

# The public health case for **TAX JUSTICE**



## Everyone has the right to economic security and public services as well as the right to good health.

Real terms cuts to public spending are a threat to our collective health and a fair recovery from the pandemic. The government has the ability to change tax systems to access the growing reservoir of wealth hoarded by the richest people and companies that do not pay their fair share of tax. Instead, both domestic and international tax systems exacerbate income and wealth inequality, whilst simultaneously limiting the scope and power of public spending. This in turn drives health inequalities.<sup>1</sup>

Tax justice is a public health issue.

**Our economy is making us sick:** the economic and political systems we live and work in generate wealth inequalities and underinvestment in public services that together harm all our health.

Health and wellbeing throughout our lives are not just about individual bodies, diseases, and conditions. Rather, they are shaped by the social, economic and physical conditions we are born into, and those in which we grow, live, work and age. Together, these factors create unequal exposure to health risks, and result in widespread health inequities, both in our local communities and globally. We know these social determinants of health are underpinned by political and economic systems that dictate how power, wealth and resources are distributed. As health workers, our work is as much about caring for those in immediate need as it is about advocating for and building new societal systems in which all are able to live well and thrive.

Across three booklets, we are going to explore the public health case for livable incomes, secure housing and tax justice, and how you can get involved to organise for economic justice.

# ▶▶ What's wrong with how taxes work?

## The wealthiest don't pay their fair share

The current system is *regressive*, meaning that lower income households contribute a larger proportion of their entire income in overall taxes (income, council, VAT etc) compared with richer households.<sup>2</sup> This inequality has become progressively worse as a result of years of tax cuts for the wealthiest and the continued reduction of state support through benefits and subsidies for people with the lowest incomes.<sup>3</sup> The COVID-19 pandemic, and policy responses to it, have further worsened this inequality with the poorest households more likely to have lost their savings and fallen into debt. For the richest 10%, wealth has increased on average by £50,000 during the pandemic.<sup>4</sup>

## Corporations don't pay their fair share either

The widespread practice of corporations using offshore tax havens and exploiting loopholes in tax law mean they are able to avoid paying their fair share in taxes, despite making large profits for their shareholders. Larger and more powerful corporations often find it easier to avoid paying, for example in 2020 Amazon UK only paid an additional £3.8m more corporation tax on a huge £1.9 billion



increase in sales (amounting to 0.2% tax on the increased sales) from the growth of online shopping during the pandemic.<sup>5</sup> Britain plays an important role in enabling this abuse of tax systems globally, with British Overseas Territories ranked as some of the greatest enablers of corporate tax avoidance.<sup>6</sup>

This practice means that companies, and the shareholders who profit from them, do not contribute their fair share towards public spending. This is in spite of their reliance on the public infrastructure that allows them to function, providing the education, healthcare, and leisure services that keep their workers healthy and happy. Corporate tax avoidance, in turn, increases the inequality of wealth between the most and least well off in our society.

## Why is wealth inequality a problem?

Wealth inequality generates the conditions that lead to health inequality.<sup>7</sup> In an economic system that unevenly distributes wealth, the rich get richer while those who earn the lowest see their relative income fall as other costs like housing and food continue to rise.<sup>8</sup> This means that people who earn the least are unable to afford the conditions that would allow them to live healthy lives. Poor quality housing, food poverty, dangerous work, and chronic stress and fatigue have a significant impact on people's health, wellbeing and life expectancy. Major tax cuts on the richest in society have increased income inequality since the 1980s: today the richest 1% in the UK possess a quarter of all wealth.<sup>9</sup>



# ▶▶ How can we fix the tax system?



## Those with more pay more – *progressive taxation*

A decade of austerity policies have seen drastic cuts to education, leisure, housing, and health and social care budgets, reducing the availability and quality of the services – services used disproportionately by people with the least wealth.<sup>10</sup> A system that ensured the wealthiest people and biggest corporations paid their fair share of tax would redistribute wealth for the benefit of the whole of society, ensuring adequate funding for public services. Tax avoidance and evasion by the wealthy restricts income to the Treasury, and while it is certainly not the only factor driving austerity policies, this reduced income does impact public spending. We need a tax system that prioritises equity in order to enable a healthy society instead of one that drives inequality.

## What does a progressive tax system look like?

There are alternative tax systems that can shift taxation more towards the super rich and corporate giants. This could be achieved by asking the wealthiest people to pay more tax and changing tax laws to force corporations to pay their fair share.<sup>11</sup> Passing new laws that improve transparency could encourage wealthy people and corporations to pay what they are supposed to.

Measures like this are not controversial. There is growing support in the UK for progressive income and wealth tax systems, with people feeling the wealthy should pay their fair share. The UK is already behind many other countries in making its tax system more equitable, for example in 2021 the UK had a corporation tax rate of just 19% putting it in the bottom nine of OECD nations. The planned rise to 25% due in 2023 will still be the lowest of any G7 nation.<sup>12 13</sup>

In order to move towards tax justice, the ‘untouchable’ individuals and corporations avoiding tax must be held to account. There has been significant progress on international tax transparency enabling governments to tax wealth more effectively,<sup>14</sup> and a United Nations tax convention is a key element of this strategy on a global level. Looking nationally, enforcing the law, tackling government corruption and reviewing loopholes are key to a more equitable system.

## Why should health workers call for a fair tax system?

Alternative and fairer taxation systems allow greater investment in healthcare, public services and communities, which research shows improves public health outcomes.<sup>15</sup> Each year, over \$427 billion in tax is lost to international corporate and individual tax abuse, costing countries around the world the equivalent of nearly 34 million nurses’ annual salaries every year – or one nurse’s annual salary every second.<sup>16</sup>



Putting this in relation to lost public investment in the UK:

- Tax loss in the UK is 18.72% of the health budget, equivalent to paying the yearly salary of 840,209 nurses
- Tax loss in the UK is equivalent to £436.61 per person a year
- The UK is responsible for 9.93% of global tax losses, and therefore has a significant impact on other countries.

Tax abuse represents lost potential investment, not only towards the collective improvement of wellbeing through our health systems, but also through health-creating activities that everyone can access such as public libraries, leisure centres, better schools, green spaces and other public services.



# ▶▶ What can you do?

The health community sees and treats the symptoms of unfair economic policy, and can play a crucial part in advocating for wealth to be redistributed as an essential component of health and economic justice.

## So, how can you take action?

The Medact Economic Justice & Health Group is organising to build support for equitable and bolder taxation policies, and to address corrupt practices to improve health through fairer wealth distribution and adequate funding of health systems.

### Join the Medact Economic Justice & Health Group:

[link.medact.org/joinEJgroup](https://link.medact.org/joinEJgroup)

## Further actions and reading



- Talk to your colleagues about tax justice as a public health issue
- Check out the other booklets in this series on the public health case for liveable incomes ([link.medact.org/liveableincome](https://link.medact.org/liveableincome)) and secure housing ([link.medact.org/securehousing](https://link.medact.org/securehousing))

## ▶▶ **About us**

This was produced by members of Medact's Economic Justice & Health Group and the Medact Research Network.

We are a growing network of health workers, public health professionals and civil society calling for action to address widening inequalities in health through economic system change, with a focus on welfare, work, housing and taxation policies for better population health at both local and national levels.

Medact is a global health charity that uses evidence-based campaigns to support health workers to take action on structural barriers to health equity and justice, in an effort to bring about a world in which everyone can truly access and exercise their human right to health.

# ▶▶ Endnotes

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**Published by:**

Medact,  
Brick Yard,  
28 Charles Square,  
London N1 6HT,  
United Kingdom

**Design and layout:**

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Registered charity 1081097