

Analyse du financement alternatif de la sécurité sociale (*)

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ABSTRACT

The financing side of the Belgian social security system has been evolving over time. While social security contributions remain the main revenue source, transfer of tax revenue from the federal government to the social security system grew from the mid-nineties onwards and now accounts for more than 20 % of total revenue of the social security system. There is obviously a rationale for moving from contributions based on wages to taxes paid by any citizen when, on the spending side, a significant amount of benefits is paid without any strong link between eligibility and previous contributions. The use of the social security system as an instrument for economic policy is another reason for a partial financing by tax revenue.

The current arrangements rise however some concerns. The more trivial one is that VAT revenue is now lower than VAT transfers that have to be made to the Communities and to the social security system. More fundamental concerns come from the economic incidence of VAT. In a small open economy with automatic indexation of wages and a wage moderation system, it is not obvious that the final incidence of VAT should be outside of wages, gross or net. This paper briefly discusses the final economic incidence of the current "alternative financing" of the social security system and also discusses its sustainability in the ageing context. In the final section, we briefly investigate two alternative options: a contribution based, on the employer side, or a general contribution on the personal side.

Keywords: social security, alternative financing, tax policy

JEL Classification Code: H20, H21, H22, H5

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