**Can a super tax tackle poverty?**

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The incumbent government has imposed a 10 per cent direct tax in the form of a ‘super tax’ on large-scale profitable industries, and labeled the new levy as a “poverty alleviation tax”.

Raising the corporate and income tax rate is frequently proposed as a remedy to income disparity since higher-income people tend to hold more business shares than others and may be required to pay more in taxes on corporate income. Income inequality assesses how unequally income is distributed within a country. Contrarily, the degree of poverty refers to a person’s ability to afford basic requirements of life, including access to services like healthcare and education.

Although fiscal policy can be used to reduce income inequality in low- and middle-income nations, till now there is little evidence on how it can eradicate poverty. This brings to mind the fundamental query: how would this tax serve to combat poverty in Pakistan?

Corruption and tax evasion are rampant in Pakistan’s tax collection system. Taxes as a percentage of GDP are likewise quite low. At a time when the poor are already suffering from skyrocketing costs amid high inflation due to shortages and a plunging Pakistani rupee, the federal government has urged the wealthiest to carry their weight in taxes to raise more money to pay the nation’s public spending programmes.

Several concerns could prevent the super tax option from being enacted; one is the potential decline in capital investment in machinery, which would lower productivity and overall prosperity. Large industries, which currently pay a high corporate tax of 29 per cent and provide millions of jobs nationwide, will be adversely impacted by the enforcement of a 10 per cent super tax. The corporate income tax and investment tax will now be higher than 50 per cent and 55 per cent, respectively. This is the highest in Pakistan’s history as well as in this region. The corporate tax in India and Bangladesh is 25 per cent.

In addition, there is no effective system in place in Pakistan to monitor and control the prices of a wide variety of goods and services, as well as the profits made by producers or other businesses. This is why the industry will undoubtedly attempt to pass this levy on to consumers or reduce the wages of the poor. Furthermore, in an uncompetitive market, it would affect the prospective private sector and foreign investment ventures as well as business expansion in the industries.

In a nutshell, the business sector, which is the backbone of the financial and economic systems, would suffer as a result of this super tax. Owing to the ongoing high inflation, it is anticipated that there may be more layoffs and a rise in poverty.

The government has opted for such a straightforward course of action primarily due to the IMF pressure and to address the ongoing balance of payments crisis. Taxing the people is not the only way to lower the budget deficit; government spending must also be curtailed. The tax base should be broadened to generate revenue and incremental efforts are required to make the overall taxation system equitable.

These measures are noteworthy if they are implemented by the government in a way that advances the nation’s pursuit of financial independence, sustainable economic growth, and minimal reliance on foreign loans. Poverty can be reduced when taxes are equitable and essential public services like education and health are prioritized in government spending. In the current scenario, linking a ‘super tax’ to the objective of eliminating poverty is largely a political statement.

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