

## Question 1:

### Introduction:-

An essential component of any progressing economy is a well managed taxation system. However, the Pakistan's tax system is grappling with multiple issues including, low compliance, inefficiency and narrow tax base among various others. The resultant, multiple consequences have been faced by the country such as damage to fiscal situation, corruption, delays and errors. Therefore, certain reforms are needed in Pakistan taxation system to increase revenue collection, reduce reliance on external borrowing and to create a more equitable economic environment:

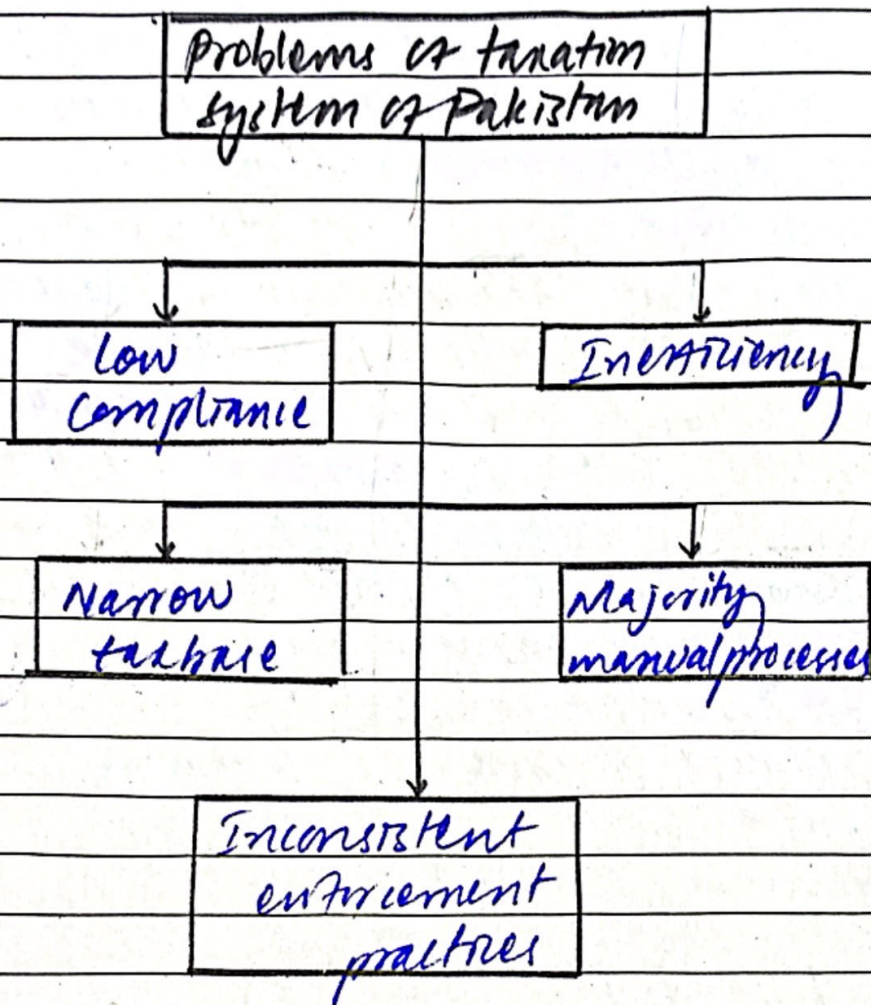
### Problems of Pakistan's tax system & their Impacts:

i- Low Compliance:

Reduced and inefficient

compliance in the taxation system is one of the major problem. It results into tax evasion which inturn cause damage to fiscal situation of country.

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### ii- Inefficiency:

An taxation system in Pakistan is ~~is~~ inefficient in terms of regulation & compliance

### iii- Narrow tax base:

The taxation system in Pakistan is highly centralized & depends

primarily on salaried class. It results into less tax collection & stress on a specific segment of society.

### 82- Majority Manual processes:

Majority of taxation processes in Pakistan are manual. i.e. tax audit & tax assessment etc. The manual processes are more prone to delay & errors.

### ✓- Inconsistent enforcement practices:

This tax evasion is a common phenomenon in Pakistan. due to inconsistent enforcement practices.

## Consequences:-

↳ Damage to country's fiscal position

↳ Limitation of investment in key areas

↳ Corruption

↳ Absence of transparency

↳ Delays & Errors.

The taxation issues in Pakistan result into damage to country's fiscal position b/c of less revenue collection & more expenditure. Moreover, it limits the investment in key areas such as education, health & infrastructure. In addition, corruption & lack of transparency rules over administrative departments of the country. The taxation system's inefficiencies cause delays & errors in the process of tax collection & audit.

## Reforms in tax system of Pakistan:

The Pakistan's taxation system requires a robust reform process. There is a dire need to stabilize the tax system and make structural reforms. Currently, Pakistan's economy is facing the problems of low revenue collection & overdependence on borrowing. Reforms are necessary to increase revenue collection, reduce reliance on external borrowing and to create a more equitable economic environment.

Automation  
& digitization

Harnessing  
block chain  
technology

Suggested  
Reforms

Widening  
of Tax  
net

Simplification  
of top line of  
tax compliance

Harnessing  
Technology &  
data to boost  
tax compliance

## i- Automation & Digitization:

Automation & digitization in the era of technology is an essential upgradation. The FBR has taken several reforms during March 2024. It concluded an agreement with Karandaaz Pakistan to centralise tax administration through digitization.

Example:

Argentina & Estonia have already digitalized taxation systems.

## ii- Harnessing Blockchain technology:

Blockchain technology helps to increase transparency & deter fraud. It secures the data & prevents it from alteration. Pakistan must incorporate this method in the departments more prone to data alteration such as property tax administration & trade.

## iii- Widening of tax net:

The issue of narrow tax base & unfair burden of taxation must be addressed by bringing the informal sector & agriculture into the tax sphere.

#### iv. Simplification of top line of tax compliance:

The top line of tax compliance needs to be uncomplicated. The AI powered technologies such as chatbots can assist the individuals & businesses in understanding the intricate processes. It minimizes the mistakes. Moreover the policies must be introduced for the easy access to portals & reduction in bureaucratic hoops to increase voluntary compliance.

#### v. Harnessing Technology & Data to boost tax compliance:

By the use of technology the authorities can identify the individuals & businesses that are not paying taxes. Moreover, the interpretation of data analytics can boost the tax compliance.

It would increase the tax to GDP ratio of Pakistan over time when more people & businesses would participate in taxation process.

# Conclusion:

The tax system in Pakistan is extremely flawed. People are not meeting with basic necessities of life due to indirect taxation on goods. Some analysts have called this situation ~~as~~ as Fiscal Terrorism & Economic butchery. Therefore, robust reforms are required to deal with such grave issues and to create a more equitable economic environment in Pakistan.

Where Dreams Come True



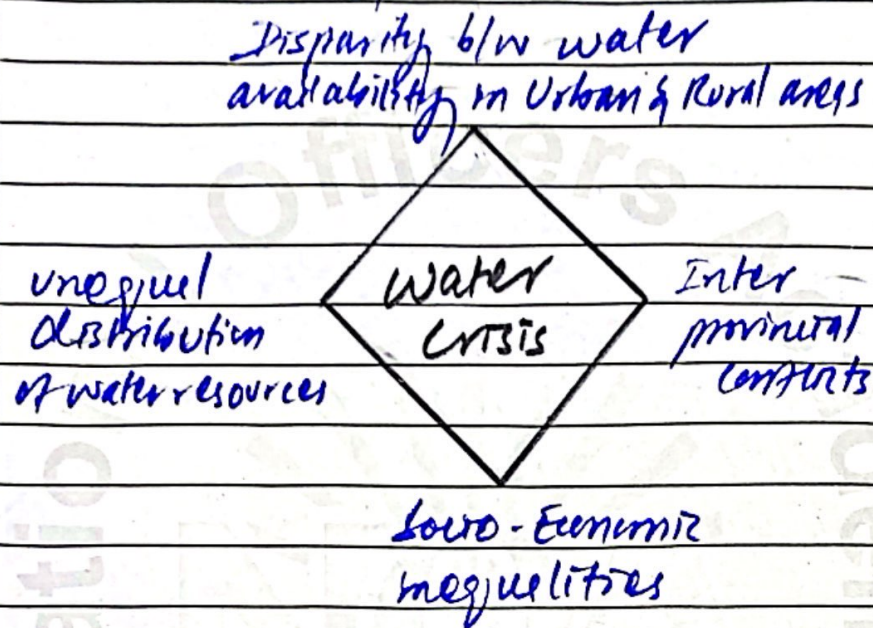
## Question: 3

### Introduction:

Water is a pre-requisite for life. It is also used in the majority of the process daily life processes. However, certain crises are also linked with it. Developing nations are struggling with water issues & Pakistan is no exception. Various hydro-political challenges have been faced by Pakistan including urban & rural disparities in water availability, unequal distribution of water resources & socio-economic inequalities. They are caused by ~~causes~~ a number of factors such as population growth, management issues, ground water depletion & climate changes. However, certain measures can be taken to address these issues. The measures include improvement in management, sustainable agricultural practices and climate change adaptation among others.

# Water Crisis in Pakistan:

The water related issues in Pakistan can be observed from the following situations.



i - Disparity b/w water availability in Urban & Rural areas:

The Urban & Rural areas are facing disparities in water availability. The dense Urban centres lack water resources. Such as Karachi. The unsustainable agricultural practices in rural areas leads to water scarcity.

ii - Unequal distribution of water resources  
Water resources are not equally distributed among people & provinces. which cause inter-provincial

conflicts.

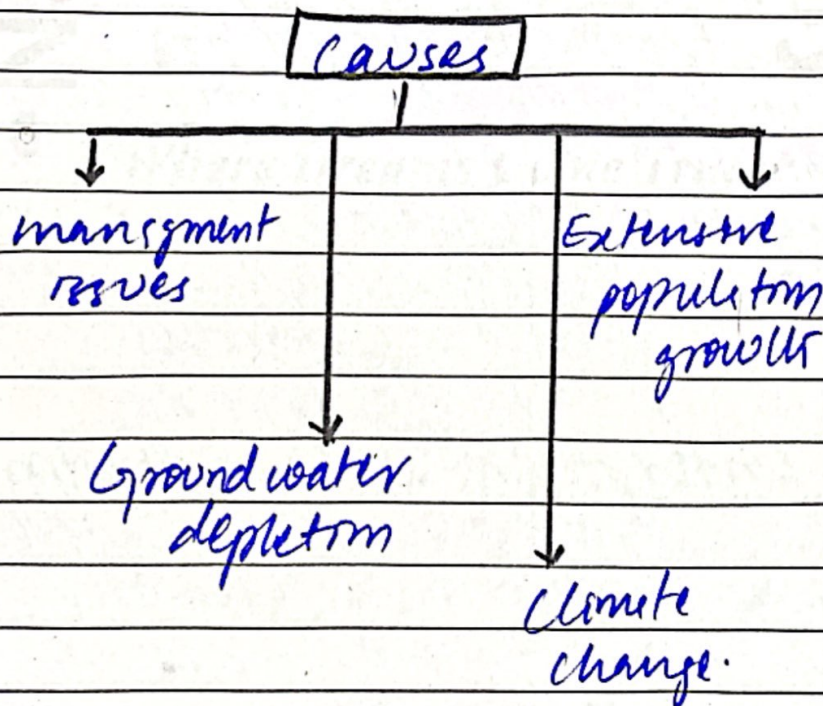
iii- Interprovincial conflicts:

Water is shared among four provinces under water accord 1991. However, the conflicts are common among Punjab, Sindh & Balochistan.

iv- Socio-Economic Inequalities:

The water shortage cause socio economic inequalities. Only 36% population has access to safe drinking water. Moreover, the per capita water availability is decreasing day by day.

## Causes of Crisis:-



# Measures to address

## Growing water Crisis:

Measures are required to address growing water crisis. Some recommendations are as under:

### i- Improvement in Management:

The management infrastructure of water resources must be improved in order to address water related challenges. To deal with water scarcity, ~~do~~ more dams & reservoirs must be made to store water.

### ii- Sustainable agricultural practices:

Efficient practices for water use must be adopted. The increased use of drip irrigation needs to be encouraged along with more water saving techniques in agricultural practices.

### iii- Interprovincial Co-ordination:

Proper implementation of water accord 1991 is required to avoid interprovincial conflicts. Moreover, other monitoring measures & dispute resolution must be followed.

## Suggested Measures

- Improving water management
- Sustainable agricultural practices.
- Inter provincial co-ordination

Regional co-operation ←

Strengthening treaties & agreements ←

Climate change adaptation ←

#### iv- Regional Co-operation:

The issue of water scarcity is a common challenge of Pakistan and its neighbours such as India, Iran & Afghanistan. Therefore, multilateral efforts are needed to deal with such issue.

#### v- Strengthening treaties & Agreements:

The strengthening of Indus water treaty to b/w India & Pakistan & establishment of an agreement b/w Pakistan & Afghanistan is needed to address the water scarcity concerns.

#### vi- Climate change adaptation:

Accelerated climate change also increases glacial melting which results into floods, drought & reduced long term water availability. Thus climate change adaptation is necessary on both domestic & regional levels.

# Conclusion:

Water crisis is a major challenge for Pakistan among various other troubles. It causes unequal distribution, availability & socio-economic inequalities. All of these issues are caused by various factors and require a sustainable reform program. It is hoped that sustainable agricultural practices, efficient management & regional co-operation can mitigate the crisis upto a considerable extent.