CERSTE

Centre Européen
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Manifesto for a European economic policy supported by national tax credits

The issue of tax credits deserves a great deal of attention, on the one hand because it has unquestionable relevance, and on the other hand because it can be seen as a useful emblematic case for opening up a discussion on European rules and for reflecting on the interactions within the EU between economic and non-economic institutions.

Fiscal credit is a classic instrument of economic policy, much more efficient and less costly than direct government borrowing on the capital market. For it to work and be able to effectively trigger multiplier effects on GDP and employment, the tax credit recognised and granted by the nation state must be tradeable and divisible, otherwise it remains confined only to the future availability of the beneficiaries, and thus crippled.

It is therefore necessary to create an efficient financial market, technically prepared in the merits of this instrument, which can transfer tax credits by making this instrument available to investors, so that it can be used to offset tax burdens, so that it can actually be used by the tax-rich.

The USA with the IRA - 'Inflation Reduction Act' programme is showing the world how to invest some USD 500 billion mainly in tax credits for energy efficiency. Already in its first year of operation, IRA has had an important influence on US GDP growth. Even in Italy, albeit with technical and operational difficulties, the post-pandemic GDP progress has been significantly driven by the building sector supported by tax credit-based energy and seismic efficiency programmes.

Europe cannot stand by and watch, but must seize the pragmatic inspiration to support European economic policy projects also by recommending in the right proportions to the country's tax revenue the use of tax credits, by regulating.

European policy makers must assess the concrete possibilities of economic and social progress also supported by the instrument of national tax credit through

1. the promotion of European economic policies financed in each EU country by tax credits commensurate with that country's GDP and/or tax revenue.

2. the support of a European market where the tax credit generated, recognised and (possibly) also guaranteed by banks, can be traded at market prices made liquid.

It is emphasised that the example of the IRA programme fundamentally captures the strategic use of the tax credit, irrespective of the purpose of the policy.

This initiative is promoted by the research centre CERSTE - Centre Européen des Recherches Socio-économiques, Technologiques et Environnementales.

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