
“I pay my taxes” – so what?!

critisticuffs

Every year the super-rich get together in Davos to pat themselves on the back about the ‘good work’ they’re doing. If they were really interested in making the world a better place they would PAY THEIR TAX!

UK Uncut

Some people feel good because they pay their taxes. For a left-wing person, they may feel that they deserve more NHS, for a right-wing person more responsible spending. These arguments often start from the person saying ‘I pay my taxes...’. We say – so what?

The relationship between the taxpayer and the state is quite different from what is imagined in the mind of a tax justice campaigner. This text aims to give a short account of how taxes work to challenge these ideas.

1 Taxes are taken by force

“I feel proud that I pay tax and contribute.” (Male, B, Labour voter, Exeter)

Daisy-Rose Srblin, *The Tax Detox*

When people are proud to pay for what they like or insist that they are not paying for whatever they’re objecting to – be it Trident or “benefit scroungers” – they are mistaken about the relationship that is taxation. The state does not make itself dependent on the ideas of its hard-working citizens. The payment of taxes is something which individuals and companies are *compelled* rather than *requested* to do.

Tax rates are set by parliament, as well as any exemptions and tax allowances. The state considers any economic activity within its borders as a potential source of revenue and chooses to levy taxes in various forms on income, sales, profits, investments and so on.

The state declares how much of any particular economic activity constitutes its cut. According to the rules it sets, HMRC then collects taxes from citizens. A failure to pay results in sanctions and ultimately legal proceedings.

So, yes, you *are* paying for Trident.

2 You don’t get anything in exchange for paying your taxes – the state spends where it wants

Taxation is a fundamental part of state-building and democracy. Collective bargaining around tax revenue creates a ‘social contract’ between people who pay taxes and vote for political parties, and officials who are expected to raise and spend those revenues in a way that benefits the constituents who elected them.

Tax should be understood

“What am I getting for my money? ... A very good education system, a fabulous NHS, emergency services [that] are one of the best in the world, as are our defences...everything that you see around you really. Look out the window and you know, the highways are all paid for, street lighting – all those kinds of bits and pieces” (Male, C1, Conservative voter, Leicester)

Daisy-Rose Srblin, *The Tax Detox*

People often think they pay their taxes in exchange for some service from the government. This is wrong. Once the state has collected taxes from companies and individuals, the state decides how it spends the money.

Tax justice campaigners think that because they pay taxes they can expect certain things from the government: healthcare, ‘good’ schools, etc. Taxation is not restricted to a particular service or activity. The money used to finance Trident comes from the same pot as the one used to shape young minds to the demands of the labour market.

The state may name the different taxes according to their source and advertise how it uses them as a service to those it takes them from, but it always has the last say in how they are spent.

The budget is the way in which the government rules. The state doesn’t directly command the economy instead it makes laws and spends money. Through its budget, the state decides which spending is most useful for pursuing the national interest – NHS or prisons? Each potential expenditure is evaluated against each other and whether it is useful in pursuing the standard of the national interest. Put differently, by putting all tax revenue into one big pot from which the various functions of the state are paid, the state enforces that all its activities pursue the same, unified goal of the national interest.

3 What is the ‘national interest’? Creating the conditions for a capitalist economy

This Government is delivering on the British people’s priorities...

...supporting our public services...

...investing in Britain’s future...

...keeping our taxes low

Philip Hammond, *Budget 2018*

The state makes itself dependent on tax revenue. In doing so, it presupposes a specific economic order: one in which the state doesn't directly command what its subjects produce, but where instead it partakes in the economic success of its free subjects' competition on the market. In other words, when the state decides to collect taxes in money, it presupposes and commits to the existence of a capitalist economy where economic activity is in private hands. The view that corporations impose their agenda on the state portrays the state as their helpless dependent; but as we just saw, the state chooses to partake in their anticipated success, and therefore does what it can to encourage it.

A basic requirement for such an economy is a functioning legal system to ensure the maintenance of private property, which means courts, police forces and prisons. A successful economy also requires healthy and educated workers, which means a health and education system. The state builds roads, railways and airports to make sure goods and services can move easily.

What the state has available to spend depends on how much it collects through taxation. This creates a dilemma for the state. It wants to spend money on creating the conditions for a successful capitalist economy but when it collects taxes it takes money away from this economy. The money that is taken from companies through taxation could instead have been invested in developing new products, raw materials or expansion. More taxation for workers can also be a problem – too much taxation and workers might struggle to make ends meet. So in order to guarantee the success of the economy, the state deprives it of the means to do so.

This dilemma is the source of endless disputes between politicians.¹ One party may take the view that free dental care is worth spending on whilst another party might think that it is more important to fund apprenticeships schemes. The outline of what to spend on appears in election manifestos and politicians argue their case to the public. Since every penny taken by the state is a penny less available to workers and companies, whose success it wants to foster, every proposal can always be criticised for either being a waste of taxpayers money or not enough to stimulate the economy.

Depending on your source of income, these different measures will mean different things for you:

4 Taxes taken from wages and profits fund the conditions for the misery of wage labour and the continued conditions for making a profit

Genuinely progressive tax systems have more power than any other mechanism to build healthier, happier societies. Put it like that and tax is pretty incredible.

¹ This dilemma doesn't have a 'correct' solution. See Kittens #3, *Sovereign Debt and the Crisis in the Eurozone*.

Frances Ryan, *I hate doing my tax return – but I still love tax*

To a tax justice campaigner, everyone should contribute their fair share from whatever wealth they happen to have. This ignores what taxes are paid *from*.

Companies pay taxes from profits. A company's profit is whatever is left over after costs have been paid such as raw materials, tools, buildings and, importantly, wages. The cheaper a company can get the labour they need done, the higher their profits. From the standpoint of a company, a wage is a cost that ought to be optimised. How that optimisation is playing out can be observed by noting that many people live paycheck to paycheck or the fact that the state enforces a minimum wage to prevent companies from paying even less.

What happens when we ignore this difference can be illustrated by left-wing demands for higher taxes for companies to fund social and welfare programmes. Taxing a company's profits implies the continued production of profits by this company, which, in turn, implies they were successful in optimising their costs, including their wages, for profits. This might, for example, mean lowering wages or making people work longer hours for the same wages. This particular left-wing strategy to tackle poverty presupposes it.

When companies and those who work for one both pay their share of taxes they are at the same time paying for rather different things. For those who have to work to earn a wage each week or month, it means to pay for the continued insecurity of living paycheck to paycheck. For those who employ workers to produce profits, it means to pay for the continued conditions to make such profits.