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Impact of Taxation Policies of PTI Government on Economic Development of Pakistan

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Abstract

This research examines Pakistan's taxation system, particularly from a legal standpoint, as well as the tax policy structure, its issues, and the present government's new tax policy attempts. For three years of Imran Khan's government, the study uses unique data collected from the Federal Board of Revenue, the International Monetary Fund, the Federal Tax Ombudsman, and the State Bank of Pakistan. Annual data from 2008 to 2021 has been used in this study. According to the data, Pakistan's economy has been in danger for many years. Consumer confidence is low, and private investors are hesitant to put money into new ventures. Imran Khan, on the other hand, might be regarded as a successful politician because his first year witnessed enhanced political stability, which was lacking during the Pakistan Muslim League Nawaz and Pakistan Peoples Party governments. Tax-based fiscal strategies have been viewed as a less effective policy instrument for developing nations to address their fiscal deficits. To analyze the impact of taxation policies of the Pakistan Tehreek-e-Insaaf government this exploratory study utilized an interpretive approach and qualitative research methodology using secondary sources comprised of observational research design and sampling period for this study covers 13 years, from 2008 to 2021. The study has proven; lowering the percentage of taxes will not reduce future net revenue collection; rather, it will benefit the socioeconomic well-being of the masses at the bottom, who will expand the tax base, and thus the net revenue, as they progress up the socioeconomic ladder.

Keywords: Taxation Policy: Pakistan Tax problems: taxation issues: Economic Development.

1. Introduction

Finding significant supplemental revenue sources is difficult for many emerging nations, including Pakistan (Amjad, 2021). We analyzed the effects of PTI government taxation policies on the economic development of Pakistan and policy changes in terms of the effects not only on revenue but also on households in various conditions and on output in this study using a concept that provides a broad manner of looking at the policy. The primary objective of tax laws is to raise money for public services while utilizing real-world metrics to maintain a fair distribution of the tax burden among citizens (Wolf, 2021). Passionate debates regarding how much of the tax burden falls on the poor have been provoked by Pakistan's tax system, notably the prevalence of indirect taxes, which are inherently regressive (Chohan &

Akhter, 2021). Pakistan's four main tax revenue streams are income tax, sales tax, federal excise duty, and customs fees. To achieve unattainable objectives for the tax-to-GDP ratio and to lower the budget deficit, the purpose of tax policy has been reduced to nothing more than simply raising more money. It has become a policy pillar to raise the tax-to-GDP ratio, even if it means violating the core ideas of justice, clarity, efficiency, and ease in taxes (Nasir et al., 2020).

1.1.Economic shock in Pakistan

The national economy of Prime Minister Imran Khan and his new Tehreek-e-Insaaf party are beset by a developing fiscal deficit, rising inter-corporate debt in the power market, pressures from inflation, declining exports, and a widening gap in current-accounting accounts (Anjum et al., 2021). The government is currently enacting measures that it hopes will assist the nation realize its industrial potential after securing urgently required financing from the Gulf and China to stabilize the external sector in the near term (Ahmed, 2019). More precisely, the government has started several administrative and tax changes for manufacturing and agriculture. The government intends to strengthen consumer confidence, restore economic growth to recovery, and promote sustainable growth taxation policies by implementing supply-side, business, and development-friendly policies (Abd Hakim, 2020). The uniqueness of this study's literary contribution is in the way it sheds light on historical patterns while offering practical answers for ongoing studies. The study primarily focuses on analyzing how PTI's taxation policies affected the economy. Pakistan has been particularly hard hit by the Covid-19 epidemic (Ashfaq & Bashir 2020). Approximately 2.1 percent of those who have contracted the disease thus far and have been sick are dead. Following the footsteps of other nations, Pakistan's PTI government enacted a total lock-out on March 24, 2020, preventing the spread of the illness and allowing only necessary enterprises and businesses to run (Shahryar, 2021). Surprisingly, even though COVID-19 caused the global economy to slow down, overseas remittances a critical source of income grew although international workers were also laid off in the Gulf and other places (Shaheen et al., 2020). The tourist and hospitality sector is still one of the industries most affected by the pandemic, nevertheless (Wang & Le, 2022).On the other side, it is projected that the COVID-19 pandemic's global limitation of economic activity would produce a temporary spike in global greenhouse gas emission levels once economic activity has restarted in the post-COVID-19 era (Deng et al., 2022). According to history books, the COVID-19 outbreak in 2020 had an impact on economies all across the world and caused a quick and drastic alteration in people's life (Janzeb & Radulescu, 2022).

1.2.PTI Government Era 2018-continue

The Pakistani Tehreek-e-Insaf (PTI), led by Mr. Imran Khan, a former cricketer from Pakistan, won a resounding majority of seats in the National Assembly on July 28, 2018 (Shaikh & Chen, 2021). Imran

Khan was chosen as Pakistan's 22nd Prime Minister by the National Assembly (NA) on August 17, 2018 (Raja, 2020). The PTI declared itself to be Pakistan's "third force" in the nation's otherwise two-party system a year later, in 1997, when elections were held (Rabia et al., 2017).On January 2, 2020, Prime Minister Imran Khan said that the government had been stabilizing the economy and had proclaimed 2020 to be the year of growth and wealth creation. Later, the Ministry of Finance issued a press statement in which it was said that the economy "progressively was moving in the direction of adaptation and stabilization, and economic recovery to the end of FY2020 is anticipated" (Sareen, 2020). In the first five months of FY 2020, the statement highlighted several successes: the CAD had decreased by nearly 73 percent; the fiscal deficit was at 1.6 percent of GDP; the "primary balance" was positive, at 0.3 percent of GDP; the credit score had improved from negative to stable; and the nation's score on the Ease of Doing Business Index had increased from 136 to 108 (Adnan et al., 2021). Since his political stability improved in his first year, which was alarming under the PMLN administration, PM Imran Khan may be regarded as a successful leader. Pakistan's exports have increased under the PTI leadership, and the country's trade imbalance has shrunk for the first time in ten years (Sarfraz, 2020). Even if the majority of its leadership is being investigated by the National Accountability Bureau over charges of corruption, the united opposition has a reputation that the present opposition should be granted, unlike the PTI during the 10 years that the PPP and PML-N were in power. The PTI can claim credit for its participation in Pakistani politics toward greater financial openness since it appears that corruption in that country is progressively diminishing (Shaikh & Chen, 2021).

2. Literature review

A tax is when a state or a nation's utilitarian equivalent imposes a financial or other charge on a person and makes it illegal for them to refuse to pay. Numerous sub national entities also impose taxes (Hogsden, 2018). Taxes can be paid in cash or as its labor equivalent and can be either direct or indirect (Gaertner et al., 2020). Taxes are a necessary cost of life in a civilized society and are essential for planning and advancing the economy. Tax is also a fee that the government upholds and imposes on goods, businesses, individuals, and communities. However, because people seldom appreciate taking on this kind of public duty, the characteristic of mandatory levies is often unstable (Ebiringa & Yadirichukwu, 2012).

2.1.Composition of tax

Indirect taxes (and surcharges) made up a larger percentage of total federal and provincial revenue than did direct taxes. As a result of resource allocation inefficiencies brought on by indirect taxes, the economy was subjected to an excessive burden. 25 percent of the total income came from direct taxes in 1949–50, 33 percent in 1959–60, and just 14 to 17 percent in the 1970s (Ahmed et al., 2018). However, in more recent times, attempts have been undertaken to make up for this shortcoming (Khalid & Nasir, 2020).

The goal of fiscal measures in the 1990s was to raise the direct tax portion of tax collections, which finally increased somewhat but was unable to raise the total tax-to-GDP ratio. For the fiscal year 2019–20, direct taxes made up 32% of all taxes, of which 70% were not collected (Rind et al., 2020).

2.2.Pakistan's Legislative Tax Structure

Different taxation regimes have varying effects on economic indices. In the taxation system, there are typically two types of taxes: direct and indirect taxes. Direct taxes, such as income and corporation taxes, have made a far smaller contribution than indirect taxes, like goods and services taxes (Hakim, 2020). The yearly rise in direct and indirect taxes over the past 10 years has not been consistent and has fluctuated (Kaka & Ado, 2020).

The Pakistani constitution specifies the taxes that must be collected by each level of government, as shown in Table:

Table.1 Pakistan's Legislative Tax Structure

Direct tax	Indirect tax
Income tax	Sale tax
Transfer tax	FED tax
Property tax	Custom duty tax
Capital gain tax	Gas tax

Direct taxes include income tax, transfer tax, property tax, and capital gains tax. These taxes are paid directly or indirectly to the government by a person. These direct taxes are dependent on the capacity of the person to pay, therefore the greater their ability to pay, the higher the tax (Khalid & Nasir, 2020).

The majority of the time, the government imposes and uses indirect taxes to collect taxes. They are essentially the taxes that are assessed to taxpayers on an equal basis, regardless of their income (Abomaye-Nimenibo et al., 2018). Because sales tax also applies to the delivery of goods and services, indirect taxes are well-known. They are indirect taxes if they are assessed as value-added taxes, or VATs, along with the manufacturing process (Hakim, 2020).

2.3.Growth and a Fragmented Tax System of Pakistan

A fragmented tax base results from the fact that products are taxed at the federal level while services are taxed at the provincial level. There are several outliers as well as a broad range of rates (from 1 percent to 17 percent). Additionally, the regular service charges vary per province. In Baluchistan and KPK, it is

15%; in Punjab, it is 16%; and in Sindh, it is 13%. The uncertainty already there is increased by this fragmentation and exemptions. Growth and productivity have been reduced over time as a result of this disjointed and contentious tax policy (Nasir et al., 2020).

2.4.Tax-to-GDP Ratio

Unavoidably, raising the tax-to-GDP ratio has come to represent sound policy. As far as we know, there hasn't been enough study done to say whether or not public bond sales may make the debt-to-GDP ratio and the real interest rate unstable. This issue has gained even greater relevance in light of the current public financing crisis, which is a result of the Covid-19 health concern (Italo et al., 2022). Pakistan has a lower tax-to-GDP ratio than other nations, claim the government and donors. According to IMF research, Pakistan's tax-to-GDP ratio of 14% is comparable to that of the rest of the region (see figure), which includes Bangladesh at 8.5%, Sri Lanka at 13.3%, and India at 18.3% (Zia et al., 2021).

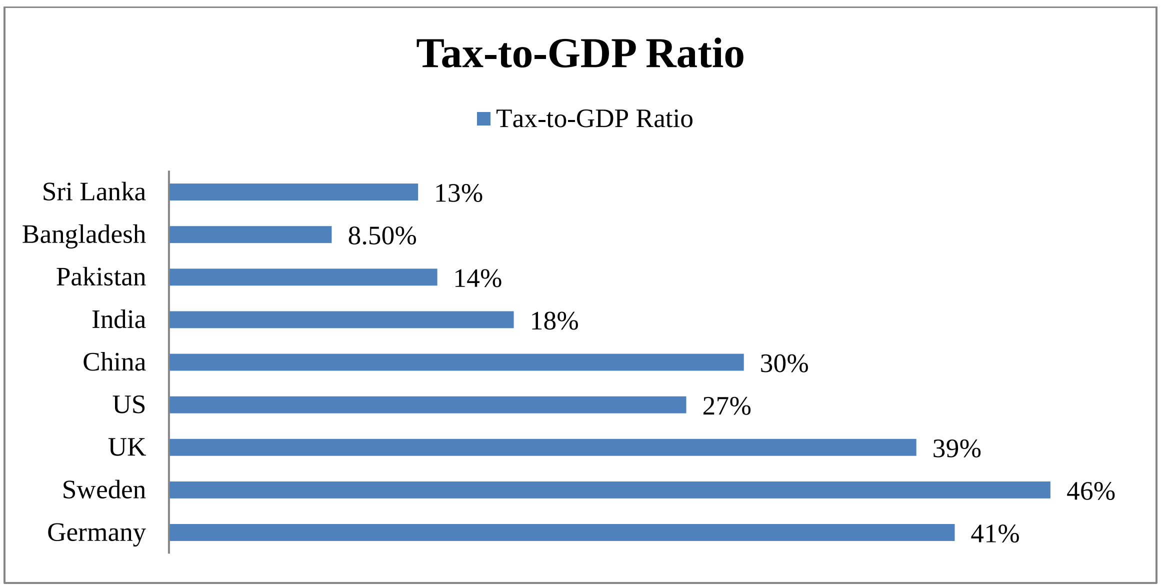

Figure.1 Tax-to-GDP Ratio 2020

2.5.Structure of Complex Taxation

Out of 190 economies, Pakistan ranked 161st in the 2020 Doing Business Report for "paying taxes." This indicator performs poorly due to the complicated tax system and significant costs associated with tax compliance. According to the PIDE Report 2020, FTO (Federal Tax Ombudsman) has been receiving an increasing number of complaints over time (Jalil, 2020).

Out of the total cases determined in 2019, 66% of all complaints were accepted. FBR's legislation and rules are included in 34 documents (15 Acts, 11 Ordinances, and 8 Rules), in addition to explanations and notices. Only one document, the Income Tax Ordinance 2001 Amended to December 31, 2019, has 634 pages entirely composed of legalese. Due to this, firms are forced to retain expensive and time-consuming tax accountants and attorneys, which can lead to duplicate accounting and drawn-out rights claim procedures (Haque & Ullah, 2020).

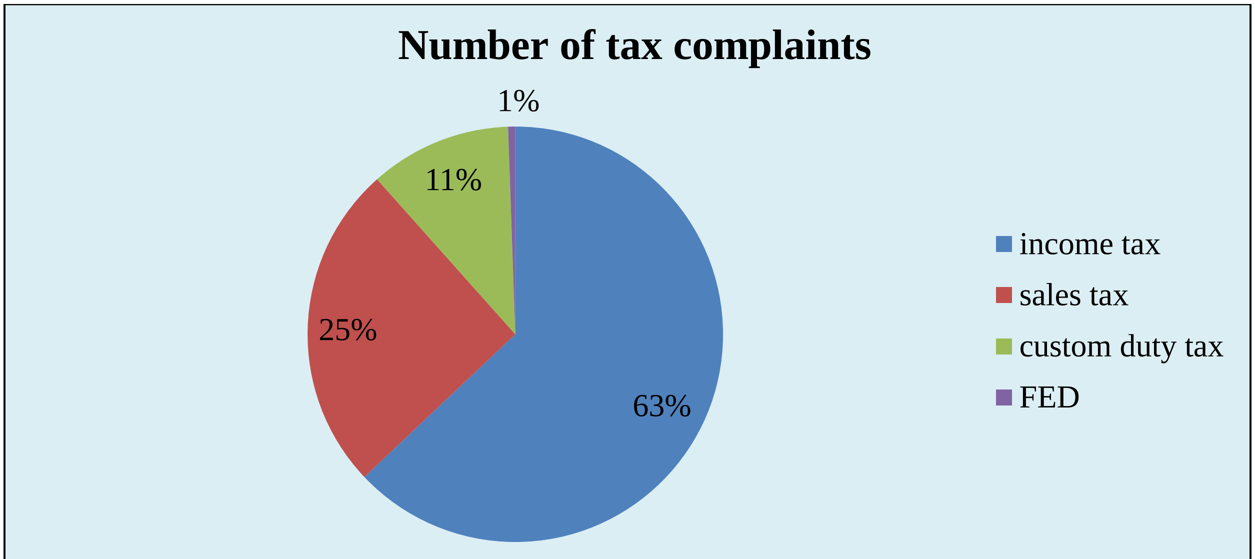

Figure.2 Number of Tax complaints 2019

2.6.Economy of Pakistan

The Pakistani economy is beginning to recover from the restrictive investment environment and what is more accurately described as a brief era of debt-financed "consumption-led" development. Intake as a percentage of GDP increased to 94.5 percent in 2018. Compared to India's 30% and Bangladesh's 31%, the gross total expenditure in FY 18—which includes public investment—recorded just 16.4% of GDP (Sarwar et al., 2020). Due to low salaries, government spending on health and education is anticipated to be 0.7 percent of GDP, both of which are below the regional average. Pakistan, therefore, keeps up the effort to meet its goals for human growth and poverty reduction. It doesn't come as a shock (Shah & Bukhari, 2019). The Pakistan Tehrik-e-Insaf (PTI) government's fiscal budget for this year was Rs 7.02 trillion. It included a target for revenue collection of Rs 5.5 trillion, an increase of 25% from the prior year. In contrast to the former 8% tax rate, sugar is now subject to a 17% tax (Ahmed, 2019). Such tax hikes eventually fall mostly on consumers. As a result of the tax increases, citizens will suffer even more since they will face high inflation while their income levels stay mostly steady. Pakistan's economic development, therefore, decreases, thus decreasing the standard of life for its citizens (Ashfaq & Bashir, 2020).

Tax revenues are reduced by about 2 and 3 percent of GDP yearly by exemptions and preferential treatment granted to executives by the Legislative Regulatory Order but not revealed to them (Pond & Zafeiridou, 2020). An examination of the cattle, industrial, and utility industries can reveal the scope of these distortions. Producers, who make up 21% of GDP, pay less than 1% of total taxes (Seelkopf & Lierse, 2020). On the other hand, the development sector accounts for 13% of GDP but 52% of all taxes, while the service sector produces 58% of GDP but only 37% of tax receipts, 6.6 percent of GDP decreased to 4.6 percent in FY 2016 largely as a result of improved spending control (Shah et al., 2021). The country appears to be developing as a result of the current rebuilding effort. This suggests that lower corporate deficits are better for the economy, but bigger fiscal deficits are associated with slower economic growth. This implies that policymakers may aim for a significant budget deficit to stimulate the economy while preserving economic stability (Ashfaq & Bashir, 2020).

3. Research methodology

The selected research strategy in this subjective study is an observational research design that directly pertains to the direct and the focus point is to more accurately uncover the gaps (development) and ensure improvements. Pakistani taxes (direct and indirect taxes) make up the study's population. The kind of study that combines applied research that is generally well-known to the general public with a practical application already exists in society to get some originality of the ideas to produce some innovations in the development process. To further understand the issue, this exploratory research employs a qualitative method and interpretative data. The research includes an examination of recent reports and literature on the topic of taxation in Pakistan. Financial reports from the State Bank of Pakistan, the IMF Reports on Taxation Measures in Developing Countries, the World Bank, and FBR resources were all discussed, including their biannual reviews covering reports from the last ten years of the PPP and PMLN governments as well as the years of the PTI government. Tabulation and graphical tools are both employed in the research because they may be used to support assertions or to clarify ideas. Gaining an understanding of the legal framework in which decisions concerning policy are made, as well as the motivation behind them to achieve certain goals or the reasons why they failed to do so, is the main goal of research on tax policy. The development, application, and interpretation of laws are particularly in the field of taxes represent the primary focus of legal studies. By taking into account recent tax adjustments, this study's methodology seeks to identify the best answer to the problems with the taxation system.

3.1.Results and discussion

Table.2 Economic Indicators

Year	Agricultural Growth Rate (%)	Industrial Growth Rate (%)	Services Growth Rate (%)
2008	1.81	8.47	4.94
2009	3.50	-5.21	1.33
2010	0.23	3.42	3.21
2011	1.96	4.51	3.94
2012	3.62	2.55	4.40
2013	2.68	0.75	5.13
2014	2.50	4.53	4.46
2015	2.13	5.18	4.36
2016	0.15	5.69	5.72
2017	2.22	4.61	5.62
2018	3.88	9.18	5.95
2019	0.94	0.25	5.00
2020	3.91	-5.75	-1.28
2021	3.48	7.81	5.70

Note: Data is from Ministry of Finance and Pakistan bureau of statistics

3.1.1. Agriculture sector

The majority of people are dependent on this industry, either directly or indirectly. Wheat, sugarcane, cotton, and rice are the most significant crops, making up more than 75% of the value of all agricultural output (Sajid & Rahman, 2021). Pakistan has one of the biggest irrigation systems in the world and cultivates around 25% of its total geographical area. The performance of the agriculture industry in 2020–21 is generally favorable, growing by 2.77 percent instead of the desired 2.8 percent. Production of rice and sugarcane both beat previous records, reaching 83.3 and 7.5 million tones, respectively. This sector's estimated value by the Pakistan Bureau of Statistics for the year 2021 is Rs. 11,542,998 million (Yaqoob et al., 2021).

3.1.2. Industrial sector

19.12% of Pakistan's GDP is accounted for by the industrial sector. Large-scale industrial facilities are being privatized by the government. Government initiatives are meant to support export-oriented sectors and diversify the nation's industrial base (Tanveer et al., 2021). According to SMEDA (Small and Medium Enterprises Development Authority) and Economic Survey data, SMEs in Pakistan significantly contribute to the country's overall GDP, with a 40% yearly share (Abbasi et al., 2021).

3.1.3. Service sector

About 61.7% of Pakistan's GDP is accounted for by the service sector and 24% of this sector is made up of transportation, storage, communications, finance, and insurance, while 30 percent consists of wholesale and retail commerce. Through incentives like long-term tax breaks, Pakistan is attempting to boost the information sector and other contemporary service businesses (Azam et al., 2021).

4. Economic achievement of PTI Government

In terms of Gross National Product (GNP), the PTI-led administration performed well, changing the current account deficit (CAD) into a surplus and luring more remittances from abroad (Nawaz et al., 2021). Due to the COVID-19 epidemic, GDP fell to $263 billion in 2019–20 under the PTI administration from its peak of $313 billion in 2017–18 (Lakhan et al., 2021). However, GDP growth increased to $296 billion in 2020–21, the third year of the PTI government (Lakhan et al., 2021). The relative gain in the domestic tax collection was noted at close to a record proportion when compared to the import tax. Sales tax climbed by 8.1%, whereas import FED, WHT, and customs duty all had negative increases (Shafiq et al., 2021). Dec 2020 will see an increase in the cyclical role in Pakistan's primary export markets, particularly in China, but to a lesser extent in other market regions (Munir et al., 2021).

4.1.Net Revenue Collection (2008-2021)

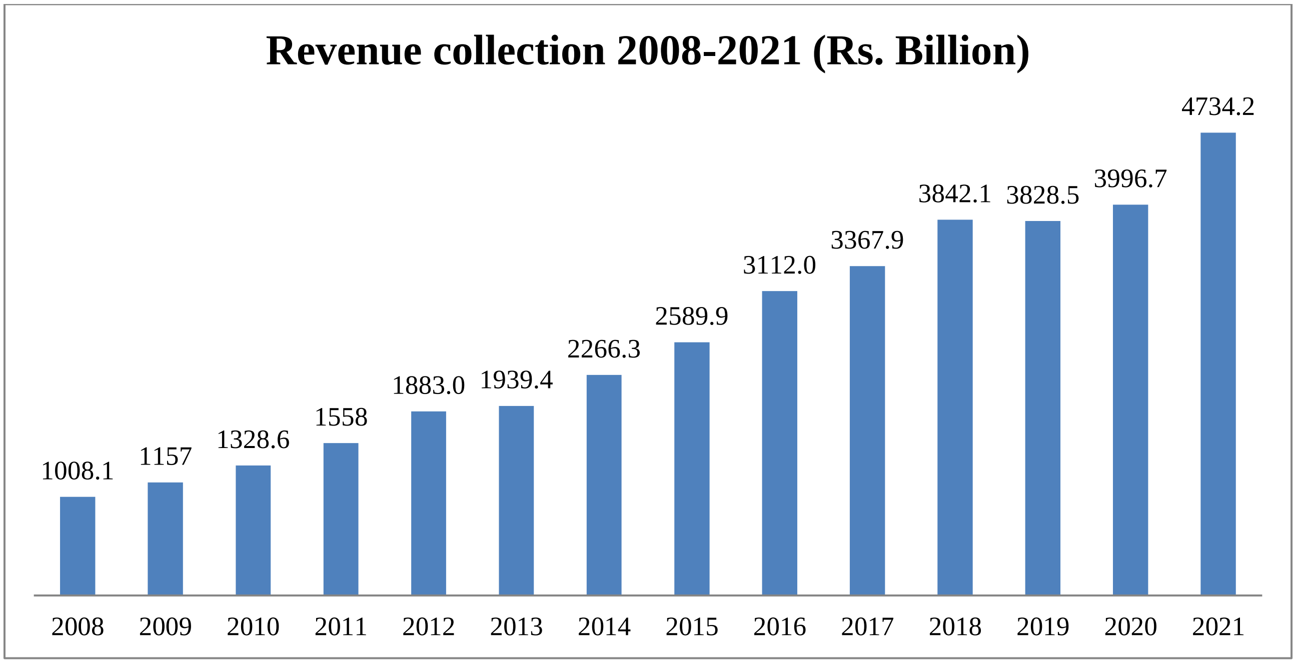

Figure.3 Revenue colletion 2008-2021 (FBR report)

4.1.1. Tax collection in 2008-2009

Nearly all of the macroeconomic goals established for FY 2008–09 were unmet since the economy had a difficult year. Since revenue realization is dependent on the macroeconomic environment, this year's economic recession has significantly affected revenue realization. FBR was assigned a sizable revenue target of Rs. 1250 billion, which needed a 24 percent increase over the collection of Rs. 1008.1 billion during the previous fiscal year. As a result, the income aim was reduced by Rs. 71 billion, from Rs. 1250 billion (the original plan) to Rs. 1179 billion (the amended target) (Shahryar, 2021).

4.1.2. Tax collection in 2009-2010

A lofty income goal of Rs. 1380 billion, up 19% from the amount collected the year before, was established for 2009–10. The fiscal year 2009–2010 for the government and FBR was challenging and challenging. The FBR was able to collect a significant sum of Rs. 1329 billion, which was Rs. 168 billion or 14.4% more than the collection from the previous year, despite the slowing economy and declining imports, the power crisis, and the law-and-order situation. This objective was met despite a 23 percent increase in refunds and rebates paid in 2009–2010 (Wassem, 2020).

4.2.Tax collection in 2010-2011

The FBR collected Rs. 1558 billion for the fiscal year 2010–11 as opposed to Rs. 1328.6 billion the year before. FBR gained Rs. 230.6 billion in additional income during FY 2010–11, which is a record for FBR. Real GDP growth remained modest as a result of Pakistan's history-making floods, acute energy shortages, and damage to output and sales. In the same way, federal tax net revenues were impacted by a 19.4% rise in refund/rebate payments in 2010–11. The Public Sector Development Programme (PSDP) was reduced in 2010–11, which had a detrimental effect on the collection of income taxes (Waseem, 2018).

4.2.1. Tax collection in 2011-2012

FBR's revenue increased by 20.9 percent, from Rs.1558 billion in the prior fiscal year to Rs.1883 billion in the 2011–12 fiscal year. This accomplishment was made possible despite the economy's general deterioration, notably the primary manufacturing sector's sluggish growth and decreased tax income from significant businesses including cement, beverages, and services. This result is more than exceptional because of the deteriorating economic circumstances. The FBR was able to collect Rs. 1883 billion in the fiscal year 2011–12 despite all the challenges and an overall slowdown in the economy. Approximately 97 percent of the entire objective was achieved (Munir et al., 2021).

4.2.2. Tax collection in 2012-2013

To Rs. 739.7 billion, direct tax revenues grew by 0.2%. To reach Rs. 841.3 billion from sales tax, Rs. 239.0 billion from customs, and Rs. 119.4 billion from the FED, revenue climbed by 10.2 percent and 2.5 percent, respectively. Net revenue receipts for the fiscal year from 2012–13 was Rs. 1,939.4 billion (Slemrod et al., 2020).

4.2.3. Tax collection in 2013-2014

The amount collected was Rs. 319.9 billion more than it was during FY 2012–13 in actual terms. With the increased income generated of Rs. 140.7 billion from direct taxes and Rs. 159.6 billion from sales taxes in FY 2013–14, both taxes performed brilliantly. FED revenue rose by Rs. 18.1 billion, but customs tax collections only climbed by Rs. 1.5 billion over the prior fiscal year. 884.1 billion rupees worth of direct taxes were collected, an increase of 18.9%. Customs income rose by 10.6% to Rs. 241.0 billion, FED revenue by 15% to Rs. 139.1 billion, and sales tax revenue rose by 18.5 percent to Rs. 1002.1 billion. The net revenue collection for FY 2013–14 was Rs. 2,266.3 billion (Shahryar, 2021).

4.2.4. Tax collection in 2014-2015

With a rise of 17.8%, direct tax receipts were Rs. 1033.7 billion. Revenue from sales taxes climbed by 9.2%% to Rs. 1087.8 billion, FED revenue by 17.5%% to Rs. 162.2 billion, and customs revenue by 26.1% to Rs. 306.2 billion. The net revenue collection for FY 2014–15 was Rs. 2589.9 billion (Bukhari & Haq, 2020).

4.2.5. Tax collection in 2015-2016

In actual dollars, FY 2014–15 revenue increased by Rs. 335.4 billion over FY 2013–14. With the increased income generated of Rs. 156.4 billion from direct taxes and Rs. 91.4 billion from sales taxes, respectively, direct taxes and sales taxes performed magnificently in FY 2014–15. FED brought in Rs. 24.1 billion more than it did in the prior fiscal year, while customs duties brought in Rs. 63.4 billion more. To Rs. 1191.6 billion, direct tax receipts climbed by 15.3 percent. Revenue from sales taxes rose by 21.7 percent to Rs. 1323.7 billion, that from customs rose by 32.6 percent to Rs. 406.2 billion, and that from the FED rose by 17.4 percent to Rs. 190.5 billion. Net revenue collection for the fiscal year 2015–16 increased by 20.2 percent to Rs. 3112.0 billion (Slemrod et al., 2020).

4.2.6. Tax collection in 2016-2017

The amount of direct tax receipts rose by 10.4% to Rs. 1344.2 billion. income from sales taxes climbed by 2.0% to Rs.1329.0 billion, income from customs increased by 22.8% to Rs.496.8 billion, and revenue from the FED increased by 5.3% to Rs.197.9 billion. The net revenue collection during the fiscal year 2016–17 was Rs. 3367.9 billion, an increase of 8.2 percent (Sadiq et al., 2021).

4.2.7. Tax collection in 2017-2018

To Rs. 1536.6 billion in direct tax receipts, there was a 14.3% growth. Customs income rose by 22.5 percent to Rs. 608.3 billion, sales tax revenue by 12.2 percent to Rs. 1491.3 billion, and FED revenue by 4.0 percent to Rs. 205.9 billion. The net revenue collection for the fiscal year from 2017–18 increased by 14.1% to Rs. 3842.1 billion (During & Times, 2021).

4.2.8. Tax collection in 2018-2019

To Rs. 1445.5 billion, direct tax receipts declined by 5.9 percent. Revenue from sales taxes fell by 1.8% to Rs. 1459.2 billion, while revenue from customs rose by 12.7% to Rs. 685.6 billion and from FED by 11.6 percent to Rs. 238.2 billion. The net revenue collection for the fiscal year 2018–19 was Rs. 3828.5 billion, a 0.4 percent decline from the previous year (Asghar et al., 2020).

4.2.9. Tax collection in 2019-2020

To reach Rs.1523.1 billion in direct tax receipts, there was a 5.4 percent gain. Revenue from sales taxes climbed by 9.4% to Rs. 1596.8 billion, that from the FED increased by 5.1% to Rs. 250.4 billion, but that from customs declined by 8.6% to Rs. 626.4 billion. Net income collection grew by 4.4 percent to Rs. 3996.7 billion in the fiscal year 2019–20 (Sareen, 2020).

4.2.10. Tax collection in 2020-2021

Real numbers show that the FBR collected Rs. 4,734.2 billion in FY 2020–21 as opposed to Rs. 3,997.4 billion in the prior financial year (PFY), an increase of 18.4%. All taxes have gone up by double digits (During & Times, 2021).

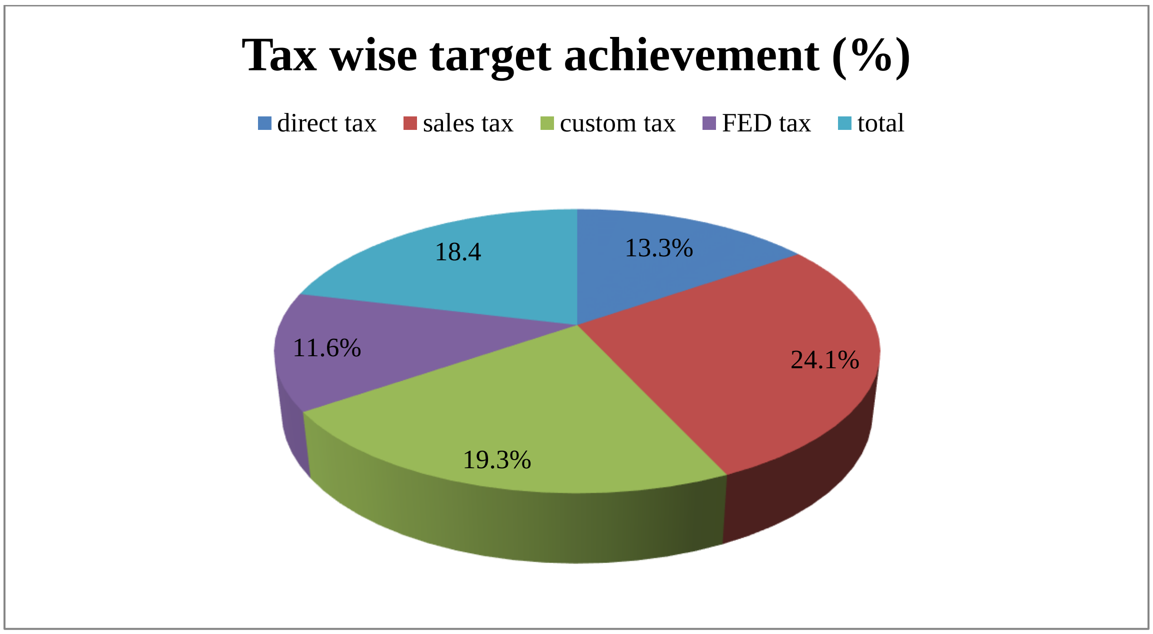

Figure.4 Tax wise target achievement

To Rs. 1726.0 billion, direct tax receipts climbed by 13.3 percent. Revenue from sales taxes climbed by 24.1% to Rs.1981.4 billion, that from FED increased by 11.6% to Rs.279.6 billion, and that from customs increased by 19.3% to Rs.747.3 billion. The Covid-19 epidemic has had a significant negative impact on national economies all over the world, which has negatively impacted FBR's efforts to collect taxes. The fiscal year 2020–21 annual income collection target has been lowered from Rs. 4,963 billion to Rs. 4,691 billion due to Covid-19's negative effects on the economy (Munir et al., 2021).

4.3.Comparative analysis of PTI with PMLN & PPP government

Table.3 Comparative analysis

year	Interest rate	Global growth	GDP	Imports	Exports	Budget deficit
2008-2013 (PPP)	Reduced from 15 percent to 10 percent in five years of PPP government (Mehar, 2020).	Global economic growth was only 3.3 percent in 2013 (Shah & Bukhari, 2019).	In the fiscal year of 2013, the real GDP was 4.99 percent (Abbasi et al., 2021).	Imports declined by the 1.02 percent (Chughtai et al., 2015).	In the first ten months of fiscal year (July-April), exports were US$ 20,147 million, up 4.2 percent (Mahmood & Munir, 2018).	The fiscal deficit in 2012-13 was 4.6 percent against 6.4 percent of GDP. (Munir & Perveen, 2021).
2013-2018 (PMLN)	Reduced to 6 percent from 9.5 percent (Shah et al., 2021).	The global production has increased by the 3.8 percent in 2017-18 (Sadiq et al., 2021).	Stood at the 5.53 percent in the year of 2018 (Abbasi et al., 2021).	Climbed by the 13.5 percent in the year of 2020 (Ashfaq & Bashir, 2020).	Goods exports increased by the 6.5 percent in the fiscal year of 2021 (Rasheed et al., 2021).	Fiscal deficit decreased from 8.2 percent in 2013 to 5.8 percent of GDP in 2017 (Rais et al, 2021).
2018-2020 (PTI)	Reduced from 12 percent to 7 percent in two years (Sarwar et al., 2020).	In 2020, the global growth was 3.3 percent (Shafiq, 2021).	Grown at the rate of 3.94 percent (Khan & Ahmed, 2020).	Imports of goods climbed by 13.5 percent to $42.3 billion (Ashfaq & Bashir, 2020).	Goods exports increased by the 6.5 percent to $ 21 billion (Rasheed et al., 2021).	The budget deficit was reduced at 3.5 percent of the GDP (Cheema & Baloch, 2021).

4.4.Discussion

The Pakistan Peoples Party's (PPP) performance was subpar, as can be seen in Table No. 3 above. The assertion that incompetence was so bad that further measures were needed, however, is based on skewed data and hyperbole. Many individuals think that Pakistan's economy was damaged by the PPP (Burki, 2019).

The Pakistan Muslim League Nawaz (PML-N) government's overall record offers a somewhat grim picture as its period in power approaches a conclusion, despite strong expectations of an economic revolution in Pakistan (Shah et al., 2021).

The three-year term of the Pakistan Tehreek-e-Insaf (PTI) government has come to an end. The debate over the country's economic success is heavily influenced by politics or the selective use of evidence. If you ask anyone how inflation has been, they will tell you that it has been rising. If you're wondering how the government has handled its current account, the answer is that it's a great deal of success (Khan & Ahmed, 2020).

Finding

According to the research as a whole, indirect taxes account for a substantial share of federal and provincial tax legislation, making it challenging to outright abolish them, particularly when the government is dealing with a severe debt and balance of payments problem. To promote economic efficiency, it is crucial in the long run that as the tax base is expanded, the proportion of indirect taxes is continuously decreased. The tax system that the current government took over was riddled with institutional problems and loopholes. The administration appropriately promoted and executed tax reforms as part of its campaign strategy. From July through March of FY2020, the administration successfully reduced the budget deficit from 5.1 percent of GDP the year before to 4.0 percent of GDP. The primary balance also showed a surplus of Rs 194 billion between July and March of FY2020 as opposed to a deficit of Rs 463 billion. Contrarily, the COVID-19 outbreak has altered the near-term situation. The government is now considering some new measures to lessen the economic impact of COVID-19 in addition to increasing public health spending and enhancing social safety net programs. As a result, the budget will momentarily stray from its primary objective. It would be challenging to satisfy revenue estimates in both the tax and non-tax divisions because of the interruption in economic activity. As a result, it is expected that the budget deficit will exceed the goal for FY2020.

Conclusion

The study's findings show that because there is more regressive taxation than is ideal in our current situation, taxes have a less-than-ideal distributional effect. The PTI government's main objective should be to rebalance the current tax system such that it lessens the typical man's financial burden while also enhancing the social welfare component. As a result, rather than supporting the opposite, as is frequently believed, the findings support the premise that lower tax rates boost revenue collection. The findings demonstrate that due to complicated taxes, Pakistan's tax system is inherently imbalanced, making optimal collection unattainable. These reforms forced the legal system to increase its output and efficiency in revenue collection. The Pakistan Tehreek-e-Insaf (PTI) administration has performed much better than previous governments led by the Pakistan Peoples' Party (PPP) and the Pakistan Muslim League-Nawaz (PML-N). The reasonable economic policies of the current administration have enhanced and strengthened the country's economy. The corona virus epidemic had had a significant impact on the nation's economy, but things were now looking up according to the economic statistics. The PTI administration has taken active steps to strengthen the agricultural sector to support farmers, including offering subsidies for fertilizer and seed.

Recommendation

An expanding trade imbalance, declining foreign reserves, and growing unemployment presented difficulties for the government. To improve the business climate, short- and long-term economic policies are required. This can be done by establishing national vocational and technical training facilities to raise worker skill levels and by pursuing efficiency-driven foreign direct investments to take the economy to the next stage of industrialization.

The analysis rates tax changes at 42.5 percent as compared to PTI pledges. It would be crucial to see how well the PTI government can broaden the revenue base. They've set a high bar for themselves and recruited a private-sector tax expert to assist them in getting there. Squeezing the current tax base is the only option to boost revenue in the short run. The success or failure of Chairman Shabbar Zaidi of the Federal Board of Revenue's tax adjustments will decide the government's economic prospects in the medium term.

We should anticipate higher inflation and a tighter labor market before the release of the next budget as a result of an economic downturn. Lower-income taxes would be able to combat some of this inflation, but Pakistan wants to boost tax revenues at the fastest rate possible, so that is not the case. With fewer than 1% of the 208 million people filling out applications, it could be challenging to meet the high-income estimates.

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