

Tax justice: The core issue in the Finance Law

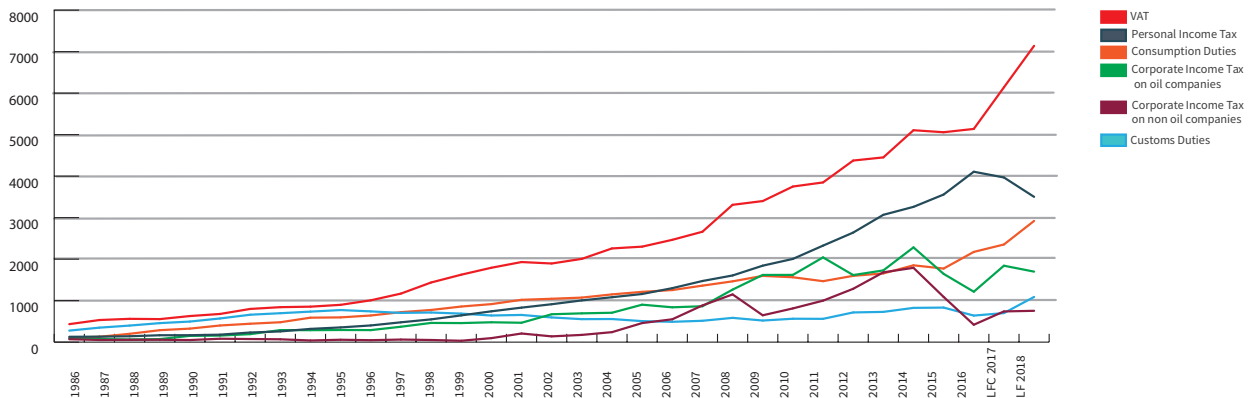
Key Highlights :

- Faced with a wall of debt, the question of tax justice is returning to the center of debates.
- Civil servants and businesses have not been carrying their weight for the additional tax burden tied to the increase in debt repayment.
- Consumers who earn the least are the ones who are carrying the greatest proportional weight of this tax burden.

Title: *Evolution of the Principal Sources of Tax Income in Tunisia, 1986-2018*

Author: *Tunisian Observatory of Economy*

Sources: *Ministry of Finance*



When the wall of debt appeared in 2017 (cf. DA 12), the Government found itself confronted with a core issue of tax justice: How to share the additional tax burden to deal with this wall of debt? While the revenue from the PIT increased at a dizzying rate up until 2016, it stagnated in 2017 and is predicted to decline for 2018. In fact, amid austerity period and because of the IMF's categorical refusal for a salary raise for civil service members, this increase has been transformed into tax credits- that is, a reduction of taxes- in this way effectively lowering their tax contribution for these two years. Simultaneously, under pressure from employers, the Government has not renewed the outstanding contribution of 7.5% under corporate income tax (CIT) for the year 2017. For 2018, it has chosen to narrow its strategy through increasing the CIT to 35% for supermarkets, car dealers, and foreign franchises while reducing the CIT to 20% for SMEs. However, this strategy has not increased the hoped-for tax contribution of companies for 2018, and even made it slightly lower. Since 2015, the IMF put pressure, without success, on the successive governments to widen the VAT's scope and to go from three rates (6%, 12% and 18%) to two (only 6 and 18%) by raising the rate from 12 to 18%. Faced with the wall of debt and cornered, it was only in 2017 that the Government decided to widen the VAT's scope, and it is finally in 2018 that it has favoured to raise the three rates of the VAT by 1% rather than increasing the intermediary rate by 6%. Finally, as the figure shows, it is the consumers - through the VAT and consumption duties, the most unfair taxes - who are completely supporting the tax burden to deal with the wall of debt in 2017 and 2018.. Without considering the issue of tax justice, it will be the consumers who earn the least who will pay the bill, proportional to their income, from the structural adjustment imposed on Tunisia by the IMF.