

Low tax to GDP ratio is one of the most significant challenge to economic growth. Tax to GDP ratio is the percentage of tax revenue to total Gross Domestic Product. According to Economic Survey of Pakistan 2024-25, Tax to GDP ratio is 9.5% which is far below than regional peers like India (17%) and Bangladesh (11%). Reduction in Tax to GDP ratio hinders the economic progress by reliance on indirect tax and informal economy. This undocumented economy reduces customer and FBR responsibilities to encounter the tax evasion. By doing this, reliance on borrowings and loans ultimately get increases. Country instead of revenue generator work as a manager of debt. Hence, due to low tax base and over-reliance on foreign actors for aid undermines the economical progress of country.