# French Constitutional Council strikes down Hollande’s 75 percent tax on the rich

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On December 29, France’s Constitutional Council ruled that President François Hollande’s proposal of a 75 percent tax on annual wage income above €1 million (US$1.32 million) was unconstitutional.

During the presidential campaign, even as Hollande’s Socialist Party (PS) prepared tens of billions of euros in social cuts, Hollande presented this tax as a temporary measure to ensure that the wealthy contributed their fair share to society. On this basis, the measure had broad support. Nearly three-quarters of the public supported it, according to opinion polls, amid deepening popular anger with social austerity and income inequality in France and across Europe.

The incident speaks to the character of official politics under the Hollande administration—where the greed of the ruling class is only rivalled by the cynicism and hypocrisy of bourgeois “left” forces such as the PS.

The council’s rejection of the 75 percent tax came after objections from the right-wing opposition UMP (Union for a Popular Movement), which challenged the tax increase before the council, as well a number of business leaders and actors, including Gérard Depardieu. Depardieu moved to Belgium in protest to avoid the proposed tax increase.

The Constitutional Council based its rejection on technical grounds that the 75 percent tax applied to individuals, and was therefore incompatible with laws regulating income taxes, which are levied on households.

For instance, a household with one person making over €1 million a year would have been subject to the 75 percent tax, whereas a household in which several members each had an income of €900,000 would be exempt. The council ruled this was therefore unconstitutional, as it “violated the principle of equality of contribution”—that is, that two households with equal incomes should pay equal taxes.

The ruling exploited the fact that the PS’s tax increase was itself a political fraud, aimed at giving an image of shared sacrifice by the capitalist class while imposing only a nominal burden on the super-rich.

The tax increase applied only to yearly wage income, not to income from capital gains—which constitute the overwhelming majority of the income of the super-rich. Hollande’s tax increase was expected to affect only 1,500 people, in particular athletes and artists, raising only €500 million in 2013.

For instance, a corporate executive with a €900,000 salary and €5 million in interest income from his fortune would pay nothing more under Hollande’s tax increase. When one considers that the top 10 percent of the French population owns over €5.6 trillion, fully 62 percent of the national wealth—and the top 1 percent by itself monopolizes one quarter of the national wealth—the token character of Hollande’s proposed tax increase is clear.

The sum Hollande’s proposed tax increase would have raised was quite small, even only in comparison to the €10 billion cuts in social spending and €10 billion in tax increases on households announced by his government in its 2013 budget.

On this basis, nonetheless, petty-bourgeois “left” parties such as the New Anti-capitalist Party and the French Communist Party called for a Hollande vote, arguing that the PS could be pressured to the left.

The PS government could have raised a far larger sum of money and avoided the objections of the Constitutional Council by simply imposing a 75 percent tax on all household income over €1 million. Precisely because the PS did not want to significantly tax the wealth of the rich, however, it designed a complicated law that was therefore struck down.

The PS government quickly bowed before the council's decision, declaring that it would work to formulate a new tax increase on top earners, taking into account the council's decision. Prime Minister Jean-Marc Ayrault declared that the measure was "temporarily" withdrawn, adding, "The government will present in the context of the next budget a 'new mechanism' that will address the council members' remarks."

In the traditional presidential New Year's Eve address to the nation, Hollande sought to back down on his bogus 75 percent tax increase on the rich. He demagogically said, "People who have more will always be asked to contribute more. This is the meaning of the exceptional contribution which will be redesigned, in line with the decision of the Constitutional Council, without changing its objective."

The *Financial Times* commented, "there has been speculation that the measure, a key election pledge by Mr. Hollande due to be in place for two years, could be watered down or even dropped, despite insistence to the contrary by ministers."

The council's decision makes clear how the ruling class and its representatives in the state machine will fight against even symbolic limitations on their wealth and prerogatives.

Consisting of nine judges and three former presidents, the Constitutional Council is a bulwark to defend the interests of the ruling class, though it is invariably presented as "politically independent" in the bourgeois press. As a party of big business and the financial aristocracy, moreover, the PS itself is committed to imposing the full burden of the economic crisis on the working class.

While ruling out raising taxes on top-income households, the council issued rulings favourable to business interests. It approved the "competitiveness and jobs tax credit" for corporations. This is a key pro-business measure of the competitiveness report by former Airbus chief Louis Gallois, which called for €20 billion in cuts to corporate taxes, labour costs and the deregulation of labour reforms to restore France's corporate competitiveness.

The council also rejected the methods to calculate the limit beyond which households must pay a "tax on fortunes"—insisting that more capital revenues or profits should not be included in the calculation of the household's fortune.

Finance Minister Pierre Moscovici said that the council's rejection of tax increase—and the resulting loss of tax revenues—would not affect the government's effort to slash public deficits. "The rejected measures represent €300 to €500 million. Our deficit-cutting path will not be affected," Moscovici told BFM television.