

EAPN PAPER ON

WEALTH, TAX AND REDISTRIBUTION

Fighting poverty by achieving a better sharing of wealth, opportunities and resources – an Explainer of EAPN’s value on wealth and redistribution

EAPN VALUES

EXPLAINER #2



EUROPEAN ANTI POVERTY NETWORK



BACKGROUND

The European Union is suffering the burden of the Covid-19 pandemic. One of the outcomes of this pandemic is that poor people become even more poor and excluded. We also see how loneliness, depression, fear for the future and despair is growing.

One would not expect this to have an immediate connection to wealth. But wealth and health are linked, as people become depressed and feel left alone - because they are not in a position to spend money or order food online. On the contrary a lot of people in poverty rely on foodbanks to feed their families. A lock down is different in a 100m² house than it is in a 52m² flat. It is different when there is a well-functioning internet and a decent computer, or none. Looking at groups that are already in a vulnerable position, like people with disabilities, older adults, people with substance abuse problems or people excluded for another reason, you can imagine how it is to be locked in your own house, without the normal household help, support and care. The situation is even worse for people without a house. A Covid-19 semi or full lockdown is a

disaster that those living in wealth cannot imagine.

BETTER SHARE WEALTH, OPPORTUNITIES AND RESOURCES

This pandemic makes us realise the importance of the value of the European Anti-Poverty Network (EAPN) to 'better share wealth, opportunities and resources'. This Explainer shows what EAPN means by this.

The damaging effects of a growing gap between poor and rich have also been repeatedly expressed by the delegates of the European Meetings of People Experiencing Poverty, who have criticized **"that the matter of fair distribution plays a marginal role on the political agenda."** Although signs of incre-

asing consciousness about the negative impact of growing social polarization have been seen since the financial and economic crisis in 2008, and are also backed up by research (World Social Report, UN DESA² / OECD study³), there is a lack of serious debate on this issue. In fact there is not one country in the EU which has taken effective and

serious measures to reduce wealth and income inequality as a consequence of the 2008 crisis. On the contrary, the Covid-19 pandemic can again be expected to increase the gap between the rich and poor, especially if austerity measures are introduced in order to repay Covid-19 related loans.

WHAT IS EAPN?

The European Anti-Poverty Network is the largest platform of anti-poverty organisations in Europe, representing more than 6000 organisations across 32 countries, working with and for people with direct experience of poverty. EAPN gives people experiencing poverty and exclusion a face and a voice and promotes participation of people experiencing poverty on all levels. In the period 2019 – 2021 we are creating a series a short documents to translate our values and statements into accessible analysis documents, for our members, staff,

WORKING WITH AND FOR PEOPLE WITH DIRECT EXPERIENCE OF POVERTY

partners, advocacy targets and those who are interested in our work. This paper focuses on our value that it is possible “to achieve a better sharing of wealth, opportunities and resources.” This explainer aims to build on EAPN’s existing positions and invite and encourage internal debate and further streams of work on these issues.

1 6th European Meeting of People Experiencing Poverty, Conference report, p. 10.

2 <https://news.un.org/en/story/2020/01/1055681>

3 <https://www6.wsws.org/en/articles/2011/01/oecd-j08.html>

EAPN VALUES

We believe that poverty and social exclusion:

- are a denial of fundamental human rights and thus a failure to respect and protect human dignity;
- arise from complex and multidimensional processes that cannot be dealt with in isolation or on the margins.

WE BELIEVE:

- in the possibility to achieve a better sharing of wealth, opportunities and resources;
- in gender equality;
- that people have the right to influence and participate in the decisions that affect them and to have their views and experiences listened to and acted on;

- in respect for cultural and religious diversity and non-discrimination on the grounds of sex, racial or ethnic origin, religion or belief, disability, age, sexual orientation or social origin;
- in the organisation of our work in a democratic and transparent way;
- in seeking to work in partnership with other actors sharing a common vision including actors within; state authorities, public sector bodies, European Union Institutions and with trade unions and employers and with other NGOs;
- in the independence of Non-Governmental Organisations (NGOs).



WHY DO WE NEED TO ACHIEVE A BETTER SHARING OF WEALTH, OPPORTUNITIES AND RESOURCES?

The overall persistent high level of poverty in the EU suggests that poverty is primarily the consequence of the way society is organised and resources are allocated. Looking at daily reality we see that wealth is not fairly distributed. During the Covid-19 pandemic poor people got poorer, whilst billionaires have become richer than ever, according to a report by the Swiss bank UBS and accountancy firm PwC⁴. The wealth of 2.000 billionaires, which together account for about 98% of the wealth of all billionaires, grew by more than 25% during the Covid-19 pandemic. Another remarkable fact is that most EU Members States do not have a sufficient Minimum Income scheme to prevent poverty^{5/6}. Take also into account that many national governments are fighting each other by using taxes as a tool, lowering

taxes for companies to get them on board. And let us not forget that even within the EU we see tax havens to evade taxes. Tax is used to compete instead of creating a good social environment. Progressive taxation is the key to a better sharing of wealth and resources. Taxes are the lubricant for the governments to make

THIS IS A QUESTION OF SOCIAL, ECONOMIC AND TAX JUSTICE

things happen. Without taxes there are no schools, no hospitals, no fire brigades, no police, no roads, no water systems, no public transport and so on. If wealthy individuals and companies evade taxes⁷, funding for the social services enjoyed by all

4 <https://dekritischebelegger.nl/beleggen/personal-finance/miljardairs-werden-nog-rijker-in-de-coronacrisis/>

5 <https://www.eapn.eu/adequate-minimum-income-for-all-the-time-for-eu-action-is-now-eapn-statement/>

6 <https://www.eapn.eu/expert-study-on-a-binding-eu-framework-on-adequate-national-minimum-income-schemes-a-van-lancker-a-aranguiz-h-verschueren/>

7 <https://www.ozy.com/around-the-world/worlds-biggest-corporate-tax-haven-its-no-paradise-island/87954/>

members of society will suffer. Let us not forget when companies evade taxes, fair competition is undermined. This extra burden is on the small and medium sized companies who employ a lot of workers, who pay their social contributions and taxes, whilst others use the unpaid taxes to expand and monopolize. There is a need to end tax loopholes and special arrangements to save taxes for certain companies or even persons. This is a question of social, economic and tax justice, as the Dutch journalist and historian Rutger Bregman stated at the World Economic Forum In Davos, Switzerland, in 2019⁸.

This situation – persistent levels of poverty, increasing wealth, increasing inequalities and unjust taxation systems throughout Europe – must change, in order to avoid that the already high level of people at risk of poverty will increase further. Investing in statutory Minimum Income and statutory Minimum Wages is a great way to support the real economy – poor people spend money!

We also want to take up what the Treaty of Maastricht states:

“Promoting economic and social progress and achieving balanced and sustainable development, in particular by creating an area without internal borders, strengthening economic and social cohesion and creating an economic and monetary union which ultimately includes a single currency in accordance with the provisions of this Treaty”.

Using money to increase low incomes, as shown in Germany, immediately influences the economy positively. As the DGB (German trade union) stated, a rise of the statutory minimum wage of 0,50 Eurocent per hour would have an immediate impact on the purchasing power of **5 billion Euro**. This money is spent quickly and locally and would be helpful to keep jobs intact and create new ones.

⁸ <https://www.youtube.com/watch?v=paaen3b44XY>

Talking about a fair(er) distribution of wealth means also promoting tax justice⁹. This will include:

- Progressive taxation of income and wealth of individuals and corporations, property and inheritance tax and elimination of tax avoidance and tax evasion
- Minimizing taxes that are regressive for low income people, including value added and other consumer taxes as well as regressive charges for medicines, public transport and learning, culture and leisure services
- Ensuring there is no regressive social impact from environmental taxes
- Generating more tax revenue from undertaxed areas, for example digital tax and financial transactions tax, and leveling the tax liability for digital and 'bricks and mortar' businesses, including small businesses.

NO LONGER CAN THE POOREST 1/6 OF THE POPULATION BE HELD RESPONSIBLE

There is another reason to work on redistribution of wealth and this is directly linked to crises, which hit us each decade. Now the Covid-19 pandemic has an enormous influence on the economy¹⁰. To secure jobs, trillions of Euros are needed and if the pandemic will not be under control soon, this amount might even rise. To pay back all these debts a high level of employment and a -new, different- high level of taxation is needed. No longer can the poorest 1/6 of the population be held responsible, by austerity, to pay for all this¹¹. Governments and EU Institutions must prioritise **a recovery of solidarity and sustainability.**

⁹ <https://www.taxjustice.net/2019/01/23/brexit-and-the-future-of-tax-havens/>

¹⁰ <https://www.eapn.eu/the-impact-of-covid-19-on-people-experiencing-poverty-and-vulnerability-eapn-report/>

¹¹ <https://www.knack.be/nieuws/belgie/corona-heeft-de-ongelijkheid-enkel-groter-gemaakt/article-opinion-1614529.html>

We refer to the Eurodad reaction on the FinCEN files:

“It is still far too easy for fraudsters, criminals and tax evaders to move money through the international system without revealing their identity. Also within the EU, there is still a lot of homework to be done, both in terms of strengthening regulation and implementing the rules that have already been agreed. As step

number one, governments need to ban anonymous shell companies and secret trusts by creating public registers showing who really owns what.”¹²

(FinCEN files: On Sunday 20 September 2020, an international network of over 400 journalists coordinated by the International Consortium of Investigative Journalists released the FinCEN Files – exposing the global movement of illicit financial flows through the international banking system.¹³)

WHAT DOES EAPN UNDERSTAND BY “ACHIEVING A BETTER SHARING OF WEALTH, OPPORTUNITIES AND RESOURCES?”

As outlined above, our analysis is that wealth, opportunities, and resources are currently not distributed equitably throughout Europe, and this distribution has led to unacceptable levels of poverty and inequality.

We understand that there are other ways of sharing wealth, opportunities and resources. Ways which could lead to more just and more equal societies, with less concentration of wealth, lower levels of poverty and better provision of and access to social services. EAPN understands

¹² https://www.eurodad.org/eurodad_fincenfiles_reaction

¹³ https://www.eurodad.org/tax_justice

that societies that have progressive taxation systems that contribute to social justice and promote and enable high social quality are well equipped to achieve a better sharing of wealth, opportunities and resources.

We know that inequality is at the heart of this question, and a better sharing of wealth and resources would go a long way to tackling rising levels of inequality, as well as providing sustainable finance for universal provision of services such as health, education and social protection.

EAPN KEY MESSAGES

To start with, public budgets need to be strengthened. The financial regulative frameworks need to be revisited and improved. Public expenditures need to be examined and where necessary reallocated. Tax systems need to be reshaped, to be more progressive. Independent social audits need to be enhanced. Alongside this EAPN strongly believes in a **different approach of wealth and taxes**.

- **There is need for stronger financial norms and rules¹⁴ to protect the public interest**, with regard to corporate taxation, concessions, public procurements, privatizations, loans & financial balances that currently often privatize

profits while socializing the losses. Building sound financial normative frameworks based on social commitments will contribute to increasing public budgets.

- **We need to re-shape tax systems by better balancing between the interests of different groups in a society.** The EU Member States have different tax systems and not all of them are clearly oriented to cope with income inequalities, poverty and social exclusion. The taxation systems trends in the last decades need to be reconsidered. EAPN considers that clear recommendations for progressive taxation and tax wedges,

WITHOUT FISCAL JUSTICE THERE WILL NEVER BE SOCIAL JUSTICE

higher direct taxes and lower indirect taxation are needed. Such changes to national tax systems could provide meaningful funds for social protection systems. In addition, **a Europe wide financial transaction tax, and meaningful efforts against tax avoidance and evasion** would complement such tax policies and could provide additional funds for social protection systems.

- **We need improved financial control and transparency.** Corrupt practices and illicit financial flows deprive public budgets of revenues needed for social protection. Researchers of offshore cash flows and financial havens link them to the lack of regulations, information (bank secrecy) and knowledge. Vague normative financial frameworks

and 'legal' corruption need decisive counteraction and higher responsibilities of financial ministries and tax authorities.

- **We need harmonization.** Now we have to deal with the European Semester 2020-2030, the EU Green Deal, tax reforms and other reforms. All this immediately hits poor people and low wages¹⁵. It is, for example, of no importance to lower income tax, since low wages do not pay it, or pay low levels. But, seen the state of their houses, they pay a lot for energy and those taxes are important. Bringing regulations together around low wages makes it easier to overview what effects these new rulings have on poverty. EAPN is willing to see how we can pick up this task.

It is very clear that without fiscal justice there will never be social justice. We need to end tax havens, especially within the EU, and to unify, at international level, the criteria for the definition of the term tax haven.

¹⁴ <https://www.taxjustice.net/2019/01/23/brexit-and-the-future-of-tax-havens/>

¹⁵ <https://www.eapn.eu/eapn-reaction-to-european-commissions-communication-a-strong-social-europe-for-just-transitions-eapn/>

EAPN KEY DEMANDS

- **European governments must reform the inheritance tax which favours the rich and wealthy.**

In the years to come a generation-to-generation wealth, company and estate handover will happen. Children will inherit money, houses, companies, shares etc. The total amount is enormous. Through fair taxation, also on property as for on companies and on wealth and shares etc., a reasonable part of this money can become free to use for the overall good.

- **European Governments should reform the tax systems** – favouring progressive taxation of income and wealth of individuals and corporations, and closing loopholes and ending the open doors for tax avoidance and evasion. Again this is no more than fair to those who pay their taxes and contributions to social funds. Ending evasion and loop-

holes will improve competition on the EU internal market¹⁶. Plus, it would help to prevent market monopolization.

- **European Governments should increase the levels of taxation on wealth.**

Nobel prize winner Joseph Stiglitz offers a good reason, when he points out that the income of 90% of the population has come to a standstill. During the last 25 years there is no real increase in income for this part of the population.

- **European Governments should minimise taxes that are regressive on low income people,**

including value added and other consumer taxes as well as regressive charges for medicines, public transport and learning, culture and leisure services.

¹⁶ https://www.diw.de/documents/publikationen/73/diw_01.c.574066.de/dp1711.pdf

¹⁷ <https://www.eapn.eu/wp-content/uploads/2018/07/EAPN-2018-EAPN-reflection-paper-on-Financing-for-Social-Protection.pdf>, p7

■ **European Governments should create a fair competition between themselves by using fair tax systems.**

What we see is that EU Member States use taxes to compete with each other. By lowering the profit tax for example, they invite companies to settle in their country. Other countries take up the same trick and in that way, corporate and profit taxes are lowered step by step. This destroys jobs and is a waste of good tax money.

■ **In connection with the EU Green Deal we also urge the European Union as well as its Member States to begin with the taxation of kerosine and flight tickets,**

whilst ensuring there is no regressive social impact from these taxes. This would be good for the treasuries and for the climate.

■ **European Governments should open the door for the EU to bring forward two, needed, tax systems:**

a. **Taxing the so called Big Tech.**
Those companies who do not pay profit tax in the countries they make their profit. Both the

We also call on the EU to build a new wealth distribution

that will be used to create the Union that from the start, in the Treaty of Rome, had a clear order given in article 48: "The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt the measures necessary in the field of social security to achieve freedom of movement for workers, in particular by establishing a system allowing for salaried migrant workers and their beneficiaries:

- a. that for the purposes of acquiring and retaining entitlement to cash benefits and for the purpose of calculating them, all such periods be added together which are taken into account by the various national laws,
- b. that benefits will be paid to persons residing in the territory of the Member

European Parliament and the OECD have called for a tax of at least 4%.

b. Taxing the financial transactions on the markets. This is a too big step for single Member States to break open this door, but it can be done by the European Union.

- **The EU and its Member States should make sure that public spending on social protection never falls below 35% of the GDP of a country – following our ‘Golden Rule’ proposed in 2018¹⁷.**
- **Both the EU and Member States must commit to avoiding austerity** that damages the social security systems and are paid by the poorest part of the popu-

lation. Instead, we need a fair tax system that not only helps to reduce the states debts, but also reinforces social security systems and leads to an adequate and accessible minimum income for citizens by using the new money coming in. This is not just an investment in their poorest citizens, it is also a strong investment in their economies, since it gives millions of people the possibility to spend money. What the German trade unions make very clear is that each euro invested in a higher minimum income and higher minimum wage immediately influences the economy by a purchasing power of several billions.



CONCLUSION

We urge all, the European Union as well as the Member States, to ensure that new tax income in the Union would not be used to lower Member State contributions or for new schemes, but to use this to support Member States to develop a statutory minimum income of at least 60% of the country's median and an efficient social protection system.

This would strengthen social Europe; it would help prevent a growing number of poor, and it would immediately increase the purchasing power that will positively influence economies and save and create jobs.

We invite EAPN members, national networks, European organisations, but also regional and local working organisations¹⁸ to no longer withhold their opinions on taxes. Taxes are a substantial part of the poverty problem, especially at the moment they are currently not in accordance with solidarity, competition and justice. We urge all to take this

POVERTY MAKES A COUNTRY POOR

on board and bring forward good proposals for change. Fair taxes include the possibility to build on statutory Minimum Income schemes and a fairer distribution of wealth. This is not only fair, but responds to the need for a well-functioning EU internal market, since once the lowest and lower wages rise they will help the economy to recover, prosper and be the motor for the creation of quality jobs. And always bear in mind: **poverty makes a country poor**

¹⁸ <https://www.eapn.eu/voices-of-poverty/>

INFORMATION AND CONTACT

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See all EAPN publications and activities on www.eapn.eu

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