

The Socialist, Ecologist, and Republican Group in the Senate in the face of the crisis :

Fair taxation at the service of an efficient budget

The foundations of our democracy enshrined in the Declaration of the Rights of Man and of the Citizen of 1789 the need for a public contribution, a tax that everyone would pay for the interest of the community.

The latter established the essential principles that still govern taxes in our country today, including equality before the tax according to one's faculties. It is this equality, now called "fiscal justice", which has allowed and still allows to ensure the consent of the French to tax. It is also the rupture of this fiscal justice that has been able in our history to generate social movements, even real revolts.

Consenting to taxation means giving the State and local authorities the means to run our public services, it means protecting citizens, it means organizing the national solidarity that is indispensable for national cohesion. Consenting to taxation is necessary to live together: it is undoubtedly the first civic act accomplished by the taxpayer. That is why the Socialists have never made the compulsory tax rate a sufficient indicator to gauge the policy being pursued.

Indeed, social and economic inequalities tend today, after several years of reduction, to be distributed upwards, weakening a republican pact that is often called into question by generating distortions of treatment that call into question tax justice in certain respects.

It is up to the public authorities and all political formations concerned about the republican and democratic character of our political model to find answers to these new challenges with dramatic and unsustainable medium-term political and social consequences. Our conviction is that redistribution must, more than ever, be a topical issue. It is in this sense that it is possible to formulate proposals that fit into a strong overall logic: **reforming taxation and rethinking the State's budgetary management for more social and fiscal justice and more adequate redistribution.**

Asking the question of taxation today means manipulating very different tools acting on very different fields of public policy. This is, moreover, the problem currently encountered by public authorities. By adding, year after year, bits and pieces of exceptions, sectoral modifications, or new rules, the legibility and overall coherence of the French tax system are widely questioned. This is also one of the factors that generate the feeling of fiscal injustice that is widely experienced by the French people.

A simpler and more progressive taxation of income and assets to be looked for

French taxation should therefore be simplified and made more progressive. The taxation of personal income must therefore be more progressive. **Increasing the number of income tax brackets would make it possible to achieve this objective. Our group has proposed it.** Similarly, on the

taxation of assets, the **reintroduction of taxation on capital, instead of the "ISF" (wealth tax)** As proposed by the Socialist Senators, the "flat tax", as proposed by the Socialist Senators, would allow, beyond its symbolic aspect, to re-establish an equity of tax treatment between taxpayers largely undermined by the IFI and the flat tax, resulting in a taxation of real estate only to the detriment of the middle class in particular and to the benefit of the ultra-rich.

In the same logic, **a complete reform of inheritance tax** is necessary to erase inequalities of treatment, to restore the progressiveness of a system that is only progressive in appearance and, finally, to promote intergenerational transmission. This is the whole purpose of the bill presented by the socialist, ecological and republican Senators. A more linear and fairer system would again make it possible to restore equity of treatment among citizens without the latter having to pay more on average. The challenge of these reforms is not to generate additional revenues for the State but simply to restore the progressive character of our tax system and to strengthen a fiscal justice that has been undermined by the President of the very rich. On the other hand, our group is taking action to strengthen the purchasing power of our fellow citizens: **reforming borrower's insurance, regulating bank charges for the most modest households, and setting a ceiling on basic necessities in the context of the recent health crisis. We believe that a fairer society must provide greater protection for the most fragile.**

Corporate taxation more focused on corporate social responsibility

In the same way, as far as corporate taxation is concerned, continuing to operate with a single corporate tax seems absurd today because of the difference between the companies existing in France. Thus, **the definition of a taxation method that is also progressive, integrating both the profitability of companies, their size and also their social and environmental impact, could be usefully defined, as proposed by the parliamentary groups.** In the same way, it is possible to make progress on the taxation of the digital giants, the famous "GAFAMs", whose activity generates major changes to the economic and social fabric on a global scale. In this respect, it will be necessary to make progress, on an international scale, to define **a taxation system for GAFAMs and other multinational companies that is consistent** with the taxation of traditional companies that exists today, and that does not lead to unfair competition. To this end, we will not be able to do without a **legal definition of stable economic establishment**, which the current government refuses to commit itself to despite proposals from socialist parliamentary groups. Without this, international tax optimization behaviors cannot be stopped. Finally, in order to avoid such behaviour by multinationals, **the tax on financial transactions must be reinforced, as must the taxation of dividend distribution.**

An environmental tax incentive that takes into account the costs incurred by activities

Finally, this raises the issue, fundamental in the 21st century, of so-called environmental taxation.

While the primary purpose of taxation is to free up resources to finance the State, local authorities, social security and, more generally, the public services available to our fellow citizens, it can also play a major incentive role. In environmental matters, our society undoubtedly needs such an orientation today.

If certain substitutable polluting activities should be subject to specific taxation (the unreasonable use of phytosanitary products or home delivery services for example), the entire tax system could incorporate environmental incentives. Thus, for example, individuals declaring their actual expenses as tax

on income can deduct their car travel expenses but not a possible subscription to the train, which is a much less polluting mode of transportation.

Tax "niches": practices to be drastically reduced to strengthen the means of action of the public authorities

In the area of taxation, a wide-ranging reflection on tax expenditures, the "niches", must also be undertaken with firmness. It cannot be a question of increasing the overall level of compulsory levies, but rather of admitting that where there are tax niches, there is necessarily the creation of unequal treatment between taxpayers and a reduction in the State's budgetary resources. If some of these inequalities stem from the willingness of public authorities to put in place incentives that are useful to society, it is absurd to assert that the nearly 500 niches that exist to date fall into this category. Fighting tax niches thus means reinforcing the equal treatment of citizens and businesses in terms of taxation and the efficiency of public management.

Thus, we propose that a tax niche that has not been evaluated for three years and whose positive effects have not been clearly demonstrated or automatically deleted.

In the past, socialist governments, like others, have probably not undertaken structural reforms in the fiscal area in favor of minimal adjustments that have ultimately contributed to unbalancing the very essence of a fiscal system to the detriment of its readability and progressiveness. Today, after decades of such practices, the tax system must be subjected to consistent and coherent overhauls in order to restore fiscal and social justice.

More efficient budget management

Beyond the questions of taxation, it is desirable to go **towards Act 2 of the LOLF**. It is not normal that the State renews expenses whose evaluation is at best incomplete and at worst non-existent. **A general rule** should be established to **abolish measures that have not been evaluated after five years, with greater decision-making power for Parliament and the Court of Auditors in this area**, in order to force the State to carry out such evaluations. The aim should not be to administratively challenge the policy guidelines implemented by parliamentary majorities, but to ensure that the measures taken are subject to a real evaluation of their concrete impacts, in order to strengthen the transparency and effectiveness of the public policies implemented.

The problem of debt management

In terms of debt and deficit, the current health crisis has shattered all our certainties. If recourse to debt, from a Keynesian perspective, is a first-rate counter-cyclical tool whose effectiveness is no longer to be demonstrated, it must today, even more than yesterday, be accompanied by guarantees for the solvency of the State. Indeed, the rise in interest rates by one point costs the State all the more as the level of indebtedness is high today. Thus, limiting the deficit to investment operations would make it possible to use budget leverage effectively without generating induced effects that would be too heavy to bear in the event of an economic downturn with very heavy effects due to the current debt burden. It is from this perspective that **the Socialist and Republican Group of the Senate considers that it is urgent to increase the level of taxation of the wealthiest** (the first percentile) in order to limit this debt while guaranteeing everyone's participation in the necessary financial effort. We have put on the table since the beginning of the containment many proposals in this sense.

In the long run, we will have to ask ourselves whether the logic of the golden rule can be integrated into the public finances of the State. Today, debt payment remains the State's second largest expense, to the detriment of public services and public policies designed to serve the general interest. From 2021 onwards, it will undoubtedly become the largest budget item again. **Moving towards a ban on deficits in government operations would clearly make it possible to return to a more favorable and dynamic budgetary situation, without limiting the government's ability to prepare for the future through productive investment.** The debate on the European constraint of 3 and 60% is, in this respect, a culpable intellectual facility: the problem is not so much that the rule is European as what the accumulation of debt costs the State and by extension the French people.

In the meantime, we oppose the government's weakening of the social budget and the resources of communities. We are opposed to the slightest compensation that has been regularly implemented since the beginning of the five-year period and which has greatly increased following the "yellow vest" crisis and the health crisis.

The establishment of a participatory perspective on budget matters

Finally, in terms of budget, and in a context where a growing number of local authorities are setting an example, such as Paris City Hall, for example, the sanctuarisation of part of the State investment budget in favour of a participatory approach would undoubtedly make it possible to involve citizens more actively and to combat the distance between the public authorities and the population.