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TEST SERIES
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ENGLISH ESSAY
TEST-2

"THE CHALLENGE OF TAX EVASION AND THE INFORMAL ECONOMY OF PAKISTAN"

OUTLINE

(I) Introduction

(II) Pakistan's dual economic challenge: tax evasion and informal economy

(III) Perpetuating factors behind the dual-pronged crisis

(A) Intrinsicly linked to elite capture and culture
(B) Lackluster incentives and benefits
(C) Widespread public disillusionment
(D) Structural limitations of institutions
(E) Precarious economic policies
(F) Limited technological integration
(G) Formalised Bureaucratic red-tapism

(IV) Resultant impacts of tax evasion and informal economy

(A) Legacy infrastructure and low productivity
(B) Low exports and deindustrialization

(C) Cyclic economic instability.
(D) Further reduction in public expenditure
(E) Exacerbated criminal activity.

(V) Overcoming the crisis of tax evasion and informal economy.

(A) Enhancing and streamlining institutional capacity and responsibility
(B) Implementing tools for fiscal transparency
(C) Improving accountability mechanisms
(D) Shifting from regressive to progressive taxation
(E) Integrating technological tools

(VI) Conclusion

Despite its great potential, Pakistan's economy is trapped in a cyclic crisis of stagnation and inflation. This crisis is attributed to the dual-headed challenge of tax evasion and the informal-parallel economy. Multiple estimates have highlighted the structural and financial toll this dual-headed beast extracts from the economy. A myriad of factors in tandem perpetuate this dual-pronged crisis, inter alia, elite attitudes and disownership, lackluster incentives and benefits towards formalized citizens, widespread disillusionment of the public, the structural limitations impeding institutions, precarious economic policies, low use of technology, and the formalised role of the bureaucratic red-tapism. The resultant impacts of this crisis is far and widespread, including the widespread use of legacy infrastructure, low productivity and exports, deindustrialization, cyclic economic instability, low public expenditure and an overall increase in criminal activities. As such it is vital to overcome this dual crisis. This can be achieved by enhancing and streamlining institutional capacities, implementing tools ~~of~~ for fiscal transparency, improving accountability, and integrating progressive taxation policies and technological tools. The challenge of tax evasion and the informal economy is quite severe. Owed to multiple socio-political and economic factors, its impediment on Pakistan's economy cannot be understated, hence, requiring a holistic approach for mitigation.