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About FairTax

Even though tax policies are often thought to exist for the simple purpose of funding government activities, contemporary tax systems are anything but simple. In a subcall under H2020-EURO-SOCIETY-2014, the European Commission, in the aftermath of the 2007/2008 financial crisis and economic recession, expressed concern about the potential consequences of globalisation, internationalisation and human and corporate mobility for national tax systems. To protect a sustainable economic and monetary union in Europe, there was a call for a total revision of fundamental aspects of tax regimes. The call brought the features of EU Member State tax systems and the programs they fund into the policy spotlight, addressing the impact that national tax systems may have on widening socio-economic and gender inequalities as well as problems related to fiscal sustainability and tax fairness. Tax harmonisation and the perspective of true own resources to protect the EU budget were also of central concern. In line with the call, a consortium consisting of 11 partners organised a cross-disciplinary project under the title 'Revisioning the 'Fiscal EU': Fair, Sustainable, and Coordinated Tax and Social Policies', given the acronym FairTax. The project brought together a plurality of disciplinary approaches on tax and social policies, consisting of law, economics, accounting, economic history and anthropology. A key premise of the research has been that tax policies should improve economic stability while also playing a critical role in promoting economic, social and environmental sustainability. The work stems from four main objectives focused on the most pressing societal challenges of tax issues in the EU:

- Discussing options for expanding EU legislative competences, or other governance mechanisms, enabling the EU to effectively harmonise and coordinate Member States' tax and social policies

- Designing reform options for state-level coordination to create fairer, more stable and sustainable tax and social policy regimes
- Identifying strategies for the increased effectiveness and harmonisation of tax administration and compliance structures within the EU and non-EU areas
- Deriving recommendations for true own-source EU revenues

In this special issue, we present tax policy recommendations based on those structural problems that we have defined as tax sustainability gaps: the increasing weight of labour taxes, the decreasing importance of corrective Pigouvian taxes for environmental purposes, the intense tax competition, persisting intragenerational and gender inequalities, unsolved tax compliance and tax fraud issues, decreasing progressivity of tax systems, the perpetuation of gender imbalances by taxation and finally the unused potential to use taxation at the EU level to promote sustainable growth and development in Europe. Our research shows that in the ongoing discussion concerning 'the social dimension of Europe', it appears that there is much to gain if the tax policy interaction between Member States and the European Union, which is currently taking place within the European Semester, could be extended to consider that taxes are one of the most efficient instruments to achieve social and welfare policy outcomes. To promote fair and sustainable taxation on both the EU and Member State level, future negotiations regarding the tax competences of the European Union have to aim at balancing the contradictions between national, European and international goals and obligations. There is now a case for policymakers and legislators to concentrate on active tax law design and active measures of tax compliance rather than focusing on distortive effects of tax regulations.

One central message of FairTax emphasises the importance of a comprehensive tax base perspective, both reaffirming importance of traditional revenue sources, such as personal and corporate income taxes, and recognising the potential of other tax bases such as wealth-related taxes, indirect consumption taxes and environmental taxes. The tax base perspective also opens up for innovative discussions on potential candidates for tax-based own resources to finance the EU budget, of which seven are investigated in depth by the project. Simply put: close the sustainability gaps by developing welfare models and principles for tax bases that can meet the social challenges that need to be addressed both at the EU and Member State level. This is what we hope will be one of the key long-lasting impacts of the project.

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