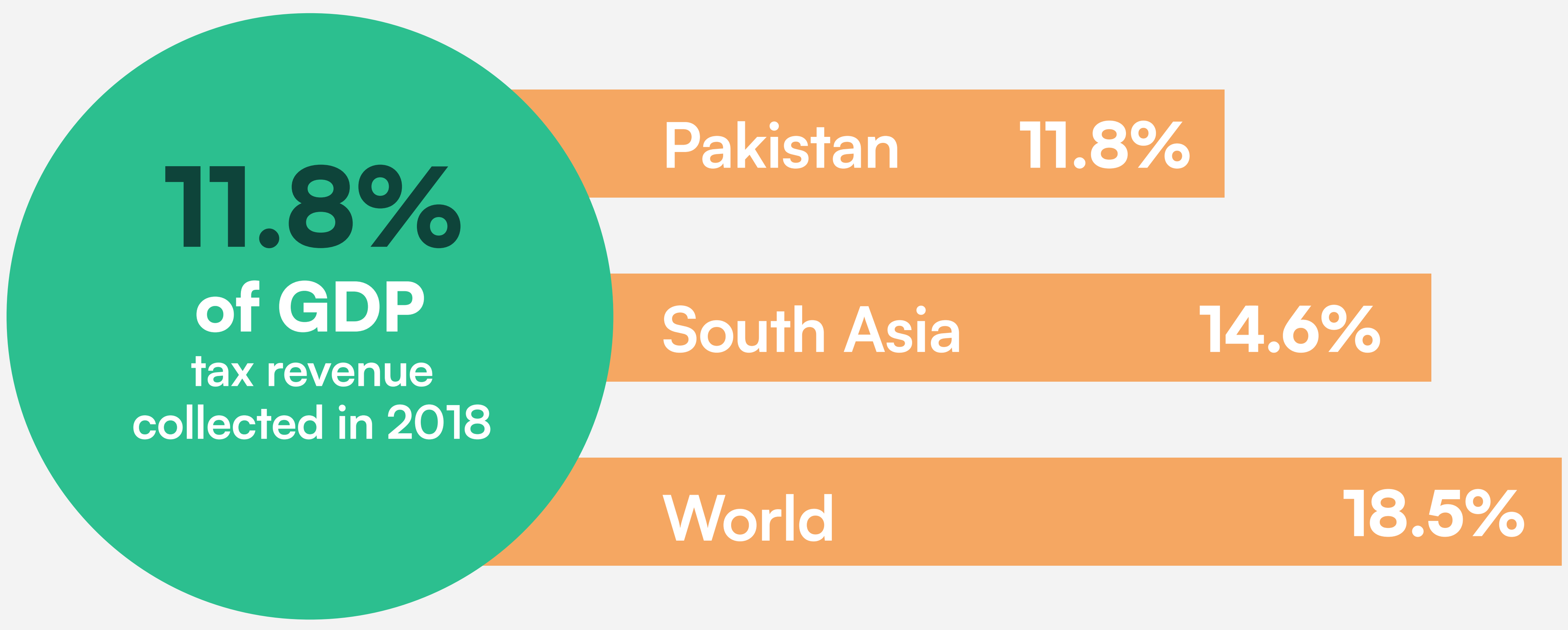
WORLD BANK GROUP

How can Pakistan strengthen its revenues?

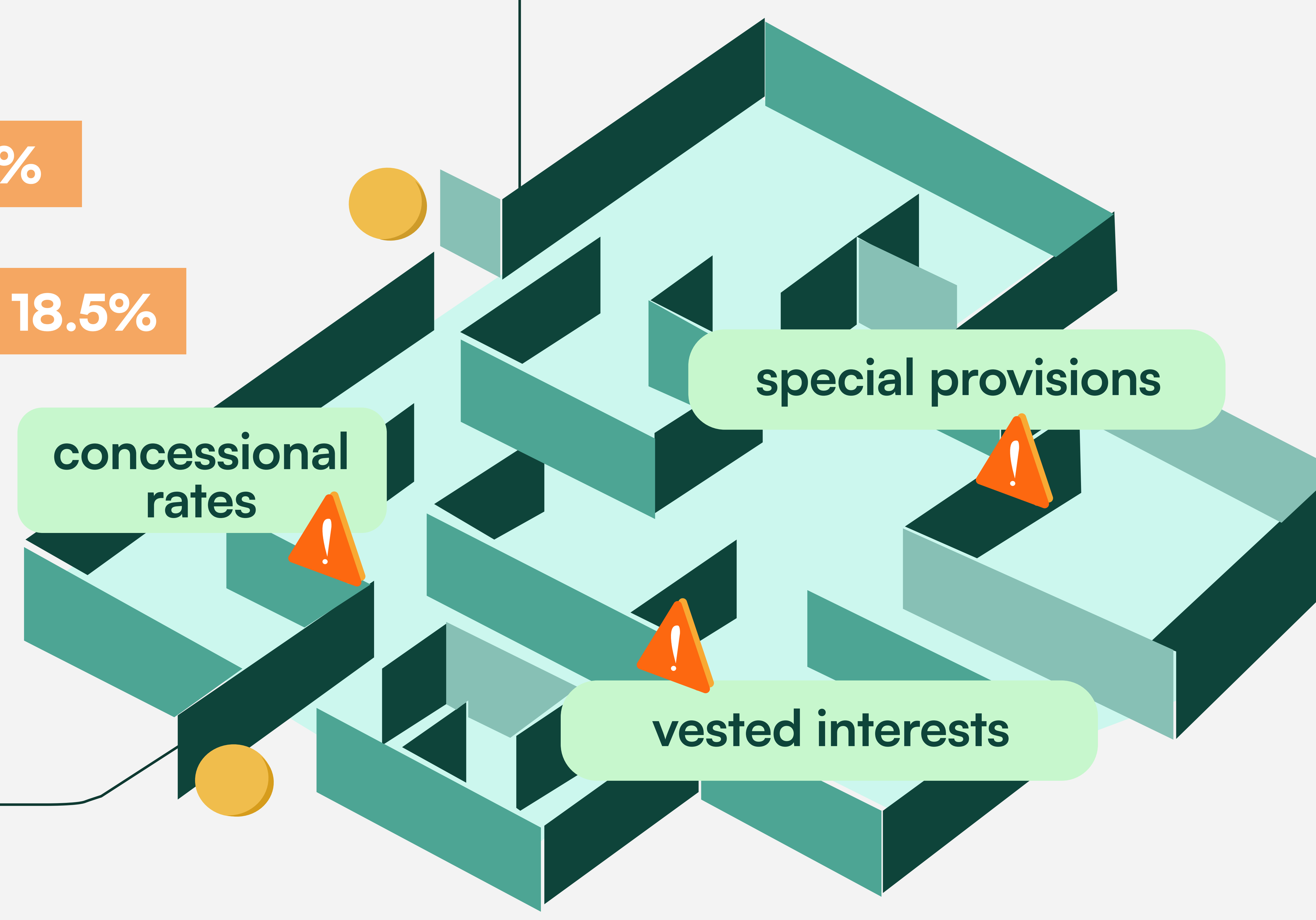
To address current revenue challenges, federal and provisional governments need a major change in approach, working collaboratively to expand the tax base and make taxation more progressive.

Revenue collection in Pakistan is low by international standards[1]



Tax revenue in international comparison (% of GDP) 2018

This is because Pakistan's tax system is complex and inefficient



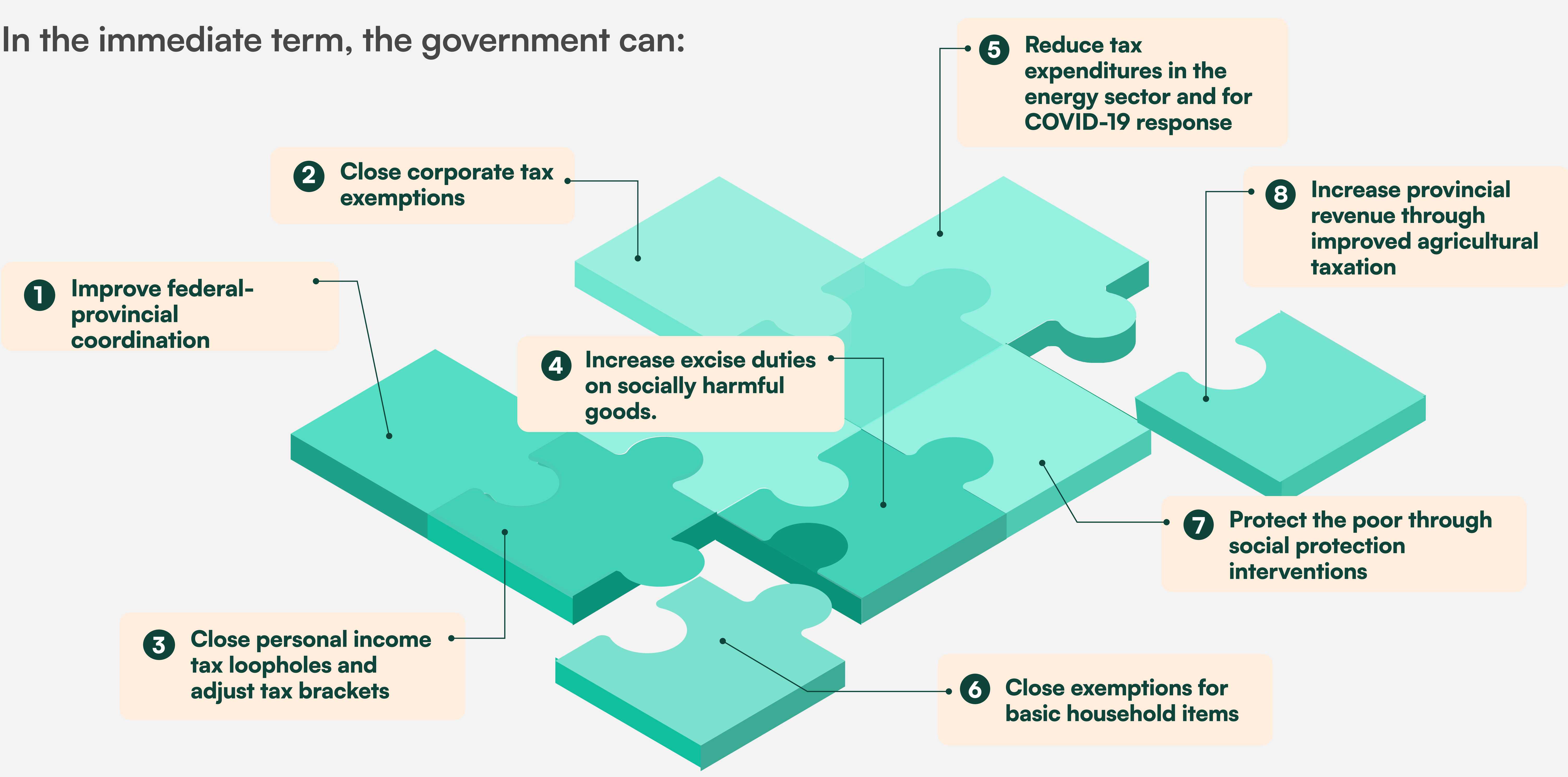
PAKISTAN'S FISCAL SYSTEM IS ALSO UNIQUELY REGRESSIVE

Personal income taxes and consumption-based indirect taxes impose equal, if not greater, financial burdens on the very poorest households as on the wealthiest ones[2].

As federal revenues fall short of expenditures and the government faces persistent budget deficits...

How can Pakistan strengthen tax revenue generation & return to a path of fiscal sustainability?

In the immediate term, the government can:



To learn more, read the World Bank Pakistan Discussion Note, Strengthening Government Revenues, 2023

References:

1. World Bank, 2023. Pakistan Federal Public Expenditure Review.
2. In cash terms, and relative to pre-tax incomes, the poorest 10 percent of the population in Pakistan pays a greater share of income in taxes than the richest 10 percent (see World Bank, 2023. Pakistan Discussion Note 6: Welfare Impacts of Fiscal Policy.)