

Cercle de Réflexion Economique et Politique

C.R.E.P. - p.o. box 3470-CH- 1211 Geneva 3 / Tel: 004122 8185288 /Fax: 004122 3117694/ E-mail jean@mks.ch

FLAT-TAX FISCAL PROJECT

The main idea to ease-out the booms and busts is to pursue a fiscal policy that will follow the flow of the private economy by generating tax revenues proportionate to the level of its activity.

The economic philosophy of the "C.R.E.P." can be described as close to the "New Classicist" line of thoughts. The major difference from the Keynesians and the Monetarists is that we do not believe in monetary intervention, or so called fine tuning of the economy. The macro-economic picture, in the long run, is only affected by major real events like Technology, Demography, access price to Energy, etc.

For that matter we believe that the role of the State should be confined to Education, Defense, Health-care, assuring fair competition, issuing guidelines on environmental questions, etc.

The fiscal policy should meet precise criterion which should be applied systematically.

- Low tax rate to encourage private initiative and discourage fraud.
- Fiscal package proportionate to the economic activity and national wealth.
- Search of the maximum productivity of the tax, in relation to its collection cost.
- Simple tax collection procedures for the taxpayer as well as for the tax-collector.

This new fiscal policy has the advantage to cover spending, incomes and wealth.

TAX ON SPENDING COLLECTED AT THE NATIONAL LEVEL

1. VAT of 15% on all goods and services, the efficiency of VAT which exists in all the European Union countries does not need to be demonstrated. Its advantages are evident and serve the entire above-mentioned criterion: it will be the basic tax.
A rate confined to 7% will be considered on food, lodging, health and education.
2. Specific tax collected on some goods like: energy, alcohol, cigarettes, and waists are desirable. These taxes will serve only to finance activities in the same sector: for example, a tax on gasoline will only finance spending on transportation.

TAX ON REVENUES COLLECTED AT THE NATIONAL LEVEL

1. Personal income tax will be applied at a single rate of 15%, no deduction except for family allowances with an abatement of £ 15'000 per person and under age children.
2. Corporate tax at a single rate of 15%. Any allotment of dividend will face a withholding at 15% before distribution, which give a net total tax on profits of 30% to the shareholder.
3. A capital gain tax will be fixed at a rate of 15 % .

TAX COLLECTED AT THE REGIONAL LEVEL

1. A land tax should be assessed at the local level based on real estate assets and rent values in order to pay local services.
2. A stamp tax on the real estate transactions at 2% rate will be collected at the local level.

All other forms of tax will be scraped including inheritance tax in direct line.

APPLICATION

We propose to pass along with a general amnesty, extremely stiff penalties for fraud following the implementation of the packages.

Finally, the revenues generated from this package will have to be considered by the governments as definitive, and spending should be adjusted accordingly.

The parliament will be requested not to vote budgets but to allocate percentages of spending. We propose that the people through referendum will vote on the percentage of spending they want to see attributed to: Education, Defense, Health-care, Public transport, etc.

Jean-François LIESS
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