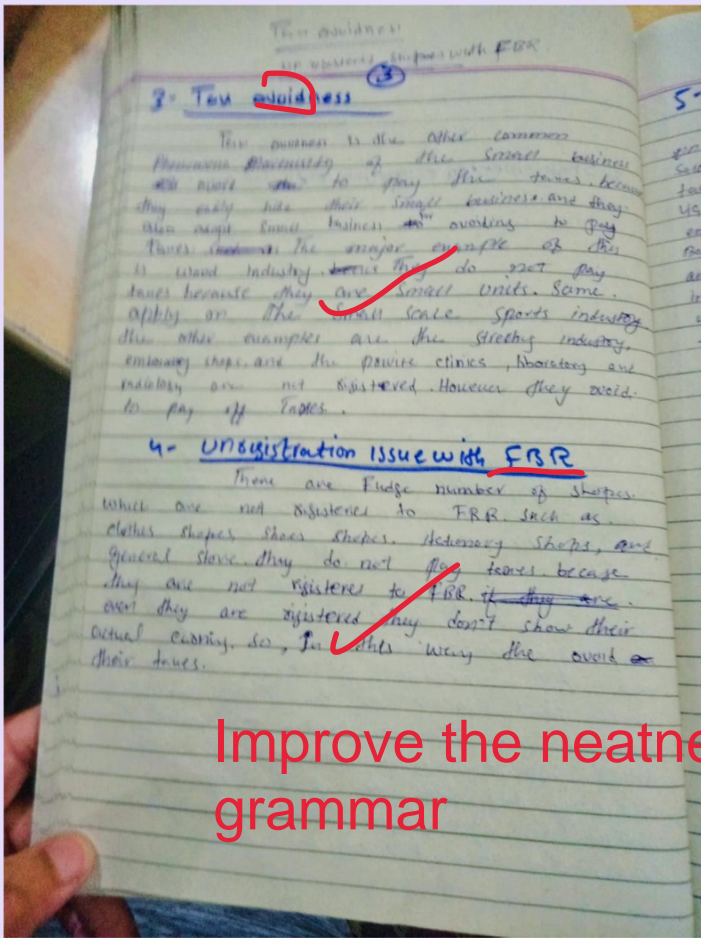


Mention the full qs statement for proper evaluation. Without that these are just notes and cannot be awarded marks

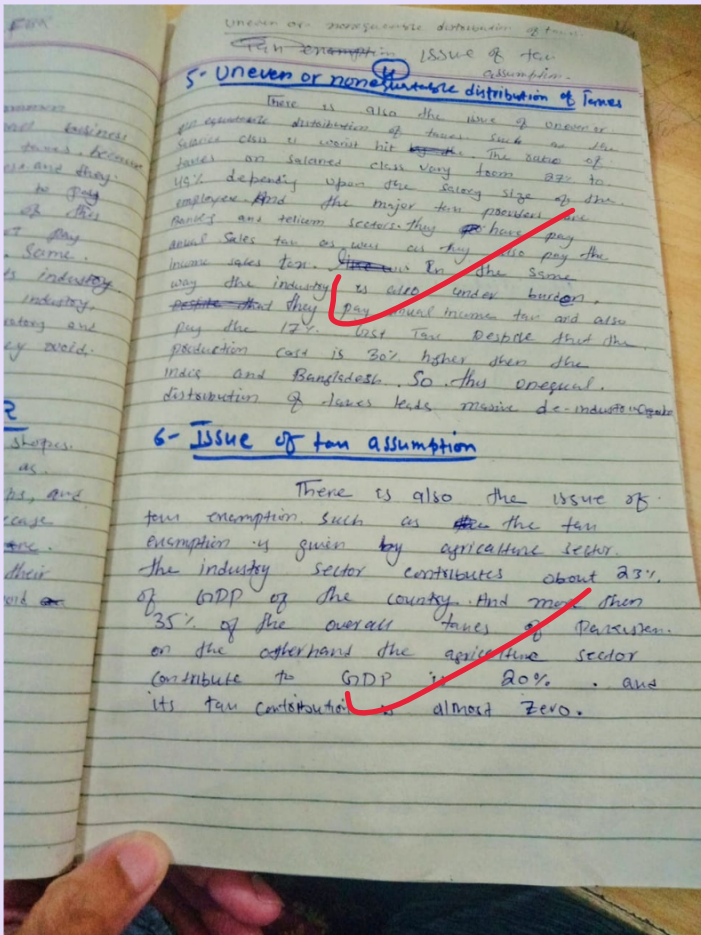
Introduction
This is a very common issue in the world's economy. One of the major budget deficit, which is persisting in many countries, is being continuously faced by the world. The average budget deficit there are. For some the last ten years, there are many reasons for the budget deficit. Such as the global economic crisis, or informal economy and many other factors that contribute their role in the budget deficit. But, these issues can be solved by the better off effective policy measures.

reason for the budget deficit.
1- **Flawed taxation System**
Due to the flawed taxation system, the tax collection is less. In fiscal year 2021-2022 6.1 PKR collected.
2022-23 the tax collection is less 7.4 trillion PKR and the expenditure of federal government was 9.1 trillion PKR. After Apply the NFC Award center left with 5 trillion PKR. After ~~adding~~ the federal excise duty the total amount with center was. 4.6

Undocumented Economy leads Tax evasion.
2- **Undocumented economy leads Tax evasion**
Like the flawed taxation system, the flawed documentation of economy also leads the crisis. According to the IMF 35% of the economy is undocumented, such as the business units are partially documented, there are ~~because~~ business unit that there are hidden don't show their business.
The informal ~~leads~~ economy leads tax evasion. one of the major tax evader is deal state business. second one is property dealer. The actual price of the plot is not shown by FBR. the other major area is the industry, where the tax evasion is the common phenomena. The number of the products are more and shown products are less. one of the major tax invader is tobacco industry. the actual number of cigarette packet is more than shown to the FBR. Because there is no effective criteria to identify the actual product. So, the undocumented of the economy and lack of ~~of~~ the effective criteria to identify the actual products leads the tax evasion.



Improve the neatness and the grammar



Corruption in FBR

Q- Corruption in FBR

Corruption is one of the major problems of every sector and this also leads by some sector like in the ~~tax~~ there is rampant corruption in FBR and ~~the~~ business are not properly documented as ~~documented and~~ ~~formal~~ ~~with~~ more the services and other perks and privileges are ~~denied~~ of tax authorities ~~is~~ ~~is~~. This leads to corruption, ~~less~~ ~~the~~ ~~tax~~ collection.

W- Capacity building issue of FBR

There is the capacity building issue of FBR because there is the issue of lack of proper investment of the state on the capacity building of FBR. As the state ~~is~~ ~~spend~~ on FBR is very less. In 1999 the FBR collected almost 300 billion PKR and ~~so on~~ in 2023, FBR collected 6.7 trillion PKR. But the state spend on FBR is very less. As per international ~~standards~~ ~~set~~ ~~by~~ ~~the~~ ~~IMF~~, ~~World~~ ~~Bank~~, ~~IMF~~, ~~WB~~, ~~ECR~~, ~~APB~~ at least 2% of the collected amount must be spent on the tax collecting bodies.

7

This 2% amount must be spent on

- on salaries
- Installation of FBR officers and ~~basic~~ ~~tax~~ ~~sectors~~
- documentation and automation of business.

While Pakistan just spend 0.6% ~~of~~ ~~of~~ ~~total~~ ~~collected~~ ~~taxes~~. This is because the proper documentation and automation ~~is~~ ~~not~~ ~~done~~ ~~by~~ ~~FBR~~.

⑧ Issue of Debt servicing:

The issue of debt servicing is also the major contributor of the budget deficit. Every year the minimum 28% of the expenditure portion of budget is allocated for the debt loan repayment. In the fiscal year 2024-25, the federal government of Pakistan has to pay more than 20 billion USD to external sources, more than 45 billion PKR to internal sources, and more than 1.2 billion PKR to the TPPs. Under capacity payment after applying NFC and giving the provision of debt and payment of the both internal and external loan there is no money left with leader to spend for the other expenditure.

~~Issue of Subsidies~~

Annual Expenditure and debt Servicing.

Fiscal year	Total expenditure	Debt servicing
Fy 2021-22	8.4 Trillion PKR	2.5 billion USD
Fy 2020-21	7.7 trillion PKR	3 billion PKR
2019-20	7.2 Trillion PKR	2.9 billion PKR

⑨ Issue of Subsidies

Pakistan's economy of Pakistan has faced significant challenges. One of that challenge is the subsidy issue during managing the budget of federal government. As in last five ~~year~~ fiscal year the average size of subsidies was 1.5 trillion PKR, which is ~~large~~ ^{huge} amount.

Overview of the Subsidies in budget

14. ISSUE OF PENSION

Pension as a crucial component of social security system are designed to provide financial support to the retired persons. In the federal budget 2022-23, pension was nearly 70.1 billion PKR and in the federal budget 2023-24, it is about 109 billion PKR. This is a major reason for the budget deficit.

Implications

(1) Increase in public debt

There is the issue of less tax collection and the expenditures are more. So, therefore the government acquire more and more loan to meet their expenses. Recently, the total volume of the loan on Pakistan jumped from 6 trillion PKR in 2008 to 53 trillion PKR in 2023. The one of the major reason is budget deficit.

Fy 2008-09 = volume of loan is 6 trillion PKR.

Fy 2012-13 = it reach 12 trillion PKR.

Fy 2017-18 = reaches 29 trillion PKR

Fy 2021-22 = it was 38 trillion PKR

Fy 2022-23 = it is about 54 trillion PKR

This chart represent the continuous increase in the loan.

(2) Lesser allocation for developmental projects.

Other implication of budget deficit is the lesser allocation for the developmental projects such as dams, roads, infrastructure, canals, and many other projects which are undermined due to the budget deficit problem.

Lesser allocation for educational funds.

(3) Lesser allocation for Social Welfare program

Such as the health sector, education and social and development (RCD) is compromise due to the budget deficit. The police which is one of major component in the internal security also compromised, due to the budget deficit problem.

Add and highlight references/examples against your arguments

The tax to GDP ratio in Pakistan is low. The reason for this is the improper documentation and automation of the economy. If the economy is properly documented and automated, this will lead to the increase in tax collection.

(a) Introduce track and trace system.

In the recent past, two major steps have been taken towards the documentation and automation. First of all track and trace introduced in the industries. This helps in the increase of tax collection from industries, but the issue is that it was not applied in every industry. Resultantly the stable increase in the tax collection could not occur.

(b) Introduce point of Sale System

Secondly introduce point of sale system in retailers and other big business. This also increase in the documentation and automation of Economy. But the same issue is facing here. It is restricted to major retailers and not extends to other businesses and shopkeeper at grassroots level.

2. Equitable distribution of taxes of all the sectors.

Equitable distribution of taxes among all sectors is essential to boost the tax collection. It is important that all kind of business such as agriculture, industry and shopkeeper of all kind must brought under the tax net. Pakistan has increase the tax base to enter to increase the tax net more and more people must pay tax. There are 7 million owners in Pakistan out of which 80% are not tax payer. So, the more the documentation and automation, the more the tax payer, lesser the corruption and more the tax collection.

3. Privatization of state owned enterprises.

There are 100 plus state owned enterprises they must be privatize. But the role of the state as a regulator. As business is the job of private individuals. Therefore state owned enterprises must be privatized. This leads to decrease the burden on budget. Such as MCB was privatized in 90s by then it was paying taxes less than 1 billion PKR, now it is paying taxes by 100s on that time, but now it is 100s.

30 billion PKR also the number of employees was not reduced in the banks. Therefore, more the enterprises are being privatized, the more the chances of growth in the businesses. All the banks, telecom companies, distribution companies etc. privatized are performing way better than they used to be in the past.

Conclusion

This edge issue of budget deficit can be tackled by taking effective measures. Such as privatization reduces the financial burden. If all these measures such as Privatization and reforming of the economy is taken off efficiently, this leads more tax collection, less corruption and revive the economy. Through the rapid industrialization, more the industries, more the taxes, more the jobs and this leads free the government of Pakistan from all financial burden.

Improve the references and the paper presentation part