

The problem is not the poor

There is a general perception that Pakistanis don't pay taxes. Recently, in his televised address to the nation, Prime Minister Imran Khan has endorsed this perception and myth. The prime minister said that "out of 220 million population of Pakistan, only one percent tax filers bear the burden of the whole population".

"This is impossible. No country can serve its people until the people pay taxes. Tax evasion kept the government from building hospitals, schools and infrastructure besides compelling it to get loans", he further said.

State Minister for Revenue Hammad Azhar in his budget speech in the National Assembly on June 11 said that Pakistan's tax-to-GDP ratio of 12 percent is amongst the lowest "not only in the region but also in the world".

On the face of it, there seems nothing wrong with these statements. It is true that only one percent Pakistanis file their tax returns. But it is wrong to assume that only one percent Pakistanis pay tax and the rest of the 99 percent population is living like parasites on the taxes of just one percent.

The fact is that almost every adult Pakistani is paying taxes on consumer products, petrol, food items and utility bills. Pakistani people are one of the most heavily taxed in the world. Every Pakistani pays 17 percent General Sales Tax (GST) when he or she buys groceries (food items, edible oil, consumer goods), pays utility bills (including electricity, gas and mobile phones) or buys petrol. Even children pay GST when they buy chocolates, biscuits and snacks from their pocket money.

The whopping 62 percent of total direct tax collection (income tax) comes from the withholding tax (WHT). Non-filers pay WHT on mobile phone services, bank transactions, electricity bills and other services. It is difficult to calculate exactly how many people pay WHT but it can safely be said that tens of millions are paying both direct and indirect taxes in Pakistan. The government and the ruling elite, however, are not ready to acknowledge this simple fact. And still ordinary Pakistanis are being accused of not paying taxes. This is like rubbing salt on the wounded.

The ruling classes are not ready to accept the simple fact that Pakistan needs a progressive, fair and just taxation system. People who earn more should pay more taxes. The poor working class should not be burdened with indirect taxes. They should not be used as a scapegoat for the tax-avoiding elite and the filthy rich.

Nearly 70 percent of our tax collection comes from indirect taxes. Every government finds it hard to go after the influential tax evaders and to bring in the necessary reforms in the tax system. Instead, governments choose the easiest way: to increase tax collection through burdening the common people with more indirect taxes.

The Pakistani ruling elite have consciously spread this myth to hide some basic facts. One, a big section of the ruling elite is involved in tax evasion and doesn't pay taxes. They are the ones who own the means of production (industries, big businesses and lands) and a big chunk of the wealth.

Two, the tax system is retrogressive, corrupt, inefficient and outdated and has failed to bring the super-rich into the tax net.

The ruling elite and their experts blame the working class and lower-middle class for low tax collection. They give the impression that every Pakistani is living a comfortable life and earning a reasonable amount of money but not paying taxes. But the facts tell a different story.

Let's take a closer look at how many Pakistanis can really pay income tax in a fair, just and progressive taxation system. According to the Labour Survey 2017-18, there is a total of 69 million labour force in Pakistan. Nearly six million of them are unemployed. Out of the 63 million working people, the overwhelming majority earns less or around the minimum wage of Rs15, 000 (now increased to RS17, 500 in the budget). The overwhelming majority of the work force on average earns between Rs 96,000 and Rs1, 70,000 per year.

The millions of workers working in construction, retail, wholesale, transport, agriculture and informal sectors earn much lower than the Rs600,000 (0.6 million) required to pay income tax. Pakistan is a low-wage economy. Working class people are not earning enough to make ends meet. And even then they are paying the indirect taxes that are imposed on them.

When it comes to women, only 22.39 percent of them are part of the labour force. Nearly 77 percent female population is not formally economically active. The domestic work done by women is not yet recognised as labour.

Nearly half of the population lives below or around the poverty level. How can they be asked to pay taxes when they find it difficult to feed themselves?

Now comes the top five percent population of this country. This population owns most of the means of production and wealth. They own industries, big businesses, corporations, lands, expensive housing societies, glittering shopping malls, brands. They own most of the wealth created in this country. They are supposed to pay taxes. Their number might seem small compared to the total population but they are the ones who control, own and dominate the economy. And it is this elite that evades taxes.

The problem is not really the number of people paying taxes. The real problem is that those who own wealth are not paying enough taxes to run this country without borrowing heavily. The real issue is the failure of the state and taxation system to bring the rich and powerful people into the tax net.

Stop blaming the poor and working class people for your failures. Can Prime Minister Imran Khan name a single welfare state in this world which taxes its poor and spares the rich? Don't burden the poor with cruel and exploitative taxes. The ruling elite are responsible for the economic mess we find ourselves in.

The writer is a freelance journalist.

Khalid Bhatti