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Essay

Taxing the Pooos: A Self-Defeating Approach to Economic Growth

① Introduction

② Body

i Why taxing the poor is self-defeating approach to economic growth?

ii Taxing the poor results in social inequalities

(a) No access to Education

(b) No access to Health facilities

(c) Food insecurity

(d) Results in crimes

(e) Results in child labors

iii Taxing the poor bolsters elites to escape taxes

iv Recommendation

(a) Extending tax network

(b) Reducing threshold for tax

(c) Digitalizing taxes

(d) Putting end to borrowing

• i - SIFC

ii - Bolstering domestic industries

③ Conclusion

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①

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There have been many sources of revenue for a country to generate income but taxes are the most essential and largest source of income for a country. It is like a wheel of a car without which, a car will not be able to move. In all the developed nations of the world, taxes are mandatory. The revenue which is generated from taxes are in-turn spent back on the development of the public of a country. Taxes play a crucial role in economic growth. Nations whose tax revenue is low, largely faces economic issues. The developmental progress of a country's public remain stagnant who do not pay taxes because the revenue which is generated from these taxes, is used by the government to invest the "public domains, such as health, food, agriculture, education, construction etc. Unfortunately, speaking of Pakistan, the country is largely suffering from low taxation which has massively produced economic crisis. Most of the country low taxation results from projecting

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taxes on the poor and exempting elites. Due to this tax imbalance between poor and elites, has the added to economic crisis for the poor has grown by large which has consequentially resulted in social inequality. Excessive taxation on poor has affected the purchasing power of the poor due to which they cannot meet their daily demands. The average income of a poor labour is 1000 rupees which in current economic crisis is difficult to meet the needs. Therefore, for economic growth, solely taxing ^{the} poor create social ^{inequality} inequalities for the poor which further exacerbates the situation and results in a self-defeating rather than succeeding.

To begin with, taxing the poor is a self-defeating approach to economic growth. This statement holds true position regarding developing nations. This is because solely taxing the poor results in social inequality. As aforementioned taxes are essential for a country to smoothly operate. A country which is shared by all, needs a source of income which the country spends back on its people. The primary source of income for any country is

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the world-even developed nations is taxes which imposed by the government on its people. Each country has its own criteria of imposing taxes based on the country's need. Now for a country to operate smoothly and to provide its public with facilities, taxes are to be paid. Since a country is shared by all therefore, it is an equal responsibility of all the people to pay taxes to the government. Now if this balance is maintained, there will be a social security and equal opportunities for all the people living in a country which will consequentially add to the prosperity of a country and a healthy social climate will remain. People will happily and collectively live together but if the mentioned balance is disturbed, social inequality will remain resulting in crimes, disturbances of the social interaction which poses threat to each individual living in the country. The imbalance remains between the poor and rich. The government is easy to impose taxes on the poor but finds it hard to impose taxes on the rich. In developing

nations where poor are heavily taxed and rich people are under tax; this is largely due to their settlements with the government for whom they protect their political and economic interest and in turn the people in the government provide favor: not taxing them. This culture poses significant threat to poor and their family creating a social inequality.

One of the major social Owing to social inequality which is a direct result of excessive taxing the poor, is no access to education. As it is a known fact that education plays a critical role in life. Countries whose population is well educated are inevitable to attain success. Such is the reason that in all the developed nations, education has shaped their success and they are enjoying its fruits in the shape of technological advancement, health advancement, influential leaders etc. These all are the result of education but on the contrary countries whose population is not educated well cannot attain success. The major portion of population is largely

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based on poor and most of the poor are daily earners. The already poor status and financial crisis of the poor has impeded the children of poor to have access to education. According to a recent ~~the~~ World Bank data, there are 60% of Pakistan population who are below the poverty line. Owing to such a large portion of population being poor, how can excess taxes or solely taxing the poor will children of the poor to attain education and chase a dream like his other contemporary counterpart who is doing well. Therefore, taxing the poor creates inaccessibility for the children of the poor obtain education.

Another menace tied with taxing the poor which ~~ex~~ result in social inequality is having no access to health facilities. Poor people always find it hard to have health facilities owing to economic crisis that in present day has mounted by large amount. Excessively and merely taxing the poor ^{makes him} unable to go to the hospital. As a daily wage earner, he hardly makes it to meet home demands on daily basis. According to

a report published in Dawn; 50% of poor women cannot go to hospital because of financial issues due to which they end up life at home without visiting a hospital. Another report mentioned in Express Tribune which says that 60% children remain with stunted growth due to financial crisis and poverty. Owing to these reports, it is reflected that most of the poor combating financial crisis is due to over-taxation. Most pregnant women who are poor, go to local home Ayat for the child labor because they cannot afford to go to a hospital to get their effective treatment done. Even the public hospital especially in Pakistan has surged in mortality rate which largely due to experience doctor who are inefficient and lacks practical practices. These all issues are the result of poverty which mainly comes from over-taxation, especially, of poor class.

Over-taxation surprises poor with another social inequality which is food. Food is essential

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to live or sustain life. Without food, one cannot live and do his energetic activities. Due to heavy taxations on the poor, food insecurity a dominant problem that mostly poor face. As earlier mentioned that the average salary of a poor man per day is 1000 to 2000. Owing to such a low pay, a poor man encounters several issues which require finance to be fulfilled.

The low pay of poor makes him suffer of food shortage. World Bank report mentions that each day 20 million people in Pakistan, do not have two time meal available. Another report mentions that 40% people do not have access to hygienic food. Now owing to these mentioned reports, taxation of poor has suffered them from food insecurities.

Excessive taxation of poor class result in crimes. Today, Pakistan especially Karachi, has high number of crimes: robbery and murders. Financial crisis often result in crimes. Crimes are often the by product social inequality and social inequality is the collateral reason of poverty which itself arises from financial gaps caused

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by over-taxation. No man - a father wishes his son sleep without food or have no equal opportunities as others. Parents out of love do ~~not~~ anything for their children. A poor man who is a father will do a crime even if that proves to be good for his children. Nothing in life is free. Everything has a cost. A poor man who cannot afford what his family demands from ^{him}, will choose to every means to get his family demands. Most of the crimes are the result of inflation and poverty. According to Sutherland, a renowned criminologist, "Crimes are the result of poverty and fiscal differences amongst the individual of a society." This statement is quite true that crimes increase with poverty and unequal distribution of resources. In Pakistan, resources are held by elites who do not even pay taxes and enjoy all the amenities provided by the government. These unequal distributions and paying no taxes create a gap between the rich and the poor which further result in crimes. Now, poor who are heavily

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taxed often resort to commit crimes in order to meet their daily demands. Therefore excessive taxation means a number of crimes in a country.

Another gap is child labour. Poor people who cannot afford education always end up sending their children to domestic labour such as mechanic, washing car, inflating cars etc. There are countless works that children do. Mostly children are found as a street vendor selling different things. Those poor who at least manage to send their children to school, avoid sending them when heavy taxes are imposed on them. This largely results in child labour. Child labour is a dominant issue in Pakistan. According to Dawn report, there are 26 million children out of school and amongst them 20 million are child labour. This figure truly reflects how damaging it is for a poor to manage his life. Children in every country are considered as the future of a country but unfortunately, in Pakistan, this has been the philosophy. Child labour is the direct result of poverty which

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as mentioned linked with heavy taxation. Over taxation of poor results in their children to do work and support family which has an overall impact on the economic growth. The economic growth of a country can only be achieved through proper education of the children who grow up scientist, doctors and business which in turn add to a country economic growth.

Heavy taxation of poor has always escaped elites from coming under tax network. Capitalists who are bent on earning more usually avoid paying taxes. This culture in Pakistan is very dominant. Government always have a soft hand approach to elites and a hard hand approach to poor. Elites always escape taxes because of having settlement with the government. They both; the government and elites are operating on patronage relation meaning to favor for favor. Having this relation with each other always put the poor at cost. Since poor people are the major population

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of Pakistan population therefore the government usually have their eyes, decision policy making, on them with it comes to taxes.

Thus taxation in abundance is on poor not elite. According to SBP (State Bank of Pakistan), only 2.7 million people pay the taxes the rest are either exempt or have declared themselves below the threshold of tax. Out of these 4.1% are salaried people which constitute large portion of poor and remaining others. Pakistan needs to bring elites under tax in order to improve economic growth. Another report in Express Tribune, government tax revenue is below than government spending. This reflects that major portion of elites are exempted from the taxes whose liability is borne by the poor.

Some recommendation that the government needs to exercise for economic growth which will alleviate the pressure imposed by heavy taxes on the poor are extending tax network. Extending or broadening tax is what Pakistan needs today for its economic

growth. Many retailers and business are exempted from taxes. These people must be brought into taxes. Pakistan is facing a lot of smuggling issues. especially the border with Iran and Afghanistan. Many vendors do not pay taxes by using smuggled goods. Government of Pakistan needs to extend its tax network and bring these people under tax.

Another favouring factor for non-taxpayers is the three shield. After 18th Amendment, Pakistan has shifted some of the power to province along with taxes. The province has to collect taxes on agriculture and non-agriculture taxes by federal. and along with this also set threshold at high. Owing to the fragmentation of agriculture and non-agriculture, many people who were doing good business and ear handsome amount declared themselves below threshold and some declared as agriculture their asset due to which they enjoy the leverage. The government needs to revise this plan and its policy for economic growth.

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Another recommendation that the government need to exercise is digitalizing taxes. In modern world, AI has become human friendly and 100 times efficient than human. Pakistan must digitalize their taxes and upgrade from manual taxation to digital taxation only this can ensure that all the people in the country are paying taxes. This policy has been implemented in all the developed nations and have proven proficient.

It is a known fact that over taxation are the result of extreme borrowing. Pakistan who has, since 1958, been on the life saving of debt. The country since 1958 till 2024 has received 23 packages of IMF which constitute a total debt of 25bn dollars. Now how Pakistan will be able to pay this much money - debt. The answer is obvious taxation. To meet the IMF debt, each year the country projects taxation on people which as explained above is much on poor. Therefore, Pakistan to achieve its economic

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must end borrowing and
bolster its industries to
attain economic growth. largely
this can be done by ensuring
domestic investor confidence
and also upholding special
investment economic facilitation
council to attract foreign direct
investment which can boost
up ~~country~~ country economic
growth.

The above mentioned
points clearly reflect that excessive
taxation on poor proves self
defeating whereas resorting to
the recommended policies, can
Pakistan can boost up its
economic growth and can
successfully attain it. Over
taxation as mentioned
proves one sided which
create further social inequalities
leading to overall problems
and exacerbating economic
growth. Pakistan must ensure
education for all the children
to attain education which
in future can be proven
successful for the country. Resorting
to the above mentioned
policies Pakistan will ensure

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its success very soon.