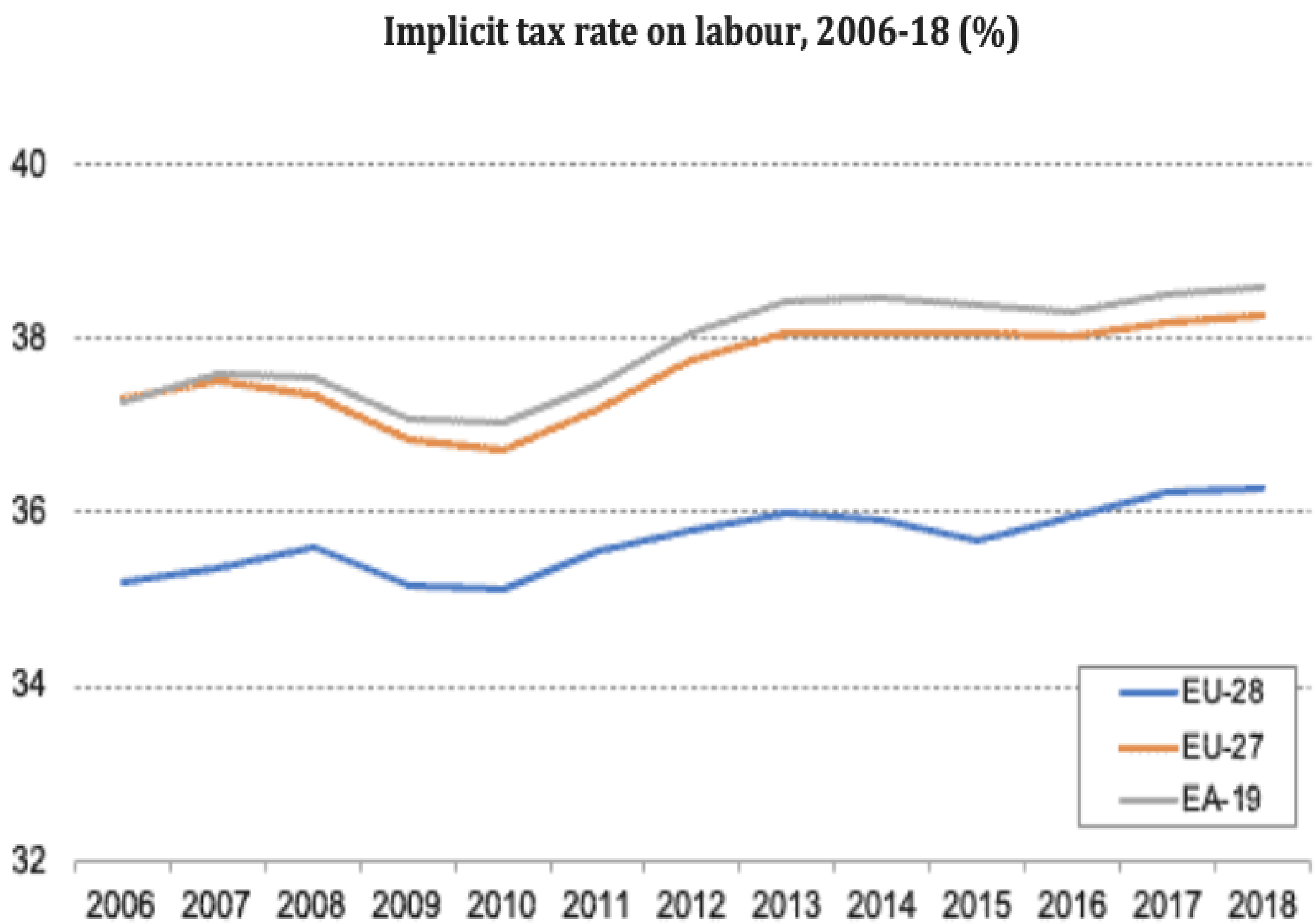
Figure 4: Multinational profits shifted to tax havens and corporate tax loss, 1975–2019



Note: the blue line (left axis) shows the share of multinational profits (as defined in the text) shifted to tax havens. This share increased from about 2% in the late 1970s to about 37% in 2019. The black line (right axis) shows our estimate of the amount of corporate tax revenue lost due to profit shifting globally, expressed as fraction of global corporate tax receipts.

Source: for 1975–2015: Tørsløv et al. (2022a), Data Appendix Table C7; for 2016–19 figures: Data Appendix, Table 1.

Increasing taxation of labor



What to do at the Eu level?

UE as «hosting environment» (Hemerijck) also from a tax side

- fighting aggressive tax competition
- strenghening EU revenues to finance EU measures (Sure, Social fund, Just transition fund...)

(the next Eu election)

What to do at the Eu level?

The HLG recommendations

- binding rules against aggressive tax competition
    - ie against preferential treatments for high income taxpayers

- Framework for Income Taxation Benefit (BEFIT)
    - to introduce a single corporate tax rulebook for the EU, also preventing abusive use of shell companies;
    - to have a fairer allocation of taxing rights between Member States;
    - to reduce compliance costs and create a coherent approach to business taxation throughout the EU
    - to tackle the debt-equity bias

- reinforcing CbCR

- fighting tax evasion (as well as double taxation)
    - directive on cooperative administration (DAC)

What to do at the Eu level?

- environmental taxation
- exploring new avenues of taxation
  - on financial transactions
  - on excess profits

What to do at the national level?

The HLG recommendations

- revising personal taxation
  - widen the tax base, reducing tax breaks (horizontal and vertical fairness)
- rethinking the tax mix
  - less income taxation and more wealth taxation?
- fighting tax evasion

The Italian situation