

Trade Unions and Taxation Policies

Governments across the globe institute taxation policies as an integral part of the fiscal policy in an effort to fund government expenditure. In most jurisdictions the imposition of personal income tax is applied, alongside of excise, property, sales and other taxation measures. Taxes can be considered a necessary evil. The major point of concern would be the fair application of the taxes imposed. The greatest consolation is that both private citizens and corporate entities are required to pay taxes.

One would expect that the trade unions would have a principle objection to the imposition of tax measures, provided that they are fairly and equitably distributed and are not excessive in nature. Trade unions are more than likely to identify with the application of a taxation system which serves to provide incentives that are aimed at stimulating output rather than to dampen demand. Following on this, trade unions will tend to support a taxation policy which is directed at reducing direct tax rates; inclusive of personal income and corporation taxes.

It is felt that lower income tax rate will act as an incentive for unemployed workers to join the labour market and to stimulate greater levels of productivity amongst employed workers. With a growing emphasis being placed on encouraging new business activity, a reduction of corporation tax can be the stimulus required to drive the development of micro and small businesses and to create a platform geared at advancing the growth of entrepreneurship.

As far as tax systems are concerned, trade unions would certainly have an interest in which of the systems would be applied by the government of the day. As it stands there are three tax systems from which a choice can be made. These are the progressive, regressive and proportional tax system. The progressive tax is based on the concept of the ability to pay. It takes a larger percentage of income from high-income groups than from low-income groups.

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A regressive tax is applied uniformly. It takes a larger percentage from low-income earners than from high-income earners. It is basically the opposite of the progressive tax, as it affects people with low incomes more severely than those with high incomes. It is said that the regressive tax is a tax imposed in such a manner that the tax rate decreases as the amount subject to taxation increases.

Unlike the progressive and regressive systems of taxation, the proportional tax is an income tax system where the same percentage of tax is levied on all taxpayers, regardless of their income. This means that the same tax rate is applied across the low, middle, and high-income groups. The fairness of this tax system which is commonly known as the flat tax, is that there is no income tax bracket. It therefore means that income tax is the same percentage of income from every person, irrespective of the level of income each individual earns. One of the best examples of the proportional or flat tax can be found in the application of the sales tax. The introduction of the Value Added Tax (VAT) in some jurisdictions is a good example of this.

The call as to what system is introduced by a government might not be that of the labour movement but irrespective of which policy is introduced, there are some primary concerns that should always remain those of trade unions. It is to be expected that of immediate concern would be the level of impact any taxation measure would have on the unionized members, and by extension the workforce and the populace. With respect to the impact of workers, the root primary concern would more be about the severity of the impact, rather than the gross wage. The equitable distribution of any taxation measures across the low, middle and high-income groups would also be a concern, giving the impact on the disposable income of individuals in each category. This is based on their standard of living, commitments and lifestyles.

Added to the mix is the fact that the high taxation could potentially depress wages. Contributory factors to this would be rising inflation rates, the cost of goods and services and the cost of doing business. At the forefront of the thinking of trade unions is the protection of the lower income workers who are classified as the most vulnerable. Whilst this is so, it does not negate the fact that trade unions must pay

any less attention to the middle and upper income earners, for these too need to be sheltered from excessive taxation, and the severity of the impact of the tax measures, while being asked to bear their fair share of the burden.

Taxation measures can be painful, and as such it is conceivable that trade unions would always welcome tax cuts. The introduction of tax relief measures would certainly have a significant effect on reducing inflation and unemployment. While there are other external factors that may impact on any granted level of tax relief, the sure way of getting to this comfort point is by growing the economy. In this instance, the private sector is required to invest in the economy, government is required to facilitate the ease of doing business and to provide opportunities for investment, while labour is to play its part through higher levels of productivity.