

Essay

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Title: "Justice and Taxation: Why wealthy Individuals Should Pay Their Fair Share?"

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2) Definitions and key concepts

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b) Progressive Taxation Model

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In the current year, 2024, the global GDP of the world economy is projected to cross 85.4 trillion USD as calculated by the World Bank. Today, more than ever the ^{circulation of} wealth among countries is fuelling global growth. In this highly connected world, there are a select few, who over the years, have gotten wealthier and wealthier with each passing year. There is growing call ^{from the public within} these nations, that the elite has captured all the wealth. A global call for progressive taxation has taken hold. This essay shall attempt to explore the origins of the taxation models, practices; build a case for progressive taxation and taxation in general; explore historical and contemporary precedents in the world relating to the practice of equitable taxation; highlight the problems relating to tax evasion, money laundering and so on; and finally propose some measures to counter malpractices and broaden the tax net. As the world is ever-changing, our taxation practices and ^{including} inclusion of the wealthy class must be in line with modern practices to ensure that the wealthy individuals are included in the financial tax-net to ensure equitable growth.

Before the start of the arguments, one must be knowing of the terms, that they are arguing. Taxation is a process in ^{which} the state either that being the local or provincial/state or federal ^{level} levies a mandatory payments on its citizens; good and services produced by its citizens; agricultural produce; financial gains either in the form of profits, earnings and so on. These proceeds are used to run the day-to-day affairs of the government. Another term, that

shall be used is 'Tax-to-GDP ratio'. This a ratio of the collection of the taxes to the overall GDP of the economy. Similarly, a taxpayer is someone who pays and is obligated to pay taxes as defined under the relevant tax rules of the country.

As ^{Following this,} ~~we have~~ Taxation, is further divided into two models: Regressive and progressive taxation. Regressive Taxation: A model that, according to the Tax Foundation. Org, assesses the value of taxes regardless of the income earned by the individual and the fact that they may be a high or low earning individual. This model consists of tools and mechanisms such as 'Fixed tax, Super Tax, General Sales Tax (GST)' and so on. On the other hand of this equation, Progressive Taxation is a model of taxation that takes into account the income earned by the individuals. These taxes are levied according to the wealth bracket and the overall earnings they report in a financial year. This protects the individuals from low-income stratas from paying excessive taxes. This practice involves a specific percentage set for individuals earning really high wages. That percentage may vary from '30% - 50%'. Some tools used to tax using this include 'VAT or Value-added-Tax'.

Taxation, whether it be progressive or regressive, is all tied to the economic systems that reigns supreme ^{in the} country. In this section, a brief overview of the economic systems shall be given and their correlation with taxes shall be presented. Adam Smith, the father of the

the theory of Free-market economics and later on capitalism, gave his theory back in the 18th century. In the 21st century, the modern capitalist views of taxation are that taxes are means to stifle growth. As capitalism dictates, that economies are fine-tuned to maximize profits, taxes are a big dent in those profits. Capitalism advocates for a system in which there are ~~no~~^{zero} to (few) little taxes. However, a system ~~that~~^{such} as communism, where private ownership is non-existent, views taxes on the industrialists and the bourgeoisie as a necessary to prevent them from amassing wealth. All wealth is state-owned and the state take care of the citizens. In the middle of these two systems lies the Islamic Economic System (IES), which advocates the private ownership of wealth and puts no limits on the profits earned by an individual. However, it prohibits the hoarding of wealth and enforces a mechanism of taxation that caters every segment of society. For Islam, wealth must be circulated in society. It is through these taxes that effective management of day-to-day affairs of the state can be achieved.

The question arises that why should the general public or people take an interest in the paying taxes. ~~or~~^{OR} In other words, why should people fund the government. For this we need to analyse the functions ^{responsibilities} of the government. Government is an amalgamation of different departments providing various services to the people to run the day-to-day affairs of the state. These services include healthcare, police/defence, roads/communication.

Fire/Rescue, and so many more. All of these services are public-funded services. These are run on taxpayer money. The public health system treats millions and millions of patients a day. This system is funded by taxpayer. The roads, the country drives on are funded and made using public money. Nearly, every public school, hospital, road or any utility that is being provided to the citizens is ~~justed~~ funded through taxes. The people's taxes run the country. Some might argue that the private sector entities do a better job at running affairs and producing outcomes. However, there is a glaring difference 'Public sector goods and services are for the welfare of the people/nation, private sector goods and services are for the purpose of profit.' Therefore, it is necessary for everyone to pay their fair share of taxes.

Above, we have discussed a term 'fair share of taxes' has been mentioned. If everyone has to pay taxes, then what does fair share of taxes mean? By fair share of taxes, it is the process of progressive taxation that is being elucidated. The higher an individual or an entity earns, the higher ^{the} tax-rate on that individual. By ^{tying} ~~tying~~ the income earned with the rate of taxation, a country can ensure fair and equitable taxation of its citizen. This protects low-income ^{and} marginalized strata of the economy for over-taxation. In turn the state provides the services such as healthcare, education (higher/lower) to the citizens for free. By paying their fair share, they are entitled to all of these services. Moreover, the quality of these services also improves through enhanced funding received

through greater collection. By paying their, the economy and society may become a little more equitable and hospitable for the lower-income classes. Throughout history, the states have forced its elites to ensure the lower strata ^{are able to} also manage their lives with a degree of ease.

Taxation, in its earliest forms was the 'cess' collected by the land barons from the growers that were rented out parcels of land. Moreover, caravans passing through different areas deposited some money in exchange of right of passage and safety and security. Fast forward to the post-^{second} world war era, we see that modern day Europe was in rubble. However, across the ^A Atlantic life was booming. America was enjoying the proceeds of the war in the shape of a mighty economy and industrial base, booming population and newly found wealth. During this time, the taxation rate set by Franklin D. Roosevelt (FDR) was at an all time high. The elites had to pay upto 50% in taxes. These taxes were used to fund the inter-state project, free healthcare, free education and soon. However these rates were rolled back to close to present day's rate of 7-8%. Nordic economies are an example of modern day progressively taxed economies. These economies have set tax-rates as high as above 50%. In some economies, the number reaches close to 56%. This results in high collections, which lead to better services delivered by the government and their sub-ordinate departments. For this sole reason, ^{it has been} we see that Nordic economies have outperformed other western economies in terms

of welfare and the subsidies it provides it for to its citizens.

There is a popular Latin legal maxim 'Salus populi ^{suprema} lex esto', the translation of the maxim is 'welfare of the people is supreme (purpose) of the law.' The law and its adjudicators have laid the principle, that the ^{supreme} only purpose of the law should be to improve the welfare of the people. ~~Laws~~ ^{these} welfare stringent taxation ^{laws} and regressive taxation ^{regime} is un conducive for the welfare and general well-being of the people ~~of the~~ and economy as well. Even, global institutions advocate for taxation mechanisms that promote the welfare of the economy. Circulation of wealth in the economy is ensured by the taxation practices. Moreover investor confidence is allayed when they realize that the economy is a vibrant entity and ^{there} are many avenues for wealth generation. The goal of the tax authorities and governments should be to motivate the upper strata to contribute their fair share of taxes and help in enabling the economy and general public to prosper. The taxes collected by the authorities should be put to good use. This will also enable a sense of ownership within the upper class that the wealth they were taxed upon has been put to good use.

However, in reality, man is a selfish and greedy animal. Of the seven deadly sins, greed is one that can be called the mother of all deadly sins. The thirst of mending wealth, power is a documented phenomenon. The upper class are not exempt from this, as they too are human.

The wealthy have devised various instruments in order to avoid paying taxes. These instruments are classified under 'Tax Evasion'. These are highly complex financial crimes and span continents. In today's world, various countries have declared themselves to be 'Tax-Free countries'. The most prominent of them are the British Virgin Islands, the Panama Islands, the Cayman Islands and much more. These islands offer zero-tax incentives for individuals to park their wealth. In order to store their wealth in these tax havens, 'shell companies' are often created. The companies are entities on paper but in reality they are no more of a company than a penguin ^{claiming} ~~boast~~ that it can fly. These lucrative sites allow the global wealthy class to evade and dodge taxes by declaring their income as 'income from that country'.

Countering this menace of tax evasion, is not only a challenge for governments but for international organizations too. The wealth trafficked by these individuals ^{may be} used to finance illicit activities such as drug smuggling, terrorism, human trafficking and many more. In this regard, global organizations have been set up to counter this menace. The Financial Action Task Force is set up to stop terror financing in the world. By strengthening the financial regulatory procedures a country can ensure that taxes are collected and any evasion that does happen may not result in getting into the wrong hands. Moreover, as discussed above, an approach of encouragement should be adopted. By encouraging the wealthy and

broadening the tax base. The menace of the tax evasion can be overcome

Progressive taxation is the need of the hour. It is imperative that the wealthy pay their fair to ensure equitable growth of the society and country. and this essay has looked upon various arguments starting from the basics of taxation models, practices and the reason why both the general public and wealthy class pay taxes. Moreover, the case of welfare through taxation was also raised and finally the menace of tax evasion and how to counter it was discussed.