

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

## News:

News & Comment

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.

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.

## Written for the Central Media Office of Hizb ut Tahrir by Mohammad Adel

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