



Comments on "Are the Fiscal Responses to the Crisis Increasing Income Inequality and Wealth Disparity?"

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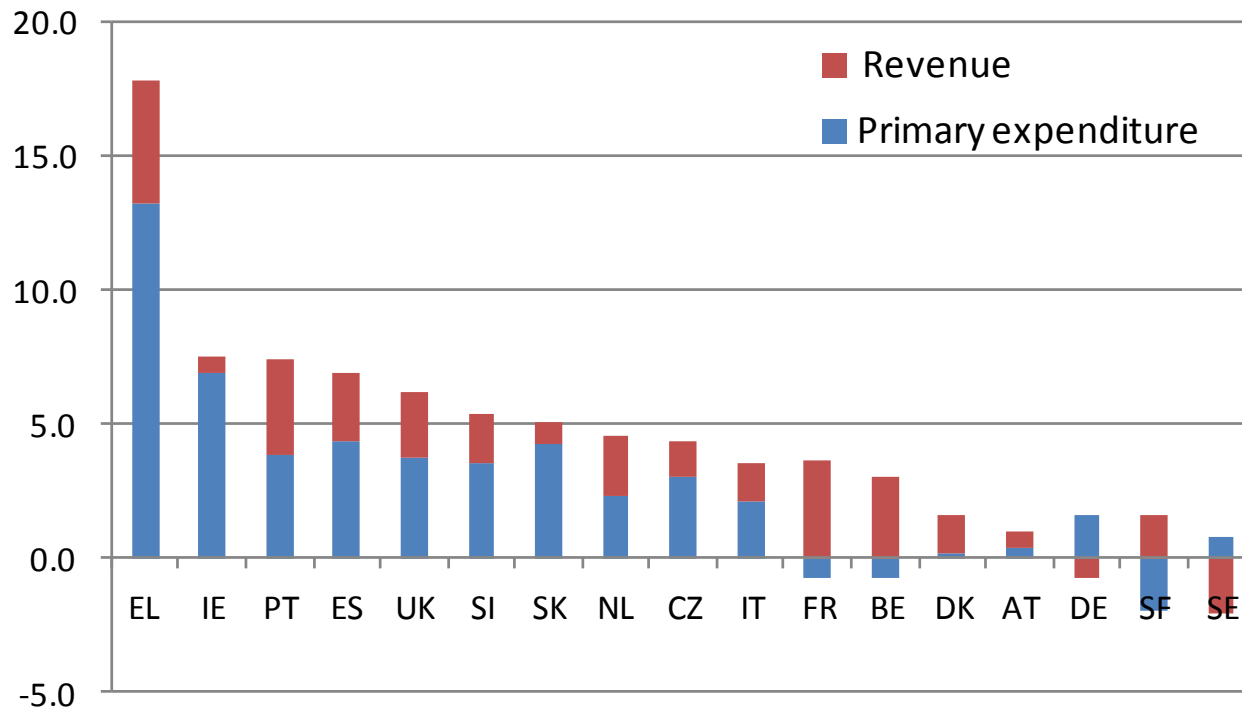
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Disclaimer

The presenter is Head of the Economic Analysis Unit at the European Commission's Directorate-General for Taxation and Customs Union. The views expressed hereafter are the presenter's alone and do not necessarily correspond to those of the European Commission and its Services.

Fiscal consolidation: taxation matters

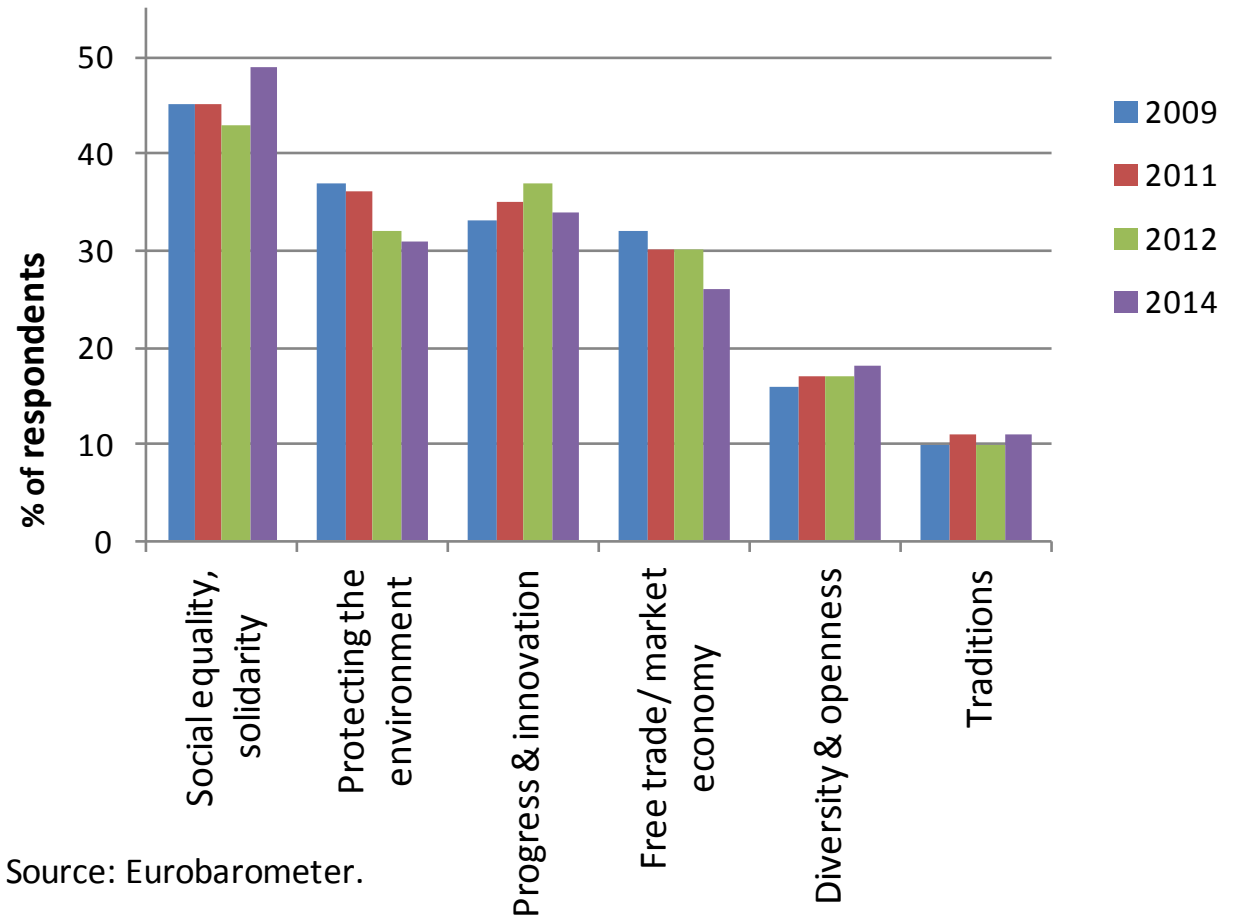
Composition of fiscal adjustment, 2009-2013



Cyclically adjusted figures in % of potential GDP. Source: IMF (2013).

Equity in the focus of EU citizens' concerns

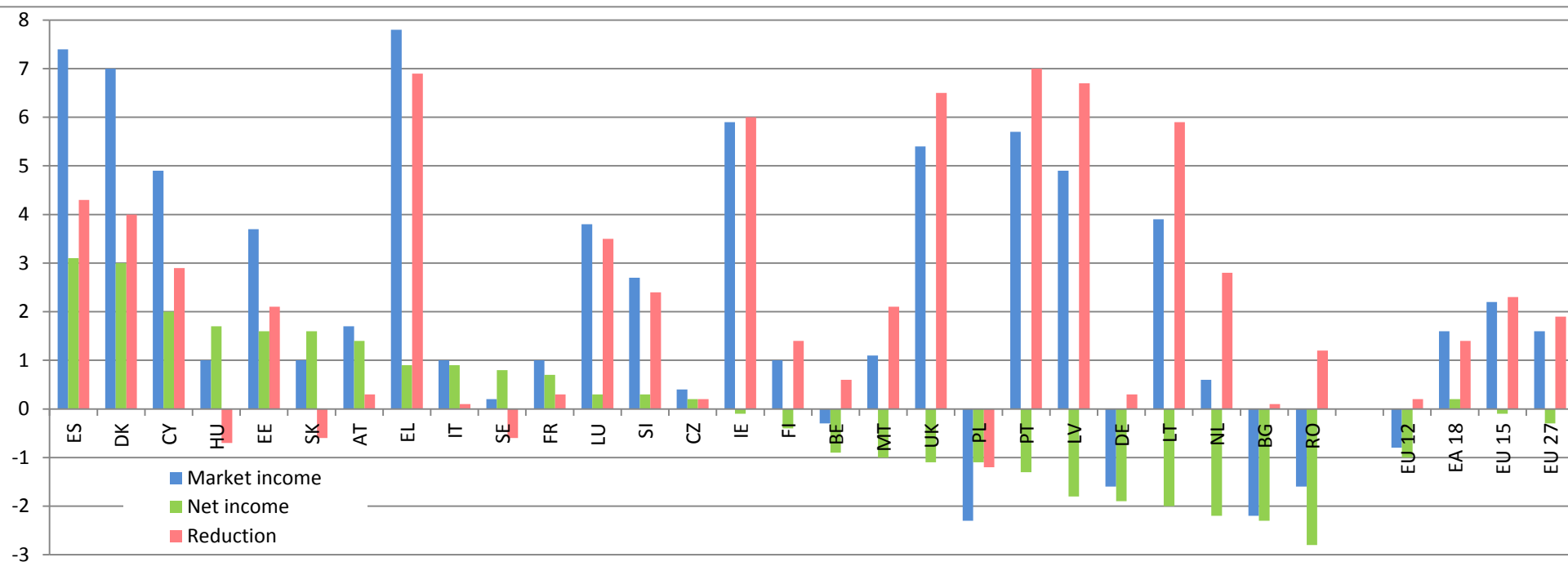
From the following, which two should our society emphasise to face major global challenges?



Source: Eurobarometer.

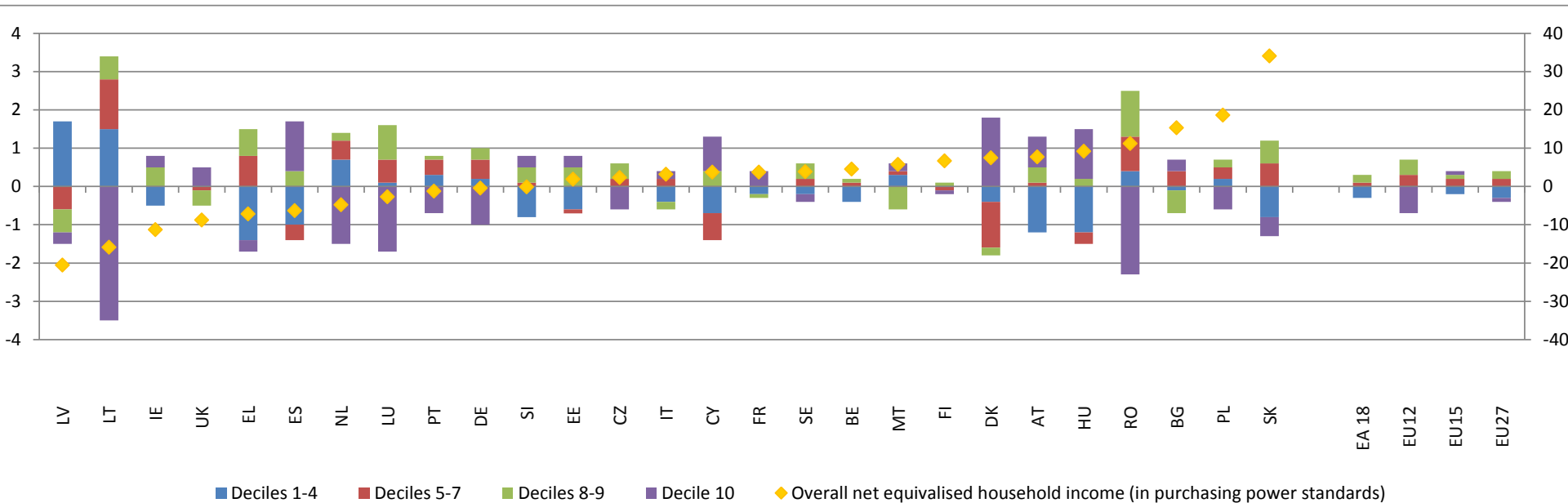
EU welfare states have mitigated inequality during the crisis (to different degrees)

Absolute change in Gini index of market and net income inequality, and inequality reduction through taxes and benefits, 2008-2012



Problem: income losses experienced by many households across the EU

Change in the distribution of total net income across sections of the income distribution (left-hand axis); change in overall net equivalised household income in terms of purchasing power (right-hand axis) in percentage points respectively, 2008-2011.



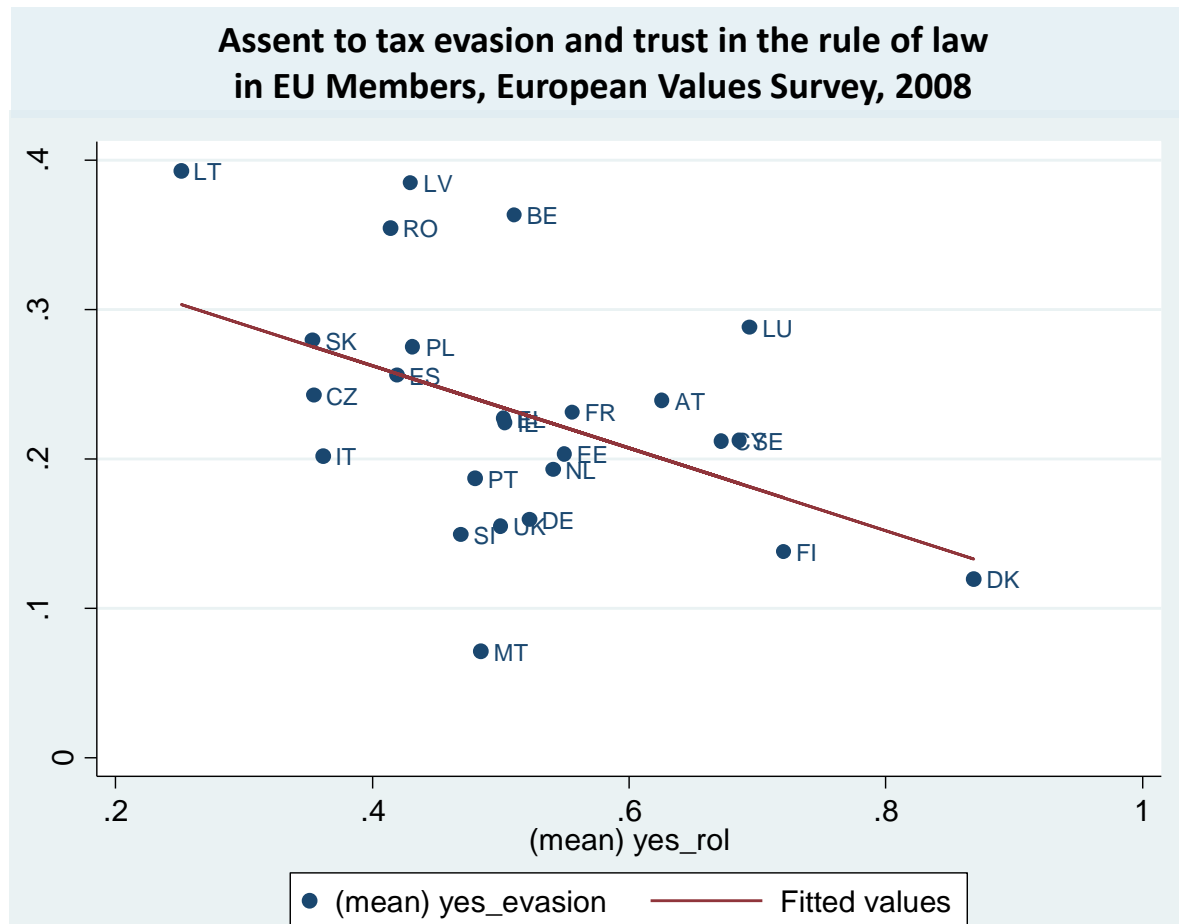
Equity: taxation does play a role

- Taxes matter
 - > income taxation second most important for redistribution in many OECD countries – after pensions (Wang et al., 2012)
- Equity and efficiency: not necessarily a contrast
 - > European Commission (2013)
 - > Ostry et al. / IMF (2014)
- Examples
 - > shift to indirect taxation with compensation measures
 - > improve tax compliance
 - > review tax expenditures – base broadening
 - > equality of opportunity

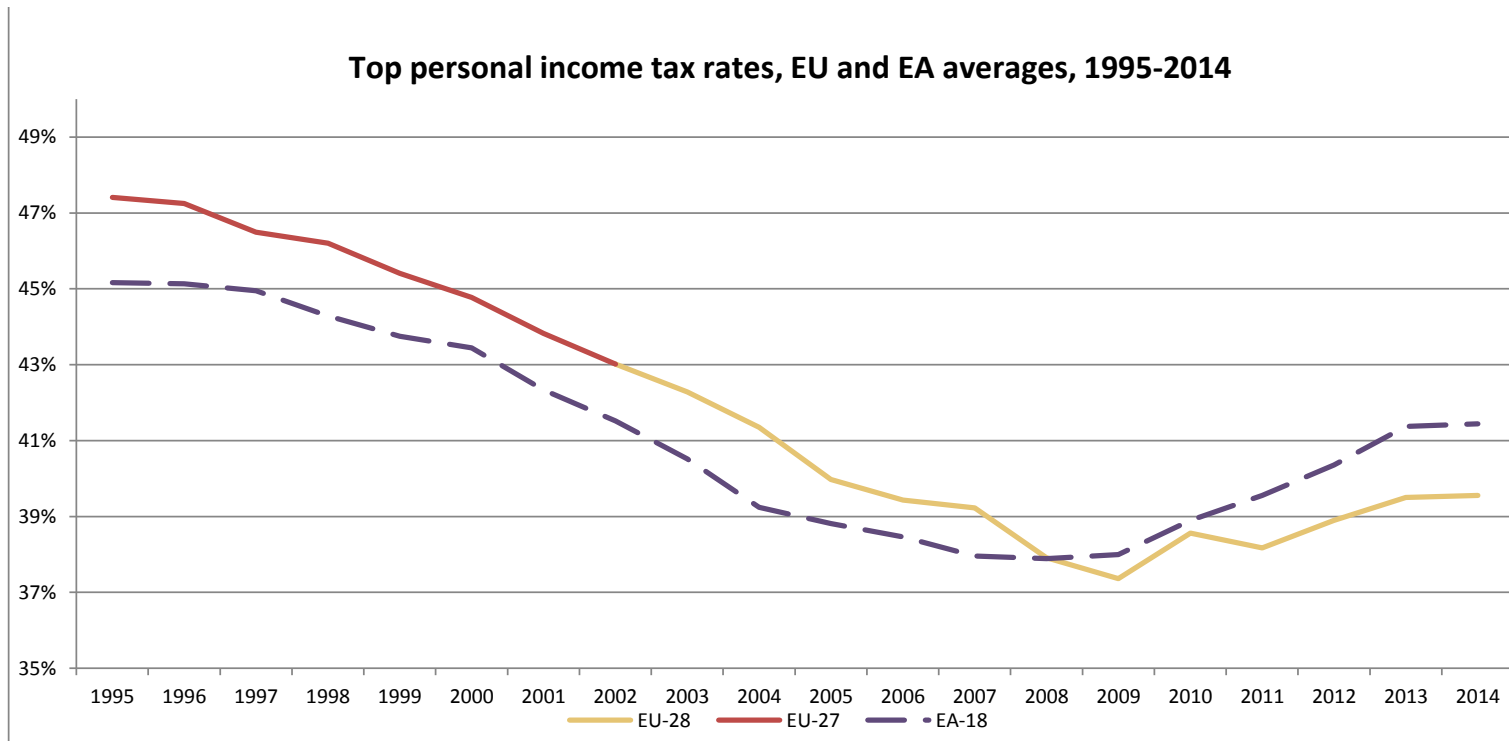
Tax reforms in EU Members

- Tax priorities, 2014 Annual Growth Survey
 1. targeted reduction of the tax burden on labour
 2. shifting taxes from labour
 3. base broadening
 4. increasing compliance
 5. reducing debt bias
- Recent trends in EU Members (inter alia)
 - start to implement targeted labour tax cuts
 - Shift towards less detrimental tax bases
 - Magnitude still limited
 - Half of MS shifted to recurrent immovable property taxes
 - Policies to improve tax compliance

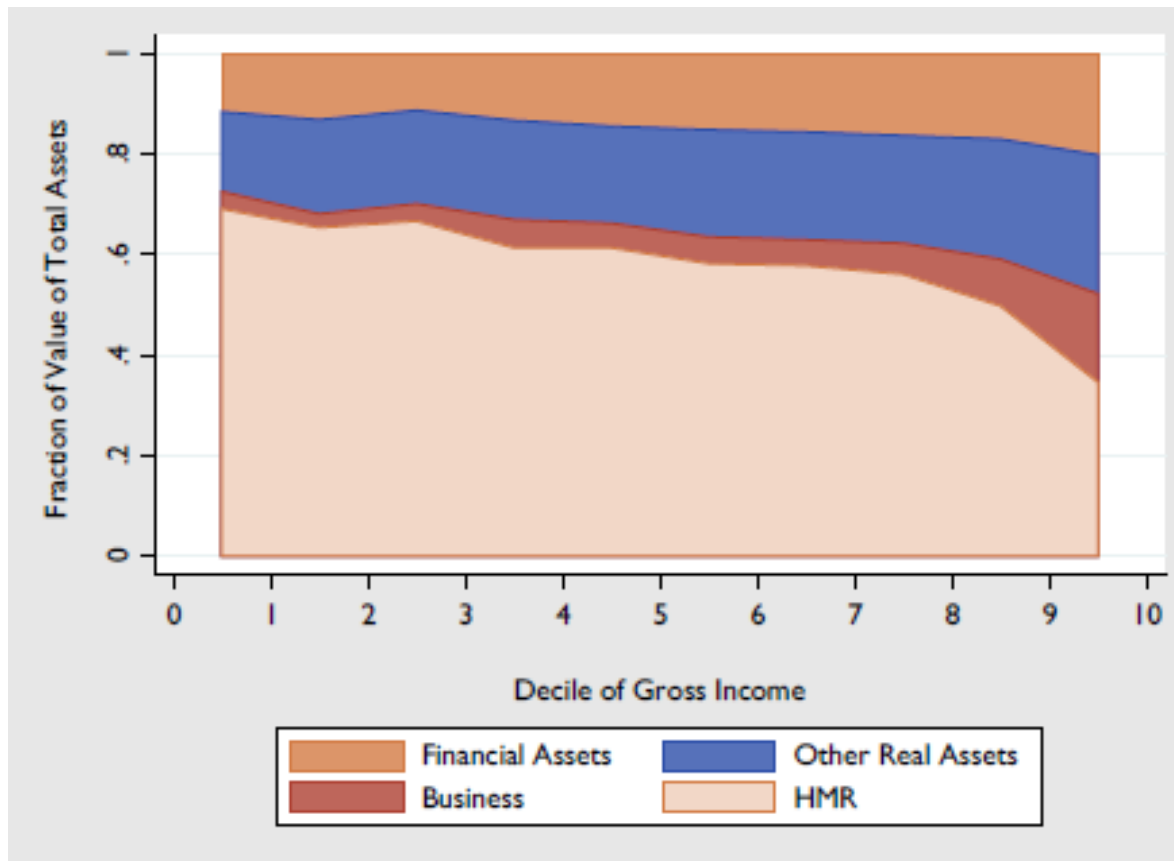
Challenges, #1: Link between compliance and quality of institutions



Challenges, #2: Progressivity of income taxation



Challenges, #3: Wealth distribution and taxation



Thank you

for your attention

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