

## FINANCING SOCIAL SECURITY THROUGH CONSUMPTION WITHOUT INCREASING THE COST OF LIVING - IT'S POSSIBLE (2005)

In Belgium, the parties on the Left consider a consumption tax, as an alternative means of financing social security, to be **inegalitarian**.

At first sight, the reasoning appears sound : at the end of the month, those with low incomes will have spent everything, while those with more will still have something left in their bank accounts. Proportionally, therefore, the poorer appear to contribute more.

This is why the VIVANT model is proposing not only a tax on products to finance social security, but also, necessarily linked with that :

- A Basic Income (BI) for everyone, to help the least favoured to balance their budget at the end of the month. This BI can even be seen as a kind of monthly reverse tax.
- A Consumption Tax (CT) that varies according to the nature of the product : products of first necessity will be taxed at a low rate.
- A different system of taxation (regarding tax on natural persons).

In addition, the unemployment rate would be much reduced by the introduction of the system.

Where the argument of the left-wing parties falls down is that it does not take sufficient account of a series of parameters :

1. In the final analysis it is always the consumer who pays, since the costs of the corporations (production costs) are reflected in sales prices.
2. What is changed in the system proposed is :
  - a. that the financing (of social security) is spread : instead of being concentrated on labour, it is spread over all consumption
  - b. Production costs go down because labour is no longer taxed
  - c. Costs go down also for the consumer, because the consumption tax is a percentage of a reduced sales price.

Furthermore, only goods are taxed (**note 1**); services, which represent 70% of transactions in Europe, cost much less (**note 2**) and this decrease amply compensates for the increase in taxation on those goods that are not of first necessity or which cause pollution (**note 3**).

In addition, income tax does not apply to incomes below €1 350 per month – which is an advantage for those on lower incomes.

**The inegalitarian argument thus loses its pertinence.** Services are cheaper and couples are not taxed on the first €2 700 of their incomes, which is good for their purchasing power.

People more comfortably off pay a higher rate of consumption tax through the luxury goods they buy and income tax of 50% on the part of their incomes that exceeds €1 350 per month.

That results in a maximum rate of about 29% on incomes of €3 000 per month (**note 4**).

This income tax is not progressive (its rate does not increase); it does follow increases in income.

### Note 1

**When building a house**, the main cost is labour.

In the new system (VIVANT's socio-economic model), the tax on labour disappears while taxes on machine-produced goods go up – so that the overall cost of the house remains unchanged.

For VIVANT, respect for people implies not taxing their labour, but rather what machines produce. **Machines will in this way give freedom to people rather than deprive them of their jobs.**

**Note 2**

**A consultation with a general medical practitioner** at present costs about €20; in this fee the doctor includes his taxes and social security contributions.

In the new system the consultation will cost only about €10, which saves money both for the patient and for the Social Security system.

**Note 3**

**CONSUMPTION TAX RATES (%)**

<b>FOOD :</b>	
FOODSTUFFS	50
RESTAURANTS	20
<b>Sub-total : 38%</b>	
<b>DRUGS :</b>	
ALCOHOLIC DRINKS	70
MEDICAMENTS	50
HEALTH CARE	0
TOBACCO	70
<b>Sub-total : 37%</b>	
<b>ENVIRONMENT</b>	
FURNISHINGS	50
EQUIPMENT	50
HEATING (gas-electricity)	70
ENTERTAINING	50
WATER	70
ELECTRICITY	70
HOUSE MAINTENANCE	0
CLOTHING	50
BOOKS, MAGAZINES	50
BUILDING MATERIALS	60
DOMESTIC STAFF	0
BUILDERS' SERVICES	0
FINANCIAL SERVICES	20
<b>Sub-total : 42%</b>	
<b>COMMUNICATIONS</b>	
PURCHASE OF VEHICLES	50
FUEL FOR VEHICLES	70
VEHICLE MAINTENANCE	20
TELECOMMUNICATIONS	50
AIR TRANSPORT	50
PUBLIC TRANSPORT	0
<b>Sub-total : 56%</b>	
<b>GENERAL TOTAL : 42%</b>	

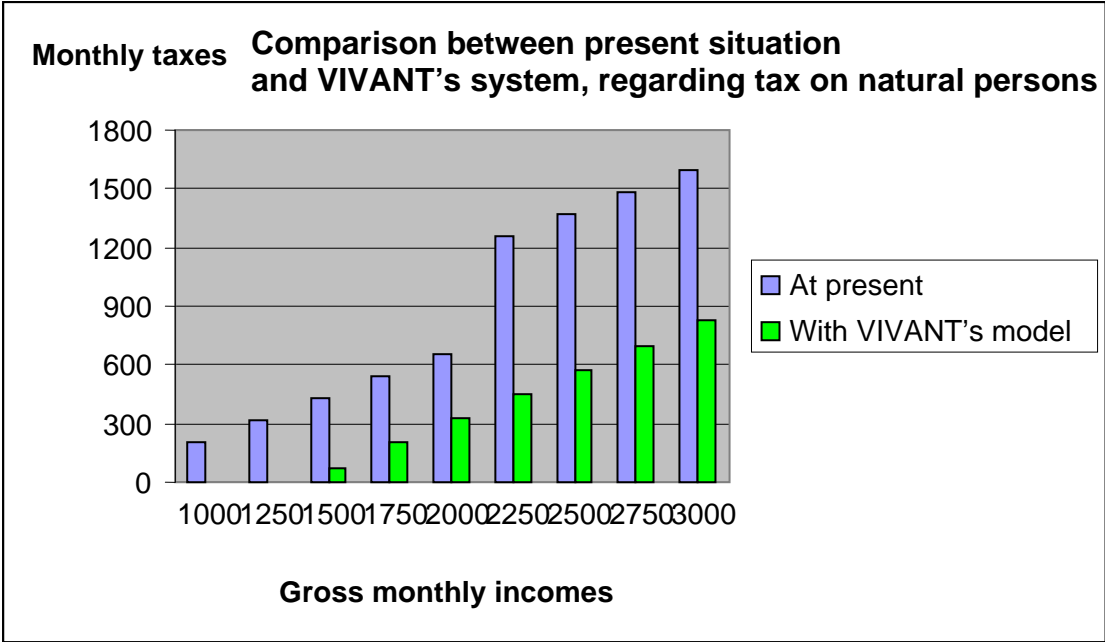
In this list of items, with one exception, only goods are taxed. Services, such as those relating to health care, house maintenance and cleaning, are zero-rated. The sole exception are the financial services.

**At present, tax on labour adds about 50% to the cost of goods. The mean rate of 42% CT in the new system, calculated on the cost without this tax on labour, will not, therefore, increase the cost of living.**

**Note 4**

**COMPARATIVE TABLE**

**In this example (VIVANT), net monthly income equals gross monthly income less monthly taxes**



**Conclusion**

**This system of income tax is less onerous.**

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