

Direct and Indirect Taxes Are the Reason for Un-Believable Inflation

News:

ISLAMABAD: The National Electric Power Regulatory Authority (NEPRA) on Friday increased the tariff on electricity by Rs0.26 per unit. A notification was issued by the ministry of power, energy division after the authority's approval. (Source: geo.tv)

Comment:

In NAYA Pakistan, inflation is on murderous rampage, outrageous hikes in prices of daily use commodities making common person's life miserable. This capitalist system is now ready to squeeze every penny out of common people's pocket and sparing the rich.

In the world today, the dominant economic system is capitalism, which has a specific view about taxes. Under capitalism, taxation falls under two categories: direct and indirect. Direct taxation consists of taxing people's income and wealth. This is supposedly calibrated to tax people according to their ability to pay. Indirect taxation is an indiscriminate tax and is applicable on everyone regardless of his or her ability to pay e.g. GST, SST, stamp duties, with-holding tax etc.

The super-rich and corporates are able to take advantage of expensive tax avoidance solutions to conceal their wealth from the prying eyes of the state. By doing so, they become exempt from tax. This means that the tax burden falls on the rest of the society to meet the expenditure of the state. During hard economic times, governments deprived of legitimate taxes from the super-rich are forced to increase taxes (direct and indirect) upon the poor to meet state expenditures, and slash funds for education, health and other priority services. The former US President Obama, acknowledged the injustices of the taxation system and said "It means that we're not investing as much as we should in schools, in making college more affordable, in putting people back to work rebuilding our roads, our bridges, our infrastructure, creating more opportunities for our children." Hence, the poor lose out, while the rich and powerful are able to enjoy their lavish life-styles. It comes as no surprise that the fruits of global capitalism produce stats such as less than 100 of the richest people in the world have the same wealth as 3.2 billion people.

Taxation in Islam is on wealth not income. If the Islamic state cannot meet its expenditure, an emergency tax can be levied on the super-rich to raise funds. Furthermore, indirect taxation like fees, licenses, stamp duties, sales tax, with-holding etc. are not permitted. There is no need for the poor to be over taxed and for the rich to fear usurpation of their wealth. The focus of Islam is on breaking the monopoly of the rich and to ensure wealth circulates in society and is not taken out of it. Taxation is viewed in this context. Allah says: ﴿مَا أَفَاءَ اللَّهُ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَى فَلِلَّهِ وَلِلرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ وَالْمَسَاكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا آتَاكُمُ الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ﴾ **“What Allah has bestowed on His Messenger (and taken away) from the people of the townships,- belongs to Allah,- to His Messenger and to kindred and orphans, the needy and the wayfarer; In order that it may not (merely) make a circuit between the wealthy among you. So take what the Messenger assigns to you, and deny yourselves that which he withholds from you. And fear Allah; for Allah is strict in Punishment.”** [Al-Hashr: 7]

With this mode of taxation, the Islamic State was not only able to meet the needs of its citizens but was also able to flourish as the world's most advanced civilization for several centuries.

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