

Headlines:

- **Budgeting in Democratic-Capitalist State: An Epic of Ever Increasing Unjust Taxes**
- **Democracy can never Grant Relief in Power Bills**
- **Pakistan's Water Crisis due to Democratic Rulers' Neglect**

Details:

Budgeting in Democratic-Capitalist State: An Epic of Ever Increasing Unjust Taxes

Information Minister for the PTI government, Fawad Chaudhry, on 25 September 2018 railed against opposition parties, holding them responsible for Pakistan's current economic crisis as the budget debate resumed in the National Assembly. Blaming others does not absolve the current rulers of what the ruling PTI is doing now. In a bid to clinch an IMF bailout, the 'change mongering' PTI government seeks to bridge the budget deficit by proposing measures to raise the tax revenue to the tune of Rs 183 billion and slashing development expenditure in its mini budget. Experts believe that harsher measures are in the offing if government approaches the so called 'international lender of last resort', the IMF.

The brazenly unjust and unethical structure of taxation prevailed as always. The general perception in Pakistan is that the government is a burden on low-income residents. Low-income residents pay withholding taxes, and sales tax that consumes a larger portion of their incomes. The state continued to rely on intensifying tax collections through indirect Taxes. Two-thirds of the tax was collected using the indirect taxation mode. Sales taxes on petroleum products and services provided by telecom account for more than half of these unfair indirect taxes. This has increased oppression of the tax system and imposed an unjust and skewed burden of taxation. The nature of taxation is regressive in general, meaning a tax is imposed uniformly to everyone regardless of individual income. An overwhelming majority of direct taxes are collected through withholding taxes, received from salaried individuals. Extensive use of withholding taxes has added to the arbitrariness of tax system.

Repeated and frequent changes in tax legislation have also contributed towards a distorted tax system. Changes are done to provide protection or incentives to certain groups and mafias. The exemption allowed to incomes from agriculture epitomizes the nexus between the landed gentry and business mafias, mostly having a stake in ruling. Today, most big businesses own huge land-holdings in barren regions. On books they show the profits earned from their other businesses as income from agriculture and declare losses from the former. This has contributed towards narrowing the tax base and lowering an overall tax effort. This makes one question the general fairness and transparency of the system. When compared with other countries, experts lament, Pakistan's has by far the lowest proportion of tax filers. The reason why people evade taxes primarily is absence of trust towards the administration. People do not see their efforts being paid back. So, they don't find a point of making efforts at all. There is a lack of transparency and accountability within the system that makes public question themselves whether their money is actually being used for their benefit or is gone into satisfying someone else's vested interests.

Islam does not allow the state to levy taxes in any way it likes, for taking the properties of the people without evidence is prohibited and a great sin. The sanctity of life, honour and property of an individual is legislated by the Quran and Sunnah. However, projects that are obliged upon Muslims such as building a road which is required but does not currently exist, or building a required hospital, clinic, school and the like. All of these projects, whose absence harms the nation, are obliged upon the State treasury and Muslims. If funds exist in the treasury it will be spent upon them, otherwise taxes are imposed on the wealthy Muslims, and are taken from

whatever exceeds their basic needs and luxuries, i.e. from that which exceeds their normal livelihood. Tax is taken from that, proportional to it, and equal to the funds necessary for the project. These funds are collected based on the texts of the Quran and the Sunnah.

Shariah has legislated permanent sources of revenue for a state to look after the affairs of its people. These include: war booties, Jizya, tax on hidden treasures, agriculture land tax, Zakat and revenues from public properties. Contrary to the capitalist ideal of freedom of private ownership, Islam prohibits the private ownership of vast mineral resources (oil, gas, gold etc). Islam has declared these resources as property of the whole Ummah (public property) and obliges the state to spend its revenue in the collective benefit of the Ummah. In the presence of these fabulous permanent sources of revenues any additional tax becomes a temporary phenomenon having limited scope given the sanctity of the property of an individual.

Democracy Can never Grant Relief in Power Bills

After having raised gas prices, the PTI government is working on a proposal to increase electricity tariff by an average of Rs2 per unit to partially finance the ever-rising circular debt reported Dawn on 24th September. A meeting of the Economic Coordination Committee (ECC) of the cabinet has been called on Tuesday to take up electricity tariff as agenda amongst other.

It is worth mentioning that the last two decades have seen a sharp steep in the charges of the electricity as according to an estimate, the hike in power tariff rises up to 350 percent in this time. An average electricity consumer who uses 300 units of electricity a month is now paying PKR 12.09 per unit, which was PKR 2.29 in 2003. The increased cost of electricity is mainly due to the increased cost of production of electricity due to privatization under the controversial Independent Power Producers' legislation of the 1990s era, as it has established mechanism to guarantee profit for private companies. The legislation has ensured that idle capacity payments, line losses and interests on loans are part of the cost mechanism of the unit price being paid by the state to the private producers. The unit cost of electricity is so high that the government does not pass it on completely to the consumers for political reasons. Moreover, the delayed payments to the power plants and power generating companies has created a chaotic circular debt, which has now surged to PKR 1100 billion. Whilst the common man is burdened with ever increasing prices of electricity, the government is busy filling the bellies of private producers through public wealth.

This can be seen in the balance sheets of the biggest IPPs of Pakistan like Hubco, which recorded a profit PKR 11.67 Billion in the fiscal year 2018, whilst K-Electric, formerly KESC, whose major shares are privatized, has announced a profit of PKR 32 Billion in 2017. The situation is so dire that the National Electric Power Regulatory Authority (NEPRA) in its "State of the Industry Report 2017" has disclosed the performance of new power plants that are causing additional burden upon the masses, as Rs130 billion is to be annually paid for idle power plants. It further reported that the installed capacity of the power plants has reached 28,000MW. However, electricity supply is not even near this installed capacity. Yet, capacity payments, which were around Rs280 billion in the FY 2015-16, reached more than Rs350 billion in the FY 2016-17 and would be close to Rs490 billion in the FY 2017-18.

Thus, the PTI government is just like other governments of the past in increasing the burden on common man, instead of stopping big fishes from making huge profits out of the public's basic necessity. Islam has forbidden such usurping of public property by a few. RasuAllah (SAAW) said, «ثَلَاثٌ لَا يُمْنَعُن: الْمَاءُ وَالْكَأُ وَالنَّارُ» **"Three cannot be denied (to anyone): water, fire and pastures"** (reported by Ibn Maja from Abu Hurairah). This narration has an Illah (Legal Reasoning) that its prevention is because they are from the public utilities. So, Fuqaha have included all that causes fire i.e. energy resources, be it electricity, gas or petroleum as public property, such that its individual ownership is haram in Islam. Thus, ruling by Islam alone will end the capitalist economy and establish an Islamic one. The Islamic system ensures the distribution of wealth and one of its mechanisms is the public ownership of electricity resources as well as coal, oil and gas. These resources are neither owned by the state nor individuals. Instead, the state administers this resource to ensure that its benefit is used for all the citizens, regardless of race, colour, school of thought and religion. Furthermore, the Khilafah state will abolish taxes

