

lingua business

Home is Where the Bank is...

By Paul Gibson



The question is not whether or not authorities care about your economic well-being, (they have already demonstrated that), but rather how governments around the world may actually bring in more tax dollars without raising taxes.

This may come to a surprise to some, but in countries like Spain and indeed, in many countries around the world, there is a special type of bank account known as the Home Ownership Savings Account (In Spanish, the famous “cuenta vivienda”), which allows you to claim a tax exemption on your income tax.

Basically, the account is called a savings account because you have to make a monthly deposit into the account which you are technically unable to take out or redeem. That money is destined towards the purchase of a new home. The bank holds these deposits and in exchange for the use of this money to invest, they offer you a special interest rate or return on your deposit.

Sounds good, right? Wait. It gets even better. As we said before, holders of this specific account are also allowed to claim a tax exemption on their income tax, which can be up to 15% of the total amount of funds on deposit. Why 15%, you may ask. This 15% is actually the same 15% you would be able to deduct on your income tax had you actually owned the property or home you are pretending to purchase.

Now let’s take a look at the fine print. This is considered to be a long-term deposit (over a year). The actual savings plan contemplates a period of four-years - at the end of which the client is expected to make a purchase of a new home. What happens when the price of housing goes through the roof or if you are unable to purchase a home during the course of those four years?

Now you have to make a tough decision: to buy a house without financing [no mortgage in times of crisis, with banks unwilling to loan money for the purchase of real

estate] or pay the full amount of your tax deductions for the past 4 years plus interest back to the Revenue Service. Any way you look at it, the government comes out on top.

right to your earnings, to a portion of your paycheck or even to a portion of your property.

Furthermore, as businesses continue to struggle or close down, many government agencies are now beginning to take important stakes or shares of ownership in huge multinational banking, financial and industrial companies. Up till now, governments have pledged to avoid any type of governmental interference in normal everyday business activities, yet these massive amounts of capital will allow them to make important decisions for each of these companies in the long-run. The result: a very high concentration of private businesses falling into the hands of big government.

While some say this has been a long time coming, others are reticent to give up the fight for privatisation and insist that markets are experiencing a cyclical fluctuation. After all, the stock market as such has not existed during an excessive long period of time. To put it another way, the plan has not existed long enough to be fool-proof. However, the model that we have chosen as a global economy does have some very solid and at the same time (curiously enough) vulnerable weak spots. These areas involve or require consumer confidence in order to make them viable. While most of us continue to cherish private ownership and financial independence, you can expect a push from the least fortunate to somehow declare they have the