

## Tax

## Tech and taxes: From robots to the universal basic income

By **Robert Kepes**

Robert Kepes

(August 23, 2018, 9:16 AM EDT) -- In July of this year a report came out identifying a looming erosion in Ontario's tax base at a time when revenues will be required for the province's aging population. The report was produced by the Mowat Centre, an independent public-policy think tank at the Munk School of Global Affairs and Public Policy, University of Toronto. It was called "Robots, Revenues and Responses: Ontario and the Future of Work."

Among other things, the report looked at how to ensure revenues are collected in this new digital age. In 2040 25 per cent of Ontario's population will be 65 and older. However, an anticipated consequence of automation, technology and artificial intelligence is that many low or middle-income jobs will be eliminated. The challenge for governments will be how to replace the tax revenue.

The Mowat Centre's report attempts to address these issues. To illustrate the impact of technology on labour, it cites the example of AT&T which in the 1960s employed 75,000 workers. Its market value at the time, based on current dollars, would have been \$267 billion. But today AT&T has only one-third that many people. Similarly, Apple is now worth \$1 trillion, but employs only 80,000 workers.

We already see the changes when we use automated checkout counters that read bar codes on products which we purchase by scanning our credit card. Or when we place a fast-food order on a touch screen for pickup at a counter previously occupied by a human order taker and cashier. These products replace human labour, and the assumption is that the person has found work elsewhere. However, over time there may not be another job because that other job also has been replaced by a computer.

That dire scenario was predicted by Yuval Noah Harari, whose book, *Homo Deus: A Brief History of Tomorrow*, refers to the coming rise of the "useless class." This is a class of workers who are not lazy or idle, but who will be rendered useless because their physical and cognitive skills will be replaced by machines. Of course, machines do not require health care (only occasional maintenance). They also don't get sick and don't pay tax or contribute to CPP and EI.

The view of Bill Gates is that, as robots replace people, there should be a "robot tax." He said as much in an interview with *Quartz* (Feb. 17, 2017 issue): "Certainly there will be taxes that relate to automation. Right now, the human worker who does, say, \$50,000 worth of work in a factory, that income is taxed and you get income tax, social security tax, all those things. If a robot comes in to do the same thing, you'd think that we'd tax the robot at a similar level."

Gates is less clear on how the tax would work. Companies could be taxed on the extra productivity generated by the robot, or perhaps by a direct tax on the cost of robot capital, or both. Gates makes the point that while society may benefit from the freedom of people having more leisure time, governments can ill afford to give up all this income tax revenue because that's how society's needs are funded.

In short, less tax revenue means the government can't afford the required social programs. He argues that it's important to start thinking about this now because the business case of using

technology to replace jobs is arriving, and it's happening in different occupations simultaneously. Think of warehousing, retail, food service and transportation.

In the legal profession, most lawyers can relate to the fact that in the past the ratio was 1:1 for administrative assistants to lawyers. Now, the ratio is likely 1:5 or more.

Harari says the most important question in 21st century economics may be what to do with all the superfluous people once we have highly intelligent, non-conscious algorithms that can do almost everything better than humans. Some people see the necessity of implementing a universal basic income (UBI). Returning to the Mowat Centre, its report canvassed a range of policy options, including UBI:

"If current trends continue, the labour market of the future is likely to be characterized by ... further deterioration of the standard employment relationship. Creating a sufficient floor for workers and greater support — financial or otherwise — will be crucial in this uncertain context. One option for providing this floor ... is the implementation of a UBI."

Of course, Ontario will need a robust tax base to generate sufficient revenue to support a UBI. But an aging population and accelerating job losses may make that difficult.

This is the first in a series of articles about technology and taxation. The next article will explore blockchain and tax issues related to cryptocurrency.

*Robert Kepes is a partner with Morris Kepes Winters LLP, a leading tax boutique law firm.*

*Photo credit / AndreyPopov ISTOCKPHOTO.COM*

*Interested in writing for us? To learn more about how you can add your voice to The Lawyer's Daily, contact Analysis Editor Richard Skinulis at [Richard.Skinulis@lexisnexis.ca](mailto:Richard.Skinulis@lexisnexis.ca) or call 437- 828-6772.*

---

© 2018, The Lawyer's Daily. All rights reserved.