

The wealthy should pay their fair share to reduce the govt. reliance on aid/loans, to help their fellow man, and to keep trust for the tax system alive. But most of all as a civil obligation to ensure their less fortunate countrymen do not bear a burden too great for them.

# Brainstorming

## Why the Wealthy Should Pay Their Taxes

When they don't

- \* Civil obligation to help
- \* Help their fellow man (progressive tax)
- \* Bear their share of the burden
- \* Pay back the govt for its spending
- \* Give back to their community
- \* Level the playing field
- \* Fair for superprofits and inheritance
- \* Poor cannot access tax havens like the rich
- \* Civil unrest
- \* Unequal burden on poorer citizens
- \* Lessening trust in the tax system
- \* Reduced govt revenue
- \* Oligarchic system
- \* Increased reliance on aid (IMF)
- \* Reliance on indirect tax which hurts the poor

# Outline

1. Introduction

2. Justice and Taxation

2.1. Progressive tax

3. State of Taxation on Wealthy Individuals

\* \$1 trillion shifted to tax havens  
by corporations in 2022

\* wealthy Americans pay 8% annually  
in taxes

4. Why the Wealthy Should Pay Their  
Taxes

4.1. Civil obligation

4.2. Lessen the burden on the  
working class.

4.3. Pay back the government for  
subsidies, ~~to~~

4.4. Bear the share burden of their  
share

4.5. Level the playing field

a) The poor cannot access  
tax havens.

b) Average person does not  
have access to tax consultants.

## 5. What Happens When the Wealthy Do not Pay Their Taxes

- 5.1 Undue Burden on the Poor
- 5.2 Lessening Trust on the tax system.
- 5.3 Civil Unrest
- 5.4 Reduced government revenue
- 5.5 Reliance on international financial aid and loans
- 5.6 Cut in spending by government
- 5.7 Increased reliance on indirect taxes
- 5.8 Moving towards an oligarchic system.

## 6. Steps to Improve Taxation on the Wealthy

- 6.1 Stricter checks on tax havens
- 6.2 Raising capital gains tax and income tax
- 6.3 Progressive taxation
- 6.4 Proportional taxes on the Real estate sector and agri sector
- 6.5 Harsher Penalties

6.8 More powers for the FBR

## 7. Conclusion

# Essay

## Why the Wealthy Should Pay their Taxes

The wealthy should in principle pay their fair share of taxes as a civil responsibility, but also to ensure that their fellow countrymen do not bear a burden too great for them and to give back to the government so it does not rely on aid, loans, or budget cuts to keep the country running.

The fair taxing of the wealthy has been a hot point of debate in policymaking and economic circles. The principle of taxation is for the individual

or entity to be taxed, according to their income, meaning whoever has more, has to pay more.

This principle is referred to as **Progressive Taxation**, where the percentage of tax rises with each income bracket. Such a system ensures that the poorest of society are not crushed by the weight of taxes and the wealthy help in ~~making~~ ~~the~~ ~~co.~~ sharing their prosperity with the rest of the country.

The principle is often lauded but rarely employed in its true spirit. Currently, the wealthiest individuals across the globe are able to easily evade taxes and pay only peanuts on their great fortunes. The IRS of the USA estimates that **wealthy Americans** pay **8%** tax annually, half of the national average of **14-15%**. The wealthy have many avenues

available to them to evade taxes such as tax havens in Switzerland, Cayman Islands, and Panama. Many use clever accounting techniques to obscure their true income. On a larger scale, many corporations may pay a lobby to convince the government to keep taxes lower. In 2022, it was estimated by the World Bank that around \$1 trillion was moved to tax havens by corporations globally.

The aforementioned information presents an alarming situation for taxation authorities. The rich must be persuaded and obligated to pay their fair share for several reasons. Firstly, it is their civil responsibility as a citizen of their respective nations to pay their taxes and ~~also~~ pay the government what it is owed. The rich must not view themselves as above the laws of the land.

It is pertinent to foster a sense of ethic and moral responsibility that encourage individuals to bear the burden they are fairly allotted.

Secondly, proportionally higher taxes on the rich ensure the burden of taxation is equitable in society and the tax burden on the working class is not more than what they can bear. A recent issue in Pakistan relating to the use of solar panels illustrates the point effectively: As more upper-middle class households switched to solar panels, NEPRA reported a higher tax burden on the poorest consumers. The richer households were now out of the tax net with respect to electricity and the poor were left to pay the burden. The government then adjusted the net metering rates to

ensure the wealthy individuals were paying their fair share so the lowest consumers could be provided electricity at subsidised rates.

The principle of taxation is this example applied at scale.

Thirdly, the wealthy often amass their wealth and profit through a lot of help by the government e.g. subsidies, agreements, special economic zones. So it is reasonable for the rich to pay back the government for its help. For example, in Pakistan, the **agricultural** sector has benefited from **subsidised urea**, **low land tax**, **flat-rate water tax**, and **subsidised seeds**. The profits earned would not have been as easy to do without considerable government spending and involvement. The government must recoup its expenses and reasonably deserves a share of earned profits.



Fourthly, progressive taxation ensures a level-playing field. The rich have many opportunities to evade taxes: while the average person does not have the means to do so. Average individuals cannot hide their wealth in off-shore bank accounts or use clever consultants to hide their assets. Therefore, for the purposes of fairness the rich must be pursued for what they rightfully owe.

If the rich do not pay their fair share of taxes, ~~it can~~ ~~be~~ the several problems emerge in society and the economy.

The first is understandably the shifting of the tax burden on to the poorer citizens. The government must maintain a fiscal balance so it strives to make up its revenue from the only available sources. The undue burden on the poorer

classes leads to economic strife, civil disturbances, and a loss of trust in the government.

The recent Budget 2024-2025 of Pakistan raised taxes on the middle class and lower class leading to widespread resentment and raising the chances of more individuals slipping into poverty.

The undue burden on the poor leads many to lose trust in the government and the tax system. This loss of trust can lead many to tax evasion. If the people began to feel exploited by the taxation system rather than feeling cared for, they will look for ways to avoid paying taxes. Examples in Pakistan range from relying on cash transactions only, Hawala/Hundi network, and not keeping money in banks.

Such practices and ideas become harmful for the economic system as a whole.

The past two points combined often lead to civil unrest in the country if the lower income classes feel exploited.

Many may get together to organise protests, attack government buildings and employees, or spread negative attitudes about the government.

Recently, the new budget of Kenya lead to violent protests.

The **# Reject Finance Bill 2024** lead to a series of protests that resulted in the **deaths of 39 Kenyans**. Such demonstrations lead to loss of life and property as well as disrupting the economic activities of the country.

Moreover, when the rich

**FINANCE BILL PROTESTS 2024**

avoid paying their taxes, the government must rely on international loans and economic aid. In the case of Pakistan, the tax-to-GDP ratio is 9% in 2023, and it was even lower before. This prompted the nation to approach the IMF 23 times in 75 years.

Comparing with India's tax to GDP ratio of 11-12% in 2023, and has sought the IMF only 7 times. The IMF conditions imposed on Pakistan always dictate raising the tax net.

In the long-run, such loans reduce the nation's economic sovereignty and raise government expenditure in the form of debt and interest payments.

Similarly, to maintain fiscal balance in the face of low taxes from the wealthy, the government cuts back on essential spending for the poor.

Such spending includes development programs, subsidies and fewer beneficiaries of government programs. Therefore, the burden on the poor is roused and economic strife continues. Recently, in Pakistan, the government cut gas subsidies and subsidies on essential items such as milk. Such actions further breed resentment and threaten to raise the poverty level.

Also, to deal with low taxes, the government is pressured to raise indirect taxes for an easy source of revenue. The indirect taxes such as GST burden the poor exponentially more than it impacts the rich. The unfair burden leads to an increase in poverty and strife. The increase of the GST to 18% in Kenya was the primary cause of the Finance Bill Protests 2024.

Finally, the tax avoidance of the rich move the nation towards an exploitative oligarchic system, where the government and its laws favour the rich and their property over the lower classes and the regular man. The perception of such a system reduces national unity, trust, and breeds resentment.

The government can undertake several steps to improve taxation of wealthier citizens. Firstly, stricter controls on the movement of funds overseas can prevent tax evasion through off-shore bank accounts and tax havens.

Additionally, proper taxing of the real estate sector and agricultural sector can help the government raise its tax net and target wealthier citizens. The capital gains tax, inheritance tax, land tax and

agricultural income tax can improve the tax revenue.

Moreover, using the progressive tax system for existing taxes such as GST can improve tax revenue from wealthier citizens and reduce the burden on poorer ones. Our neighbour India uses a slab-tax system for GST : 0%, 5%, 15%, 20%, 35%. This ensures the poor are not exploited through indirect taxes.

In conclusion, the fair taxing of the wealthy is a civic duty as well as to ensure that the poor are not burdened and the rich give back to their nation and keep it from cutting spending, relying on loans or raising taxes.

The rich must pay taxes to ensure that they pay the

government back for its help in earning their profits and to lessen the burden on the poor. The proper taxation ensures the economy is a level playing field. Similarly, if the ~~the~~ rich do not pay taxes, civil discord is borne, if the poor exploited through indirect taxes, and bearing the brunt of the cut in government spending. The trust between the government and its people is compromised and the people begin to view it as working for the ~~poor~~ rich.

The tax avoidance can be lessened by preventing money from moving into tax havens, taxing the real estate and agricultural sector and having a progressive tax system for existing taxes.

