

Ending Exploitative Taxation in Pakistan: A Path to Justice

Why Taxes Hurt the Poor Most

A mother stands at the shop counting her last coins. She needs flour to feed her children tonight. The price keeps rising because of taxes she cannot see.

A construction worker fills his motorcycle with fuel each morning. He pays tax before earning a single rupee that day. His children need school supplies he cannot afford.

A young student dreams of becoming a doctor. Her father sells his land to pay university fees. Half the cost goes to hidden taxes and fees.

This is the reality of ending exploitative taxation in Pakistan. The system takes more from those who have less. Meanwhile, wealthy people find ways to avoid their share.

The Qur'an speaks directly about this: "Do not deprive people of their due, and do not spread corruption." (26:183)

When taxes punish survival, they break the social contract. They destroy trust between people and government. They create anger that grows each day.

Understanding Pakistan's Complex Tax Structure

Pakistan collects money through many different channels. The Income Tax Ordinance 2001 created the foundation. But layers of rules make the system hard to understand.

Businesses pay withholding tax at 3% on service payments. This affects contractors, consultants, and freelancers daily. Sales tax adds 17% to most products you buy.

Federal excise duty targets specific items like cigarettes and cars. Provincial sales tax covers services like hotels and restaurants. Customs duties apply to imported goods.

Before 2019, companies could apply for exemption certificates. Clause 94 allowed certain businesses to skip withholding tax. Many firms exploited this loophole legally.

The Finance Act 2019 tried to close these gaps. It removed exemption certificates for most sectors. Now the 3% applies more broadly across industries.

But here's the problem: Poor people pay more as a percentage. They spend everything they earn on taxed necessities. Rich people save and invest in tax-free schemes.

A laborer earning 20,000 rupees monthly pays about 3,400 rupees in indirect taxes. That's 17% of his income gone immediately. A businessman earning 500,000 rupees pays maybe 6% in indirect taxes.

The wealthy have accountants who find legal ways around taxes. They own agricultural land that faces minimal taxation. They register businesses in tax-free zones.

Breaking Down the Numbers That Matter

Let's look at real data about Pakistan's tax collection. Understanding these numbers helps us see why ending exploitative taxation matters so much.

Total Tax Revenue (2023-24):

- Total collection: 9.3 trillion rupees
- Direct taxes: 3.6 trillion rupees (39%)
- Indirect taxes: 5.7 trillion rupees (61%)

Who Pays Income Tax:

- Active taxpayers: 3.2 million people
- Total population: 240 million people
- That's only 1.3% filing returns

Sales Tax Burden:

- Average poor family: pays 2,800 rupees monthly in sales tax
- Average middle-class family: pays 6,500 rupees monthly
- Wealthy family: pays 12,000 rupees monthly (but earns 20x more)

Untaxed Sectors:

- Agriculture contributes 24% of GDP but pays less than 1% of taxes
- Retail sector: 3.5 million shops, only 150,000 file returns
- Real estate: 40% of transactions happen off-record

These numbers reveal the core injustice. Indirect taxes fall heavily on the poor. Direct taxes on wealth and income remain weak and poorly enforced.

Real Stories from Pakistani Families

Amina's Daily Struggle: Amina lives in Lahore with her three children. Her husband drives a taxi. They earn about 35,000 rupees monthly on good months.

She pays 850 rupees in electricity bills. Sales tax adds 144 rupees. Gas bill: 1,200 rupees with 204 rupees in tax. Phone credit for her husband's taxi business: 500 rupees with 85 rupees tax.

Groceries cost 18,000 rupees monthly. Hidden sales tax takes another 3,060 rupees. Fuel for the taxi: 12,000 rupees with petroleum levy of 1,800 rupees.

Total taxes: 5,293 rupees. That's 15% of their income. Money they desperately need for medicine and school supplies.

Ahmed's Education Dream: Ahmed scored 85% on his intermediate exams. He wants to study engineering. His father repairs motorcycles in Faisalabad.

University fees: 180,000 rupees yearly. Books and supplies: 35,000 rupees. Transport: 24,000 rupees. All these carry hidden taxes that increase costs by 15-20%.

His father cannot afford it. Ahmed now works at a garment factory. His talent goes to waste because exploitative taxation made education impossible.

Fatima's Health Crisis: Fatima's mother needs heart surgery. The family lives in Multan. They are middle class, not poor, but not wealthy either.

Hospital bill: 850,000 rupees. Medicines and tests: 120,000 rupees. All include sales tax and federal duties. The family must sell their small house.

They pay taxes their whole lives. But when they need help, public hospitals lack equipment. Private care costs more because of taxes on medical supplies.

What Islam Teaches About Wealth and Fairness

Islam provides clear guidance on economic justice. The Zakat system offers a model for ending exploitative taxation.

The Zakat Principle: Every Muslim with wealth above nisab pays 2.5% yearly. This money goes directly to eight categories of people. The Qur'an names them: the poor, needy, those in debt, travelers, and others. (9:60)

Zakat purifies wealth and circulates it through society. The Prophet (PBUH) said: "The believer's shade on Judgment Day will be his charity." (Sahih Muslim 987)

Key Differences from Current System: Zakat taxes wealth, not survival. You pay on savings and assets, not on bread and water. Current taxes hit consumption, punishing the poor for basic needs.

Zakat rates stay simple and clear. Everyone knows exactly what they owe. No hidden fees or complex calculations that favor the wealthy.

Zakat funds go to specific good causes. People see where their money helps. Current tax revenue often disappears into unclear government accounts.

Qur'anic Commands on Justice: "Wealth should not circulate only among the rich." (59:7) This verse strikes at the heart of exploitative taxation. When systems favor elites, society suffers.

"Give from the good things you earn." (2:267) This means contribution should match ability. The wealthy must give more, not less.

"Allah commands justice and forbids corruption." (16:90) Any tax system that allows cheating or favoritism violates Islamic principles.

The Prophet (PBUH) warned leaders who neglect their people's welfare. He said: "Each of you is a shepherd, and each is responsible for their flock." (Sahih Bukhari)

Why Pakistan's System Keeps Failing

Multiple problems prevent ending exploitative taxation effectively. Understanding these barriers helps us find real solutions.

Problem 1: Weak Documentation Most economic activity happens without proper records. Cash transactions dominate. This lets wealthy people hide income while poor people pay visible taxes.

Real estate deals often involve white and black money. The registered price might be 5 million rupees. The actual price paid: 12 million rupees. Tax gets calculated on the fake lower amount.

Shopkeepers rarely issue receipts. This helps them avoid sales tax registration. But it also means no accountability or consumer protection.

Problem 2: Elite Capture Powerful people influence tax policy for their benefit. Large landowners block agricultural income tax. Industrialists get special exemptions and subsidies.

Politicians often own businesses that benefit from loopholes. They write laws that protect their interests. This makes reform nearly impossible.

Tax officials face pressure from influential people. A big businessman calls a senior official. Suddenly his case gets favorable treatment. Poor people have no such connections.

Problem 3: Corruption in Collection Tax collectors sometimes take bribes to reduce assessments. A shopkeeper pays 50,000 rupees under the table. This saves him 200,000 rupees in legitimate taxes.

Refund processes get delayed deliberately. Officials demand payments to process rightful refunds. Honest taxpayers suffer while cheaters prosper.

Audit selections favor those without political connections. Small businesses get harassed. Large corporations negotiate comfortable settlements behind closed doors.

Problem 4: Wasteful Spending Even when taxes are collected fairly, spending lacks transparency. Development funds disappear into ghost projects. Roads get built twice because the first contract money vanished.

Government officials enjoy huge perks and allowances. Their children study abroad on public money. Meanwhile, public school teachers buy chalk from their own pockets.

Defense spending stays beyond civilian oversight. No one questions massive budgets while hospitals lack basic medicines.

Comprehensive Solutions for Real Reform

Ending exploitative taxation requires bold action on multiple fronts. Half measures will not work. We need complete restructuring.

Reform 1: Progressive Direct Taxation Shift tax burden from consumption to wealth and income. Remove sales tax from all essential items: flour, rice, lentils, cooking oil, medicines, children's clothes, textbooks.

Increase income tax rates for high earners:

- Income below 600,000 rupees: 0% tax
- Income 600,000 to 1,200,000: 5% tax
- Income 1,200,000 to 2,400,000: 10% tax
- Income 2,400,000 to 4,800,000: 15% tax
- Income above 4,800,000: 25% tax

Tax agricultural income above 1 million rupees at normal rates. No more special treatment for large landowners.

Create wealth tax on assets above 100 million rupees. Rate: 1% annually on net wealth.

Reform 2: Digital Documentation Make all transactions above 50,000 rupees digital and traceable. Bank transfers, cards, or mobile wallets only. This stops black money circulation.

Link property purchases to tax returns automatically. If someone buys a 20 million rupee house, they must show income justifying it.

Require all businesses to use electronic invoicing. Sales and purchases get reported automatically. No more hiding revenue.

Give incentives for documentation. Reduce tax rates slightly for those who comply fully. Penalize heavily those who avoid the system.

Reform 3: Transparent Spending Publish detailed budget information online. Every citizen should see exactly where their tax money goes. Which roads, which hospitals, which schools.

Create citizen oversight committees for major projects. Local people monitor construction and quality. They report problems directly to accountability offices.

Cut wasteful government expenses. Reduce official perks and luxury spending. Put that money into education and healthcare instead.

Make all government contracts public. Names, amounts, timelines - everything visible. This stops corrupt deals and favoritism.

Reform 4: Simplified Compliance Make tax filing simple for ordinary people. One form, clear instructions, online submission. Remove the need for expensive accountants for basic returns.

Provide free tax filing assistance in post offices. Train staff to help citizens understand their obligations. Remove fear and confusion from the process.

Set fixed tax rates for small businesses based on type. A small shop pays 15,000 rupees yearly. A medium shop pays 50,000 rupees. No complex calculations.

Grant automatic refunds within 30 days. No bribes, no delays. If the system shows refund due, money gets transferred immediately.

Reform 5: Zakat Integration Allow Zakat payments to count as tax credit up to 100% of obligation. If someone owes 50,000 rupees in tax but paid 50,000 rupees Zakat, they owe nothing more.

Create verified Zakat distribution channels. Government certifies honest organizations. People can trust their Zakat reaches the right recipients.

Use Zakat principles to guide policy. Tax wealth over consumption. Support the poor directly. Make the system transparent and fair.

International Examples Worth Following

Other Muslim countries have made progress in ending exploitative taxation. Pakistan can learn from their successes.

Malaysia's Reform Story: In 2015, Malaysia introduced Goods and Services Tax. But they exempted basic necessities completely. Rice, flour, vegetables, medicines - all tax-free.

They increased direct taxes on high earners and corporations. Within five years, poverty dropped from 5.6% to 3.8%. Income inequality decreased measurably.

They digitized most transactions above a low threshold. This brought informal economy into the system. Tax revenue increased without hurting poor people.

Indonesia's Success: Indonesia simplified their tax structure in 2020. They created just three tax brackets for individuals. Small businesses got a flat rate option.

They launched aggressive campaigns against wealthy tax evaders. High-profile arrests sent clear messages. Compliance improved dramatically.

They increased education and health spending by 40%. People saw benefits from paying taxes. Trust in government improved.

Turkey's Welfare Model: Turkey created a Zakat-inspired social welfare system. They collect taxes normally but distribute aid following Islamic principles.

Poor families receive direct cash transfers. No middlemen, no corruption. Just money in their accounts monthly.

They built thousands of free clinics and schools. Quality improved because oversight increased. Now their public services match private ones.

The Real Cost of Continued Injustice

Every day without reform costs Pakistan dearly. The price goes beyond just money.

Economic Costs: Businesses stay small to avoid taxation. This limits job creation and growth. Investment goes to Dubai and Malaysia instead of Karachi and Lahore.

Brain drain accelerates. Talented youth see no future here. They take their skills to countries with fairer systems.

Black money distorts markets. Real estate prices become unaffordable. Common people cannot buy homes because investors park illegal money there.

Social Costs: Inequality breeds resentment and anger. People lose faith in democracy and law. They turn to extreme solutions and radical voices.

Communities fragment along economic lines. The rich isolate themselves in guarded societies. The poor get abandoned in neglected neighborhoods.

Crime increases when people cannot survive honestly. Theft, fraud, and corruption become survival strategies. Social fabric tears apart.

Spiritual Costs: Muslims neglect Zakat when forced taxation feels unjust. They think "I already pay so much to government." But Zakat remains obligatory regardless.

Charity decreases because people feel exploited. They hoard money rather than share it. This violates core Islamic teachings about community.

Trust in institutions collapses. When government cheats people, they stop believing in any authority. This includes religious institutions too.

Your Role in Creating Change

Ending exploitative taxation is not just government's job. Every citizen must participate actively.

If You Are a Regular Citizen: Educate yourself about tax issues. Read reports, attend seminars, ask questions. Knowledge empowers you to demand change.

Vote for candidates who promise real reform. Ask them specific questions: Will you tax agriculture? Will you remove sales tax on basics?

Join or support advocacy organizations. Groups like PILER and SDPI work on tax justice. They need volunteers and donations.

Use social media to spread awareness. Share facts about tax injustice. Counter misinformation. Build public pressure for reform.

If You Own a Business: Pay your taxes fully and honestly. Yes, others may cheat. But change starts with individual integrity.

Document all transactions properly. Issue receipts, maintain books, file accurate returns. Be the example others should follow.

Treat employees fairly with proper contracts. Pay their taxes and benefits correctly. Don't exploit workers to save money.

Support policy reforms publicly. Use your business voice to demand fair taxation. Join chambers of commerce that push for justice.

If You Are a Religious Scholar: Teach about economic justice in Islam. Make it central to Friday sermons. Connect Zakat principles to modern taxation clearly.

Challenge policies that violate Islamic values. Speak truth to power. The Prophet (PBUH) said the best jihad is truth before a tyrant.

Help create Zakat distribution networks. Build trust so people confidently pay Zakat. Show them their money helps real people.

Guide wealthy individuals toward fair contribution. Remind them of accountability on Judgment Day. Wealth brings responsibility.

If You Work in Government: Resist pressure to bend rules for powerful people. Your integrity can protect ordinary citizens.

Suggest improvements to your superiors. Document problems you see daily. Propose solutions based on your experience.

Treat taxpayers with respect and fairness. Remember you serve them. They don't serve you.

Expose corruption when you witness it. Yes, this carries risk. But silence makes you complicit in injustice.

A Vision for Pakistan's Tomorrow

Imagine Pakistan after we succeed in ending exploitative taxation completely. Picture this future clearly.

Morning in New Pakistan: A mother buys flour without hidden taxes eating her budget. She can afford vegetables and fruit for her children.

A student opens books she could finally purchase. University feels possible now. Her dreams stay alive.

A worker fills his tank knowing fuel costs are fair. He can save a little each month. Maybe buy a small house someday.

Society Transformed: Schools have proper buildings, trained teachers, and full libraries. Every child gets quality education regardless of family wealth.

Hospitals treat everyone with dignity and modern equipment. No one dies because they cannot afford basic care.

Roads connect villages to markets. Clean water reaches every home. Electricity runs consistently.

Economy Flourishing: Businesses grow confidently because rules are clear and fair. They hire more people. Innovation increases.

Foreign investment pours in because Pakistan has transparent, fair systems. Jobs multiply. Opportunities expand.

Black money moves into legitimate economy. Real estate prices normalize. Common people can afford homes again.

Community Restored: Rich and poor live as neighbors, not enemies. Both contribute fairly. Both benefit from public services.

Charity increases because people trust the system. They give Zakat willingly. They support local causes generously.

Crime decreases as economic pressure eases. People earn honestly. They respect law and each other.

The Path Forward Starts Today

Ending exploitative taxation will not happen overnight. But it must start now. Every day of delay causes more suffering.

The Qur'an promises: "Allah does not change a people until they change themselves." (13:11)

We must change ourselves first. Pay our own obligations honestly. Demand fairness from others. Support reform consistently.

Leaders must find courage to challenge elites. Bureaucrats must resist corruption. Citizens must stay vigilant and vocal.

This is not just about economics or policy. This is about justice, dignity, and our duty to each other.

The Prophet (PBUH) taught: "The best people are those most beneficial to others."

A fair tax system benefits everyone. It lifts the poor. It stabilizes the middle class. It even helps the wealthy by creating a healthier society.

The Choice Is Ours: We can continue with systems that punish survival and reward exploitation. We can watch inequality grow until society fractures completely.

Or we can demand change. We can build a Pakistan where justice guides policy. Where dignity comes before profit. Where Islamic principles shape economic life.

Ending exploitative taxation is possible. Other countries have done it. We can too.

But only if we act. Only if we persist. Only if we refuse to accept injustice any longer.

The time is now. The responsibility is ours. The future awaits our decision.

Will you be part of the change Pakistan desperately needs?