

2. SOCIAL VAT : FALSE DEBATE* TRUE SOLUTION

* not to confuse rates and absolute figures

I. FALSE DEBATE

1° what is proposed is **not a tax on value added but a Social Contribution on Consumption** : SCC (collected, it's true, at the same time as Value-Added Tax and calculated on the same base), to **replace social contributions on work** the latter being abolished (see arguments below)

2° **it is a rate, a percentage** and what counts is the price paid by the consumer. Thus, if the base on which the calculation is made goes down the final result may be unchanged or even go down even if the rate applied goes up. E.g.-

Price net of VAT : $100 + \text{VAT } 21\% = 121$

Price net of VAT : $60 + \text{SCC } 50\% = 90$

If production costs go down as they will if the cost of work is reduced through the abolition of social contributions based on work purchasing prices will also go down, even with a higher rate of tax or contribution collected.

3° in a debate one should first define the context and the objectives

Context :

- **Funding social security**, i.e. social redistribution, **is an enormous load** carried almost exclusively by workers who are properly declared : those who work pay for those who don't work; the ever-dwindling number of workers are bled individually and increasingly to pay for the ever-growing number of non-workers (from the cradle to the grave, including the unemployed, the unemployable, the sick, the retired, &c..).
- **This system is mathematically unviable, profoundly unfair** for those who work, employers as well as employees, and quite absurd economically since it kills the job market, encouraging people to set up activities abroad rather than at home.
- Considerable **levels** of unemployment caused by business shifting abroad, with psychological, social and financial consequences.
- A social redistribution system **which taxes unearned income** at 15% and earned income at 55%!

Objectives :

- To provide each citizen with the means of living decently and a sufficient guaranteed **minimum income**.
(there are three legitimate sources of income : work, the fruits of capital and benefits coming from wealth redistribution)
- To give **preference to income from work**, and to that end &
- **To reinvigorate the job market** by reducing the cost of labour
- **To reduce the load of redistribution**, and above all &
- **To spread this load across the whole population** instead of putting it only on the shoulders of those work.

II TRUE SOLUTION

- Social contributions raised on the rewards of labour are collected at the very source of income, which **obliges the employer to advance or lend to the State large sums** that he can get back only when the product is sold. This leads to bankruptcies and migration of production, and kills employment.
- **It is not possible to tax unearned income at source** it disappears in tax havens.
- There is only one solution and **that is to make everyone participate in the social redistribution process** : through consumption when money comes out of the woodwork.
- The SCC rate can be tuned according to various criteria : necessary products environmental impact imports (3).

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