

QNO7:-

Pakistan's economic elite is predisposed to raising the cry of Pakistan in danger for the purpose of taxing the poor and putting the population under the burden of foreign debt instead of economic self-reliance.
Discuss.

1) Introduction:-

Pakistan has been living through its one of the worst crisis and has been arrested with a motley of challenges. Among several challenges, economic meltdown and rapid deterioration of its foreign exchange reserves are on the rise. Due to which it has accumulated high amount of debt from foreign countries. The volatility of such accumulation of debt is the unprecedented ^{increase in the} taxation of the poor class. Instead of expanding tax net to economic ^{government} elites and bigwigs, Pakistani has raised the cry of

Pakistan is danger for the purpose of taxing the poor in variety of sectors including grocery products, clothing, utensils, Taxation on industrial sectors, ^{high} electricity tariffs and fuel prices have been recently experienced after the announcement of 2021 budget. In a similar vein, the burden of foreign debt has enabled Pakistan to surrender all the social spending and resorted towards the privatisation and right sizing policy, thus deepening the faultlines surrounding economy of Pakistan.

2) Overview of the taxation system of Pakistan:-

The dilemma of Pakistan's taxation system is that the narrow elites, who constitutes at least 6% of the economy, are exempted from paying taxes. The economic elites lobby against the taxation policies of government and claim the largest piece of the pie of national resources be themselves. Therefore, the industrial sector ^{contributes} constitutes 70% of the taxation, the highest of all. Services sector contributes 23% and the agricultural sector contributes 0.02% to the taxation base of the country. Agricultural

Sector
while
the rest

Age

↓

0.0

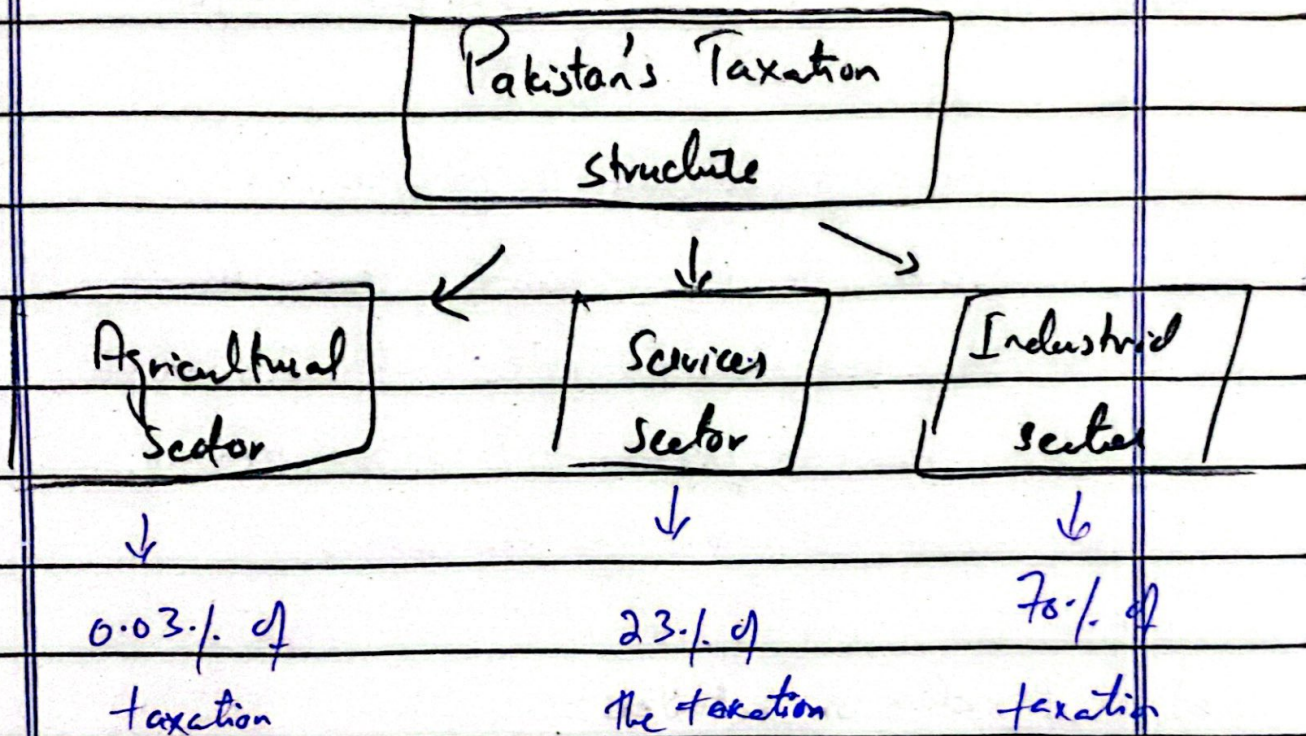
to

The

in

to

Sector employs more than 50% of the population. while services sector and industrial sector employ the rest of the population.



Thus, therefore, it makes a flawed taxation regime in Pakistan in which most of the wealth generated by services sector are accumulating, making rich-richer and poor getting poorer.

3) How Pakistan's economic elite is taxing the poor:

a) Taxation on salaried class - 2024 budget:-

The salaried class of Pakistan has experienced the huge economic shocks due to the unprecedented increase in the taxation on income of government officials - upto 35% increase of taxation on the income has been observed.

b) Taxation on retailers:-

Through "Tajir Post Scheme", government of Pakistan has put efforts to bring the retailers, wholesellers and traders under the tax regime, the result of which is extreme financial burden on retailers without any social safety nets programs and other breaks.

c) Taxation on end consumer products

The surge in the prices of consumer products like groceries, shopping items including clothing etc have been increased rapidly. The purchasing power of the poor class has ~~been~~ felt down significantly, pushing the population under the menace of poverty.

d) Taxation on Electricity in the form of huge tariffs

The electricity bills of Pakistan's partially poor has been the underlying cause of suicide and socio-problems of the society of Pakistan. Poor class has felt the brunt of taxation deeply and is unable to pay their inflated bills.

e) High Tariffs on fuel prices

The tariffs on fuel has the other economic pain a poor has to feel in Pakistan. The result of which is costly productions and industrial output. Pakistan has to increase its fuel prices

every other day to meet the needs of or
conditionalities imposed by IMF.

4) How ^{poor} population of Pakistan has been pushed
under the debt instead of economic self reliance.

a) Twin deficits — Fiscal and current Account

Fiscal deficit which has caused due to
huge government expenditures than its revenue generation
capacity and the current account deficit, caused by
high imports and low exports. The twin deficits
has been the major cause of Pakistan's accumulation
of billion of dollars instead of opting for economic self reliance.

b) Privatization policy of government under IMF bailout

The privatization of government organisations,
which serve as a white elephant, is a much need
of time to lower the burden on national exchequer.
Unfortunately, the privatization cause loss of government
jobs and the privileges tied to it, putting poor class in

c) Rightsizing policy of Government:-

Recently, government has abolished more than 4000+ posts in its effort to reform government sector, introducing efficiency and effectiveness in the functioning of government and most importantly to meet the conditions of IMF for securing of 23rd IMF bailout. It has pushed poor class into a pit of the disaster of poverty.

d) Scarce resources be find and promote culture of entrepreneurship:-

Throughout the world, the policy of micro-finances and loans to small and medium enterprises (SMEs) are implemented to accelerate the process of economic self sufficiency and self-reliance. Unfortunately, Pakistan has been prevented from any such initiative due to its scarce resources and IMF conditionalities.

e) Huge chunk of budget is channelized towards Debt servicing.

The accumulation of billions of dollars prevent Pakistan from accessing plenty opportunities of industrialization and economic self-reliance, making Pakistan dependent and trapped in vicious cycle of aid dependency. Thus, resources flow from Pakistan, starving it out of economic projects.

5) Conclusions:-

In a nutshell, the state of Pakistan has been arrested with challenges of taxation, the flawed taxation regime make it vulnerable to foreign dependency and the subsequent socio-economic shocks that follow it. In order to ensure progress and the way out of this vicious cycle, Pakistan should reform its taxation regime by bringing all the economic bigwigs under taxation policy. In this way, Pakistan can turn its challenges into catalyst for progress.