

Super tax

According to some reports, the Federal Board of Revenue (FBR) is considering a super-corona tax for the rich in the country. The government may include this proposal – though it is in early stages at the moment – in the budget recommendations for the next fiscal year starting in July 2020. Apparently the government will impose this tax to generate extra money for providing financial relief to the needy. The details of this proposal are still under consideration and may take a couple of months to finalize. The next two months will be crucial for at least two reasons. One, the trajectory that Covid-19 takes in the country will determine the magnitude of efforts further required to stem the disease; and two, the allocation of resources for the next budget will need a fundamental change in the way we have been collecting revenues and disbursing funds under various heads. In terms of revenue collection, the FBR will be striving to achieve the desired tax collection target of Rs5.1 trillion in the next budget, which may or may not be possible without additional measures. If we are able to restore full economic activities by the end of this fiscal year, the start of the next will be much easier.

But if the crisis takes a protracted path, which seems to be likely at the moment, a proposal like a new corona tax on the rich and wealthy will become inevitable. In that case, the government needs to define the features of the rich and wealthy carefully, without putting extra pressure on those who are already under the strain of an imminent financial crunch. Suggestions such as anyone who owns an above 1000cc car should be paying a super tax is preposterous. Simply imposing this tax on anyone without considering their present level of income is also likely to cause further hardships on people who currently do not fall in a high-income category. The FBR must be diligent in developing its proposals, keeping in mind the current level of income of those who own a car or a house. A largely untaxed segment of the privileged are land-owners across the country.

In addition, the government has not yet apprehended those who have made billions in sugar and wheat scams. Then there are questions about transparency in getting foreign loans and their use. Ever since this government came to power in 2018, it has been on a relentless spree of begging and borrowing; and the Covid-19 crisis is a useful excuse to keep doing the same. Be it with the ADB, the IMF, the World Bank, and some friendly countries showing their usual largesse, the practice must be above board. That means all loans and taxes collected in the name of the coronavirus must be utilized for the relief of the people in a transparent manner. Lastly, we must stress once again that our resource allocation in the next budget must make the development and welfare of people a primary concern of the state. We must make it a welfare state rather than a security state. Our negligence in providing health, education, potable water, sanitation, power and infrastructure must become our priority in the wake of this corona crisis. More than a super-corona tax, we need a post-corona policy which must reflect our changed priorities in budget-making.