

(Outline only)

# PROMOTION OF TAX CULTURE IN PAKISTAN :- PERSPECTIVE, PROSPECT AND CHALLENGES.

Outline:

## ① Statement:

Tax culture in Pakistan presents a bleak picture through tax evasion, limited number of tax filers and shrunken tax base,

whereas the future outward look of tax system should include informal economy and increasing direct taxation. Thus,

Thus, presenting challenges in revenue collection and disbursement should be overcome to strengthen economic framework of the country.

## ② Pers Types of taxation in Pakistan:

2.1 Indirect taxation on services

2.2 Direct taxation on income

## ③ Perspective of tax culture in Pakistan:

3.1 An increased amount of tax evasion —

due to prevalent elite capture in the country

3.2 Under taxation of agricultural sector — Crop Reporting Services (CRS) of the province does not provide adequate data.

3.3 Dominance of informal sector in economy — Rise of e-commerce in Pakistan overcomes the taxation system

3.4 Fragmented tax system and growth among the provinces — tax exemptions highest in Balochistan

3.5 One of the lowest tax to GDP ratio

3.5 A modicum number of tax base — Pakistan has one of the lowest tax to Gross Domestic Product (GDP) ratio.

3.6 Tax exemption on modernisation and expansion by industries — Tax Ordinance provides preferential treatment to different segments of society.

### 4. Prospects of tax culture in Pakistan:

4.1 Elimination of regressive tax expenditure through Statutory

4.2 Regulatory Order of National Database and Registration Authority should consolidate with National Tax Number to avoid under report of profit.

4.3 Tax policies should be stable in mini budgets.

4.4 Inclusion of tax informal economy into tax domain.

⑤ Challenges faced during taxation process in Pakistan:

5.1 Heavy dependence on indirect taxation leading towards inflation.

5.2 Substitution of taxation with federal transfer at subnational level causes low tax collection.

5.3 The equipped Federal Board of Revenue in assessing the correct income of private limited.

5.4 Proper Inability to properly utilise or disburse tax due to disputed center, province relation.

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## ⑥ Recommendations to strengthen taxation system in Pakistan:

- 6.1 Federal Board of Revenue should be strengthened in tax collection.
- 6.2 Overcoming center province relation in ~~taxation~~ tax collection and utilisation.
- 6.3 Increase use of revenue in development portion of budget.

## ⑦ Conclusion:

Challenges faced during taxation process in Pakistan: