

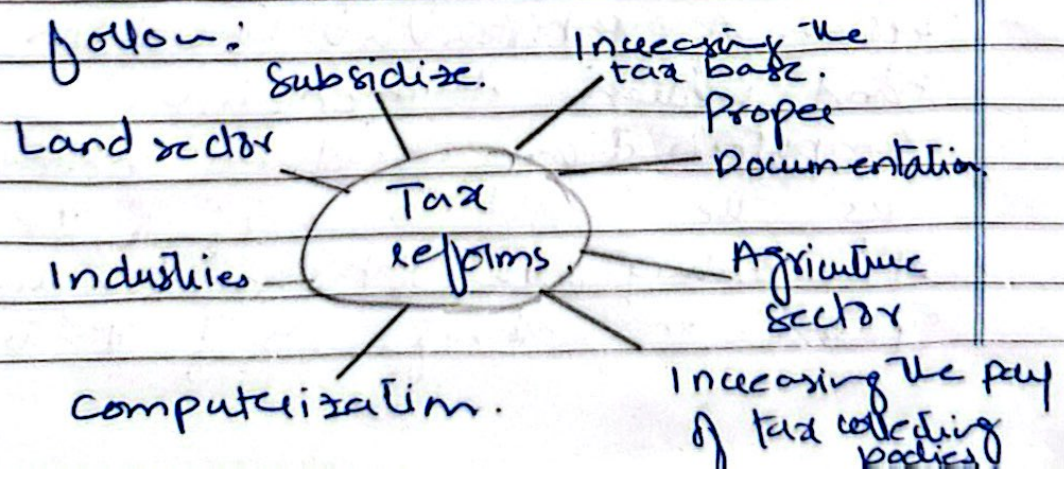
# PAKISTAN AFFAIRS (TEST #4)

## QUESTION #1:

How can ... environment?

### Ans: INTRODUCTION:

Budget deficit and balance of payment crises are the 2 twin economic problems, with one the other one is a gift. Pakistan is one of the worst hit countries in the world because of budget deficit because the collection of money is far less and the expenditure is more. In the Fiscal year 2024-25 the collection was around 13 trillion dollars but the expenditure was 18 trillion. To solve budget deficit major changes in the tax reforms are needed that are as follows:



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If proper tax reforms are taken, it can boost our economy and reduce our reliance on the external borrowing.

### TAX REFORMS:

Following are some of the tax reforms that must be taken.

#### 1. PROPER DOCUMENTATION:

In Pakistan 50% of the business are not properly documented. And because of this very reason many of the business are dodging giving tax.

#### 2. LACK OF COMPUTERIZATION:

More than half of the tax system of Pakistan is based on hand written documentation. Computerization should be encouraged as the world is living in the 21st century, the Pakistani taxation system is working as if it is

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### 3. INCREASING SALARY OF OFFICERS AFFILIATED WITH TAXATION:

According to the IMF, more than or at least 2% of the collected budget must be spent on the tax collecting bodies. But Pakistan spends not more than 0.6%, which is very low. Because of this, many of the tax collecting officers are involved in corruption and bribery.

### 4. INCREASING THE TAX BASE:

More than 70% of the businesses and individuals are not paying proper tax on income and production. If the steps explained above are taken by the government along with proper track and trace method and point of sale method the tax base could be increased. 2024-25 was a good year for the taxation department

as many new businesses were included in the bracket.

#### 5. TAX ON INDUSTRIES:

Industries are one of the major tax emitters of the country. If the production of 100,000 units take place, only 70,000 units on paper is shown. This result in not paying production tax and income tax. Proper documentation should be done.

#### 6. TAX ON AGRICULTURE:

The agriculture sector is the biggest contributing sector of Pakistan, with contributing to the GDP and employment (almost 70% of the individuals are employed in the agriculture sector). Despite the sector being so big, it is tax exempted. Tax should be implemented on the agriculture sector.

## 7. PROPERTY / LAND SECTOR:

The biggest tax evaders in Pakistan is the land mafia, which always showing less land and selling more files. Proper documentation should be done of the properties.

## 8. INCREASING THE TAX AMOUNT:

The tax amount should be increased as the tax paid is very less. The burden of tax is on the middle class, those who are working 9-5 jobs. The burden should not be on only one sector and should be dispersed.

## REDUCING RELIANCE ON EXTERNAL BORROWING (IMF, WB, ADB):

By increasing the tax bracket and the tax base Pakistan can reduce its reliance on foreign borrowing. Because these borrowings come with a cost. The 2024 IMF loan of

about 7 billion dollars was ~~only~~ passed along with conditions. These conditions are checked before the passing of next tranche. The conditions includes:

1. lowering subsidies.
2. Revaluing Rupees.
3. Higher interest rate.
4. Increasing the prices of oil and gas.

This in return effects every sector with inflation.

### EQUITABLE ENVIRONMENT:

If proper steps are taken by the government only then an equal environment can be established. And only with an equitable environment Pakistan could flourish and come out of the budget deficit.

### CONCLUSION:

The debt is increasing in Pakistan every day. Proper measures must be taken to solve the economical issues of Pakistan. As

This is an issue that affects everyone and every sector of the country. Resulting in low GDP and inflation.

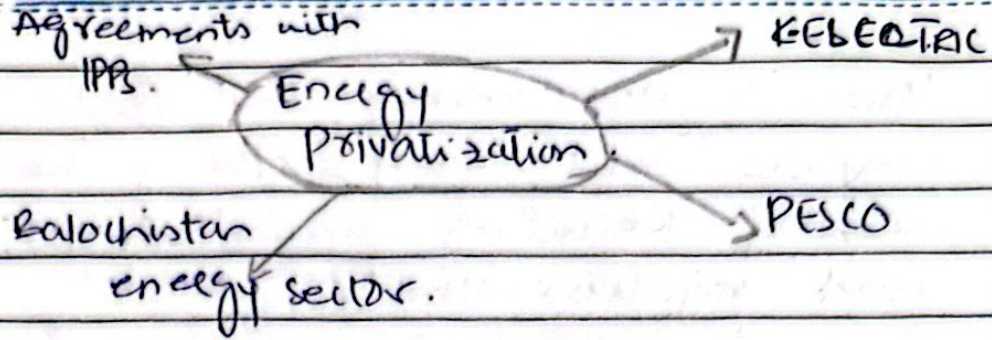
## QUESTION #2:

Given the ... sustainability?

Ans: INTRODUCTION:

The energy sector of Pakistan has been facing many difficult issues, since the inception of Pakistan. Energy privatisation is one of the ongoing debate that could change the energy sector of Pakistan. This is an issue that must be dealt with as energy shortages is costing the economy of Pakistan very badly. The political parties must come to a single consensus and solve this issue that is destroying the industries of Pakistan.

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## ENERGY PRIVATIZATION:

Energy sector is an old debate. This debate has been going on as the energy sector is a burden on the Pakistan's economy and is not performing well. The energy sector of Pakistan is facing different difficulties from producing expensive electricity to the loss of electricity in distribution process.

" 17% of electricity is lost in the lines while distributing electricity "

Economic survey of Pakistan.

This means that if 100Mwatt electricity is produced 17Mw is lost in lines.

## 2. K-ELECTRIC:

K-electric is the energy producing



and distributing company in Karachi. It was facing 33% loss but then the government privatized it and now not only that it is doing its job well but is making profit. In the same manner other energy producing companies must be privatized as well.

## 2. PESCO AND QUETTA ENERGY SECTOR:

The Peshawar electric supply company and the Quetta energy are the 2 sectors that are losing the money most on 1st and 2nd position.

## 3. INDEPENDENT POWER PRODUCERS:

Pakistan in 1994 and 2005 and then in 2011 and 2014 asked the IPPs to sell them electricity as the energy production was very low but with some of the IPPs agreements are still going on, these should be ended.

#### 4. OUTDATED WIRING:

30% of electricity is lost in the lines. The electricity wiring of Pakistan has been outdated since 2001 and 2010. But as it is a money consuming process no one is solving this problem.

#### WHY SHOULD THE ENERGY SECTOR BE PRIVATIZED:

The electricity produced in Pakistan is the most expensive in Asia and 3<sup>rd</sup> most world wide. This is because the energy is produced through expensive hydro carbons. If the sector is produced this will no longer be the responsibility of the government. Through bidding privatisation should take place. But the asking price must not be very high.

"Pakistan produces the 3<sup>rd</sup> most expensive electricity in World, and the most expensive in Asia".

Pakistan Bureau of Statistics.

## THE ROLE OF PUBLIC PRIVATE SECTORS:

Doing business is not the government's job but the job of private sector. Certain standards must be set by the government like the price of per unit electricity that is currently from Rs25-76, depending on the units one consume. Privatizing industries has always worked out good. Because Pakistan is facing the issues of debt trap and balance of payment crisis that is why it should be the least not be the government's headache to run industries.

Certain standards must be set by the government on how to run the industries and checking of the industries whether they are working as per the standard must be there. Other than this the energy must be privatized for the betterment of the country and the sector as nationalization in the 70's made

it evident that the government cannot run such enterprises, along with this K-electric is another example of how privatization can be fruitful for Pakistan.

### CONCLUSION:

To sum it up, the government should work along side of the private sector to ensure affordability by setting price per unit standards, accessibility by providing energy in those areas which face 10-12 hours of daily load shedding, and sustainability so that the government can focus on different activities and not on businesses. The political parties for this would have to leave their differences and come to the same page. Only then can this issue be solved.

# PAKISTAN AFFAIRS (TEST 1)

## QUESTION NO. 1:

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ANS:

### INTRODUCTION:

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