

Date: _____

Q No 1 :-

Answer:

(i) Introduction

(ii) Overview of the FY2024-23

taxation Measures:

- Direct tax
- Sale tax
- Excise duty tax

(iii) FY-2024-23 Budget deficit due

High Expenditure and low tax collection

(iv) Recommendations for the reform of Pakistan taxation to increase Revenue collection: ~~so~~

(a) Reform in FBR

(b) widen the tax base

(c) Documentation of un-documented/informal economy

(d) Introducing a Just taxation System

(e) Reduce tax avoidance

(v) Understanding how these measures

will reduce foreign debt, and Creat

an equitable economic System

(vi) Conclusion

*

*

(i) Introduction :

History witness that a flaw/skewed taxation System stagnates the economic growth of a country.

In some case, it leaded to revolution.

But Pakistan falls in the first category of according to the above statement.

Due to ineffective and inefficient taxation system, its economic growth is scumbed. As the time

spends, the gap between government expenditure and tax collection increases.

As consequently, Pakistan debt increases.

Therefore, it needs some strategic measures to revamp the taxation

System. In order that it will ensure a

the progressive growth in the economic landscape

Date: _____

(M) (T) (W) (T) (F) (S)

(ii) Overview of the FY 2024-23 new taxation measures:

Government of Pakistan increased the tax measure in the latest budget. However, they tried their best to minimize the taxation burdens on the poor class. ~~But~~ Here is the overview:

a) Direct tax / income tax:-

Government increased the threshold of direct tax as B/w 1 million and 5 million PKR imposed 15%, while previously 10%.

- B/w 5 million and 10 million imposed 15%.
- Above 10 million PKR imposed 35% tax rate.

b) Sale tax

increased from 17% to 18% on general goods and products.

- On luxury goods the tax was increased from 2% to 5%.

c) Excise duty tax:

- Excise duty tax further increased

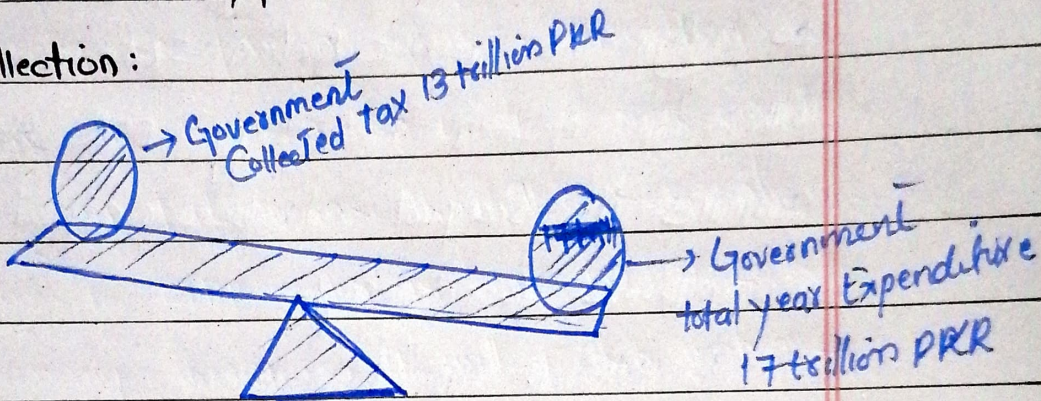
Date: _____

M T W T F S

by 40%.

(iii) FY-2024-23 budget deficit due to high Government expenditure and Low tax

Collection:



The imbalance of tax collection and government expenditure led the crisis of twin deficit. Consequently, government relies on borrow money.

(iv) Recommendations for the reform of Pakistan taxation system to increase Revenue Collection:

① Reform

② Reforming the administration

Problems of FBR:

FBR Capacity of the tax collection falls short to meet the government expenditure.

Date: _____

M T W T F S

Government needs to spend at least 2.00% of the GDP as per IMF recommendation. Similarly, it needs to align the tax collection system with the modern technology. FBR should automate the Sea port and border export and import ~~to~~ economy.

(b) widen the tax base:

Pakistan

should increase the tax base as per the IMF recommendation. #

Pakistan agriculture Sector Revenue is around 22-24%, but Agricultural ~~tax~~ tax-to-GDP is less than 1%.

Similarly, Pakistan needs to include the real State Sector, which generates almost 60% of GDP. However, its tax-to-GDP ratio is less than 30%. Therefore, the widen tax base would decrease the gap between Expenditure and tax collection.

(c) Documentation of informal economy:

Date: _____

Furthermore, Documentation of informal economy is imperative for the reducing budget deficit or relying on foreign source. Pakistan has in between 60 to 70% undocumented economy. It means that the current tax-to-GDP ratio is due to 40 to 30% economy. Therefore, it will further enhance tax-to-GDP ratio.

(d) introducing a just taxation System:

furthermore, introducing a just taxation system will push ~~the~~ economic progress of ~~a~~ the country. Pakistan ~~has~~ due to inability of FBR to meet IMF target, Pakistan is regularly increasing indirect tax. There As a result, Poor are ^{getting} poorer day-by-day. Therefore, Government should bring in elite into the tax net, rather than the poor segment.

(e) Reducing tax avoidance

Furthermore,

Government must ~~fill~~ patch up all the tax loopholes in the taxation system. Due to ineffectiveness of the tax net, Government increases taxes on salary class and on industry sector.

~~1. Res~~ The elite of the country are out of tax net. For example, according to FBR around 60 million people are non-tax filers, while only 33 million are tax filers. There is the need of how to reduce tax evasion.

(v) Understanding how these measures will reduce foreign debt, and will create an equitable tax environment:

These measures are recommended ~~to~~ by several western financial governance institutions. For example, IMF, World Bank etc.

These are potential measures to reduce relying on foreign debt. For example,

Date: _____

M T W T F S

Structural reforms and automation of FBR will increase its capacity from 4 trillion PKR to 7 trillion PKR, which are sufficient to meet the widening gap. Similarly, widening the tax base will inculcate sufficient amount into GDP.

(iv)

(vi) Conclusion:

The skewed taxation system of Pakistan has introduced twin deficit to GDP. However, ~~these economic~~ ~~to introduce~~, ~~strategic~~ However, these problems ~~can~~ may solve with reforming the basic structure of the taxation system. In order that it will ensure a progressive growth of ^{the} economy.