

it is good effort...but need more rigorous work on paragraph writing

promotion of tax culture in  
Pakistan: prospective prospects  
and challenges;

## Outlines

### (i) Introduction

- (a) Tax as a ~~soul for economy~~ try to be diversify in your expression and more improved word choice please
- (b) overview of the discourse
- (c) Thesis statement

### (ii) Defining the terms Tax culture and tax

### (iii) Challenges to the promotion of Tax culture in Pakistan

3.1 Political patronage and elite capture

3.11 Institutional ineffectiveness and Corruption

3.111 Ambiguous tax regimes and complexity

3.1V Civic perception of tax burden and mistrust

3.V Paralysed Judicial system and logging cases

3.vi Regressive rather than progressive tax policies.

4: prospective: Reforms to promote tax culture in Pakistan

4.1 Digitalization to ensure Transparency

4.11 Simplification of tax laws brings efficiency and effectiveness

4.111 Equity through progressive Laws

4.1111 Apolitization of tax department

4.11111 Whistleblower culture to curb evasion

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5: prospects: Expected benefits of The implementation prospective

4.1 Enhance the Integrity of the Tax-department

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4.111 Reduce reliance on foreign Lender

4.1111 leads to human capital development

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6: Conclusion

## Essay:

## taxation and revenue generation

Tax for the economy is like a soul for the body. When soul departs from the body, body becomes a relativity. The same is true of tax. Without a robust tax culture, economies always suffer and with weak economies states can not practice autonomous foreign policies, leading to compromised over national - integrity and sovereignty. Therefore, to ensure economic progress, states require to promote tax culture.

In Pakistan, successive governments have attempted to carry-out the reforms.

However, most of that reforms have failed because of the long-persisting entrenched fault-lines. These fault-lines act like obstacle in promotion of the tax culture in Pakistan. Some of that fault-lines are; political patronage and elite capture, institutional ineffectiveness and corruption, ambiguous tax regimes and complexity, civic perception of tax as a burden and mistrust and last but not least is paralyzed judicial sys.

tem and legal cases. To overcome these challenges, a strong set of reforms are necessary. Therefore, Pakistan needs to digitalize its tax system to ensure transparency. It also requires to simplify the existing tax regimes to bring effectiveness and efficiency in tax system. Moreover,

Pakistan government also needs to shift from the system of regressive tax policies to progressive ones and spread civic awareness through curricula and media campaigns. If all the above mentioned reforms being implemented successfully, they promise bright future prospects. These prospects entail enhancement of the integrity of the tax department, large tax-to-GDP ratio, reduce reliance on foreign lender and leads to the building of trust between state and its citizen. Thus, despite so many abortive reforms attempts, Pakistan's tax still has the potential to uplifts country's crippled economy.

### **taxation is essential**

A ~~tax~~ is a compulsory financial charge or levy imposed by a government on individuals, institutions or transactions, without a direct quid pro quo (benefit in return), to finance public expenditure and development. While tax culture is ~~referred as~~ general public approach toward tax system, governments approach to management of tax system in country. States where both the public approach and government approach interlinks and supports each other, tax system becomes a bedrock both for the public and governments. On one hand, public gets basic facilities, on the other hand, government fulfills its expenses through

through tax money, leading to tranquility in society.

political patronage and elite capture act as an obstacle in promotion of tax culture in pakistan. in pakistan, most of the large businesses and corporations are owned by a small group of people. these small group of people are often involved in country's politics. they either involve themselves in elections or serve as backbone support for those who run for election. when in parliament, they oppose those reforms that would make them to pay in taxes. on the other hand, when out from parliament, they influence policy maker through different means, making efforts for reforms abortive. moreover, those in power also shield them from tax departments. according to inam ul haq, a former chairman of planning commission department tax reforms in pakistan have become a 'bargaining game.' policy maker think of reforms as a personal agenda rather than country's interest. hence, political patronage and elite capture curb ways to promotion of tax culture in pakistan.

In addition to this, institutional ineffectiveness cripples tax system. in pakistan, the federal board of revenue (FBR) a federal based department tasked with overseeing tax system.

it does not only remain ineffective in its tasks but also often being used as a political tool by those who are in power. The main issues that help in making it ineffective are over-relying over traditional practices, ambiguous laws, politicisation of its function and lack of digitalization. These altogether makes it a dead-fish in the system. An ordinary citizen does not know how it is and where to pay tax? Even the simple tax-paying process has become rocket-science. As a result, along with all other consequences, corruption becomes ubiquitous. According to a report published by State Bank of Pakistan in 2020, out of Rs 100 only Rs 34 reaches to government treasury, showing the severity of the issue. From the above, it can be inferred that institutional inefficiencies and corruption halt promotion of the tax culture in Pakistan.

Apart from this, ambiguous tax regimes act as challenge to tax system in Pakistan. Unlike those of the developed countries, tax laws in Pakistan are not being codified in manner as they should have to be. Pakistan's tax regimes still struggling to determine that what business should label as small or large? what product should be called tax-free or customs? Moreover, as compared to other peer countries, Pakistan's

tax regimes also struggle to distinct  
 ush between rules and duties for  
 the different tyier of officials & groups  
 and wings. Moreover, some laws even present  
 more bleak picture of the system, making it  
 not only ambiguous and complex but also  
 somehow sceptical. Article 37A of the Tax act  
 1990 is case on the point. According to this  
 article FBR only takes those cases which  
 exceed Rs 50 million. Thus, the existing tax regimes  
 make tax system of Pakistan more ambiguous, comp-  
 lex and somehow sceptical.

Moreover, civic understanding of tax is also  
 a challenge faces by Pakistan's tax system.  
 most of the public in Pakistan perceive  
 tax either as a burden, unfair or somehow  
 failed system. These perceptions are not being  
 built in a vain. They are the consequences  
 of the fault-lines existing in tax system.

Until and unless public see their tax-  
 money is investing in development programs,  
 their perception cannot be morphed positive. More-

over, when masses see that affluent class  
 pay the same amount, they perceive the  
 system somehow shielding the wealthy class  
 and become sceptical to the system.

As a result tax evasion remains the  
 only available way for them to revenge  
 the system. Furthermore, Pakistan, as a developing  
 country, having low literacy rate, its population  
 is not aware of the importance of tax, making

easy prey to scepticism and misperceptions, as it has revealed in Croilup Pakistan survey, according to the survey, more than 60% of the population think Pakistan's tax system as unfair and unjust, favoring only giant-class of the society. Hence, public perception of tax is a challenge in the way of promoting tax culture in Pakistan.

Along with civic perception, paralysed judicial system also adds fuel on the wounds of tax culture in Pakistan. Every tier of court, ranging from session courts, high courts and to supreme courts, all face issues of backlog cases. There are millions of cases related to financial transaction, finding for years, making the transparency mechanism in Pakistan crippled. Given the history of resolved cases, neither public officials are interested to bring more cases to court, nor those who are involved in financial malpractices fearful of the consequences. Therefore, judicial decay as an institution for justice contribute to making Pakistan's tax promotion culture more difficult.

The above all paragraphs detailed the challenges facing by Pakistan in promoting tax culture. The below written up sheds light on the reforms to promote tax culture in Pakistan.

Digitalization makes tax reforms more

Successful unless tax system is digitalized, tax culture could not promote in Pakistan. Digitalization promote tax culture through bringing effectiveness and efficiency in tax system. Pakistan tax as already discussed facing multifaceted issues, most of that issues are direct result of the institutional ineffectiveness. Furthermore, tax digitalization also provides people with on-hand opportunity to pay digitally, record their data digitally and complain digitally. These E-system would not only bring easiness for tax-payer by getting rid of bureaucratic red-tapism but also make it easy for tax department to keep tracing citizens' financial trade, making the system more effective. Hence, digitalization can transform and promote tax culture in Pakistan.

Besides, simplification of the tax laws is another major step promotes tax culture in Pakistan. Tax regime required well-defined culture. Laws should clearly distinguish between rules and duties. New and specialized cells should be formed for formalized tasks. Furthermore, laws also required to define the autonomy and limits of a public officials working in tax department. This clear sets of rules would determine their role and duties, making them somehow autonomous to manage cases without pressure and on the same time it also make them limit not to encroach.

over their constitutional duties. Furthermore, laws also need to define in a way to keep pace with the changing market dynamics. Besides, it also need to fix rates for all goods and services to ensure continuity. Therefore, making laws simple helps in promoting tax culture in Pakistan.

In addition to this, shifting from regressive laws to progressive laws uplifts tax culture in Pakistan. The existing tax regimes in Pakistan are mostly regressive in nature, making the whole system a burden for low-income class. These regression is not only limited to people, but also the sectors, businesses and corporations. In Pakistan most of tax revenue are collected from low-income salaried class. The same time it provides safe escapism to wealthy class. Besides, when it comes to sectors, large and discrimination could experience. The agriculture sector is case on the study, it makes 2.8% of the GDP but contributes 0.5% to tax, while on the other hand, industrial sector is being struck with heavy tax, providing one sector safe escapism while burdening other with heavy tax hinder its progress. Therefore, Pakistan's tax laws are required shift from equality to equity.

Another major reforms that can promote

tax culture in pakistan is a politicization of the tax department. Tax department and laws in pakistan are unfortunately used as a political tools rather than ensuring transactional transparency. most of the cases are being filed politically, having no credible grounds. This culture not only limit departmental autonomy but erodes public trust on the system. Furthermore, amendment is required to the constitution to give tax department greater autonomy to operate without influence of those in power. Once institutional autonomy ensured, it helps in promoting tax culture in pakistan.

IF the above reform goes successful, they promise various benefits to country. the below paragraph sheds light on the prospects of that reforms-

The first and foremost prospect it promises is its institutional integrity. In pakistan, tax department long been seen in a very negative way. it has labelled as second hand-tool to politicians or bureaucrats. Its officials are often accused of complicity in financial malevolent practices. Once the reforms implemented, digitalization, greater operational autonomy and depoliticizing of the institution altogether would uplift its integrity. It also can enhance its legitimacy.

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and credibility, leading to rebuilding public trust. This trust building ultimately would result in changing civic perception toward it. Thus, implementation of reforms successfully would increase institutional integrity of tax department.

Apart from this, it also increase tax-to-GDP ratio. When public trust is built, institution become effective, taxes collection would rise. This would ultimately result in economic developments. Recently Pakistan's tax-to-GDP ratio is 10-11% percent, lowest among South-Asian states. It is not because people don't have money to pay but because they are not paying taxes. The report have showed that only 2% of the population pay taxes. So, when the reforms are successfully implemented, the tax-to-GDP ratio is expected to reach to 20-21% of GDP making Pakistan one of the prosperous state in the globe. Besides, when tax-to-GDP ratio increases, it also help in getting rid of foreign lenders.

write in formal manner please

Another future prospect is getting rid of foreign lenders. Low tax-to-GDP ratio, narrow tax base always compels Pakistan to borrow from foreign lenders. These borrows are also required to be repaid with interest, dragging Pakistan in a vicious cycle. Pakistan

not only needs to repay with interest but also compels by foreign lenders to take some stringent steps, compromising Pakistan's financial autonomy. Therefore, when the reforms are being successfully implemented, it would help Pakistan to get rid of the financial foreign lenders and invest large sum on human-capital development. According to the state bank of Pakistan's report 2020-2025, 48% of the budget goes to foreign lenders. Hence, it would help Pakistan to get rid of foreign lenders.

To conclude the debate, without an iota of doubt, tax for country's economy is life soul for the body. Successive governments in Pakistan have carried out reforms but have failed because of entrenched fault lines. These fault lines include political patronage and elite capture, civic misperception because of lack of awareness and systematic failure, institutional inefficiencies and rampant corruption and last but not least is judicial decay. However, as a proverb goes, it's never too late, Pakistan can take lessons from past experiences and devise a comprehensive reforms pkg. These reforms include digitalization of the tax system, apolitization of the tax institutions, spreading awareness through curricula and targeted media campaigns. If these reforms are implemented

implemented successfully, they promise bright future prospects. These prospects include institutional integrity, increase tax-to-GDP ratio, reduce reliance on foreign lenders and ultimately result in economic developments. Hence, it has become clear for Pakistan to prosper, for its population to live with integrity, it has no other option but to promote tax culture. The power to tax is the power to destroy. John Marshall U.S. supreme court Judge.