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Who tolerates the Burden of Taxes in Pakistan? Theoretical Consideration

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Abstract:

The sole objective of this study is to determine who tolorates the burden of taxes in Pakistan. The principle of equity of taxation is not simply exaggerated by who gives taxes and as well as who does not give. There are two important issues in this senrio first half of the population survive under the poverty line and tax to GDP ratio is to much low. After analyzing different studies, it is found that the system of tax within Pakistan is slightly regressive, for the reason that the structure of tax is consumption taxes oriented, there are no effective taxes impose on gains on capital as well as taxes on individual income. Alternatively, the collection of taxes is relatively low in Pakistan as evaluated other countries in the world. Here we strongly require new tax policy which is more direct tax oriented rather than indirect tax.

Keywords: Tax Base, Tax Revenue Tax burden.

JEL Classification: H21, H26, H71.

Introduction:

Owing to the anxieties over the uneven division of income and wealth in Pakistan, the effort has been made to study the concept of tax incidence with respect to Pakistan. This study discusses the problem of the fairness of the tax structure of Pakistan. Whereas, there is no consent about the "correct" amount of equity in a tax structure, many economists or experts in many countries appear to believe that concept of fairness directs that, extremely low income groups should not pay more taxes as compare with high income groups. The main objective of the current study is to discussed the effective tax rate and distribution of all current major provincial as well as federal taxes with respect to Pakistan. Comprehensive examination of the tax burden distribution and tax incidence distribution of type of tax are provided in this study.

Importance and Scope of the Study:

It is usually agreed idea among reseaerchers that growth related economic policies should control the economic plans of public sector of the economy, but those policies ought not to be merely the target of the public sector of the economy. There is a need to addressed the fiscal policy of Pakistan ought to be growth oriented but at the same time it should be accompanied with the objective of promoting the concept of equity. The public policy of a country has considerabley significant aspect the burdens of taxes. It is likely that economic development and growth single-handedly can facilitate improvement in making the slices of income, but those effects may be long-term which are yet to be recognized in various developing countries, as well as in Pakistan.[1] Some economists and social researchers believe that the equity section of the tax policy discussion has been absent in recent years in Pakistan (Jamal 2007).

There are two most important causes lie behind why this study of incidence of tax is particularly important for Pakistan: the major magnitude and nature of the poor population, and the comparatively low ratio of taxes to GDP.

The poverty statistics has become less stern in the last 10 to 13 years, comparative to the 80, and 90s periods and there is a continues down ward trend in the poverty statistics. Nevertheless, it is still severe by the standards of DCs (Developed countries). In the light of official economics reports approximate 34.5% peoples of the total population live below the poverty line in 2001 to 23.9% in 2005 and 17.94% in 2008. As well as statisics regarding urban poverty exhibits reduction by 34% and the statistics of rural poverty shows the downward trend by 28% throughout the similar epoch. In contrast, according to the WB (world Bank) statistics of poverty in Pakistan has has been reduced by 5.2%. SPDC (Jamal, 2007) anticipated that poverty in Pakistan decline by 3.5% over the similar era.

Here question is arise that whether in Pakistan the income distribution is off center or worse like countries in low income group. In effect, methods and techniques to estimate poverty differ considerably across countries thus it is not easy to compare levels of poverty of different countries.

The degree of unfairness in the fundamental income distribution is a key problem for fiscal policy, however there are rational confines to the effect that tax policy can have on this income distribution owing to problems of the general level of taxation (relative to GDP), evasion, administration, and compliance. While relocation of expenditure in the course of housing subsidies and food and direct employment programs can particularly aim beneficiaries, taxes can be avoided or evaded. The chance that beneficiaries of spending based relocation programs will reject receipt of subsidies is much smaller than the avoidance and evasion actions related with relocation by the tax system. Still, for a study on the fairness of the tax structure, it is vital to recognize the fundamental income distribution to superior understand the inferences of the allocation of the burden of tax on the level of social wellbeing in the nation.

Lastly, there is a universal issue of whether government can be successful in employing tax policy to tackle redistribution of income in Pakistan. The comparatively undersized magnitude of the government sector reasons us to question this. The intensity of tax collection attempt, calculated as tax revenue to GDP ratio, is extremely short in Pakistan relation to the majority countries (the tax revenue to GDP ratio is presently anticipated to

[1] The World Bank, *World Development Report* (2005) concludes its findings from different countries regarding the effects of economic development and growth on poverty. The SPDC [(Social Policy and Development Center) (2004)] also provide confirmation suggesting that though the average annual GDP growth between the fiscal year 1973 and fiscal year 2003 was somewhat more than 5%, the rate of poverty stayed approximately constant at around 1/3 during 2003. The Government of Pakistan (2007) discovers that rate of poverty fell between fiscal year 2001 and fiscal year 2005.

be approximately 10.1 % as said by the Pakistan Economic Survey, 2012-13. By evaluation, the tax revenue to GDP ratio in underdeveloped nations the ratio is around 18%, in developing nations it is around 25%, whereas, and in developed nations is around 35% for joint government tax revenue collection, [Asian Development Outlook 2005, Bahl and Wallace (2005), and World Bank, W.D.I. 2006]. This scenario leaves comparatively small room for taxes to have much of an effect on distribution of income in Pakistan at the present level of taxation.

The Concept of Incidence, Burden, and Shifting of Taxes:

Somebody has to eventually pay the entire taxes, and one of the most basic questions raise by economists is: “Who tolerates the ultimate tax burden?” Taxes are the reason which causes firms and persons to alter their behaviors, and the consequential alters in factor and manufactured goods prices will decide the distributional effects and the “incidence”, of the tax. To reply this question that “Who tolerates the ultimate tax burden?” needs us to approximate whether or not taxes system are progressive or proportional or regressive; that is, do taxes as a share of income increase or constant or decrease as income increases?

Economists have dedicated much concentration to the question of incidence of tax. [Harberger (1962), McLure (1975), Kotlikoff et al (1987), and Fullerton et al (2002). Pechman (1986), Fullerton et al (1993), and Alleyne et al (2004)]. While there is broad concurrence about the some taxes incidence, for example individual income taxes or excise, the other taxes incidence remains controversial. Nevertheless, numerous basic “principles” of incidence of tax ought to be kept in mind in the argument that follows [Alleyne et al (2004)].

The 1st principle is that just people (persons or individuals) tolerate the burden of tax. Companies or Corporations are basically legal entities made up of persons or individuals. By making a clear division between corporation and individual, the statement points to a general myth that Corporations have an autonomous capability to tolerate the burden of tax. It is correct that numerous countries including many developed countries treat businesses as if they were individuals, and in Pakistan businesses are generally treated as people. However this has nothing bother with economic tax incidence. Individuals, that is, consumers, interest income recipients, landowners, labors, and stockholders tolerate the burden of tax. The company is simply a so called person. This matter many times makes ambiguity about “who really pays taxes.” putting Political concerns away, an obvious division should be made between who tolerates the “statutory burden” and who eventually tolerates the “economic burden” of a tax.

Here question is arising that what is “statutory burden” and what is “economic burden” of a tax? To reply this question we start with the simple definition of incidence of tax, and the difference between statutory and economic incidence. With an easy and simple definition and example we can understand these phenomena.

1) The "legal obligation" or "statutory burden", which means that the individual on whom the tax obligation falls according to the law.

2) The "primary economic incidence of tax" or simply "incidence", which is how the economic demand and supply situations in the market for the taxed factor of production or good or service distribute the tax between consumers and producer or suppliers of the taxed item (this distribution possibly change in the short-run and the long-run); and,

3) The "eventual economic burden of tax" or simply "burden", which deals with the changes in after tax incomes of people subsequent to the entire economic adjustments to the tax have taken place.

Suppose that the value of a property Rs: 1 million and the government obliges a property tax of 20% of value of the property. If the property is sold the tax goes to the government is about 0.2 million. Any viewer may finish off that the vendor is paying the entire property tax. At the moment assume that after the obligation of the property tax, the tax stimulates an increase in the value of property to Rs: 1.2 million. Obviously, the vendor receives the equal amount as he did previous to the tax obligation. The vendor received the same amount before tax and, in this scenario; buyers pay the all amount of tax in the shape of high prices. Alternatively assume that one time the tax is obligatory, the value of the property increases to Rs: 1.1 million. In view of the fact that the vendor has to give Rs 0.2 million to government as tax, the vendor keeps a net price of Rs 0.9 million--he beard a loss Rs 0.1 million. Buyers are also bear the burden, because they must pay Rs 0.1 million. In this case the buyer and vendor distribute the burden of tax. Another case maybe is that after property tax is obligatory the value remains at Rs: 1 million. At this point the buyers are not bearing any burden of this tax; all the tax is tolerated by the vendors.

The legal incidence of a tax specifies who is legally responsible for the tax. All the three examples in the previous paragraph are the same in the sense so as to legal incidence is on the vendor. However the condition changes significantly with response to who actually tolerates the tax burden, since price might vary in response to the tax. Information of legal incidence tells us nothing regarding who actually pays the tax. On the contrary, the adjustment in the allocation of private real income due to tax is the economic incidence of a tax [Rosen (2005) or Wallace (2007)]. The method in which Shifting some or all of a burden of tax of an entity to another is normally referred to a “tax shifting”. If a tax is moved to goods and services users through high monetary value or simply prices, in that case the tax is supposed to be “shifted forward”; if other input suppliers or workers, bear burden of the tax instead of producer in that case the tax is supposed to be “shifted backward”.

Consider another example of the income tax of a company. The company tolerates the “legal incidence” of the tax since its liability is to pay the income tax to the government. Nevertheless, one or more individuals will bear the economic burden or incidence: the proprietors of the corporation who obtain in lesser profits due to the tax, the customers of the product(s) of the corporation who pay high prices as a consequence of the tax, or the labors of the corporation who get lesser remuneration. Consider a General Sales Tax (GST) on petrol as another illustration. The firm that gathers the tax and submits it to the government or tax collection authorities will tolerate the legal incidence of the tax, however another time the economic incidence will depend upon the ways in which prices of factor of production and goods or services change to the GST. If customers actually require petrol, they are expected to tolerate a lot of the economic burden. If customers can mange with no petrol, in that case they may reject to buy petrol at high prices, pushing back the manufacturer to lesser the price and take up as a minimum burden of the tax through lower profits.

A 2nd principle of incidence of tax is that the tax incidence adjustment depends on both on how return accruing to the Factors of Production [2] (FOP) and the consumers' consumption pattern is changed. Individuals who consume more of the product on which the tax is imposed will be worse off due to the high prices they pay then this is "forward shifting" of the tax. Conversely if the obligation of the tax decreases the demand for the product on which the tax is imposed, and the net profits to the producer drop, the FOP used in the production might observe a decline in remuneration or capital's returns. As a result, a tax can as well alter the distribution of income by impacting the basis of income. So, together the uses and the sources of income have to be analyzed in incidence investigation.

A 3rd principle essential this analysis is the supposition that any tax changes are prepared in a revenue-neutral system so that the incidence of spending alters is not measured, wherever the standard is an imaginary lump-sum tax. (Musgrave 1952) referred this as "differential incidence". This is a vital supposition. Government spending is mainly backed from tax incomes, non-tax incomes and getting loans from the non-public and public sectors. Consequently, any alterations in tax incomes have to be gone together with by a parallel alteration in another tax, in the money supply, in government liability, or in government spending. In theory, it is essential to deem what happens to the new income, or loss in income. Such as, if there are further tax incomes that earn as of a proportional tax and this extra tax revenues are used up on pro-poor spending, the net effect of the tax spending adjustment possibly will be more balancing in nature. Herein study, we just suppose that there is no change in the distributional impacts of government spending, and no distributional change because of the counterbalancing decline in taxes revenue or non-tax revenue.

That tax incidence does not determined by where the tax is obligatory is a 4th main standard in incidence analysis. Incidence of Tax follows through the effect of a tax on the price of the final product and on the price of the FOP. In a competitive market, the incidence of a tax does not rely on where it is obligatory—whether statutorily on the consumer or supplier of a product. The tax merely makes a wedge between the price paid by consumers and the price received by producers, and the source of the wedge (for example, from the demand and supply or production side of the market) is unrelated.

However, note that the implication of a tax on closed economy in which the entire production or supply and demand based on domestic sources will have a totally different effect on prices than if it is obligatory in an open economy.

Lastly, tax incidence relies on the responsiveness of producers or supplier and consumers to changes in prices. As a tax is imposed, people will amend their activities to cut their tax burden. Individuals who are better in position to change their activities are capable of transfer the liabilities to others and will tolerate a lesser amount of the tax burden. Such as, if purchasers react little to an alteration in petrol prices, in that case purchasers will tolerate more of the tax incidence on petrol. In the same way, if employees are capable to cut their work effort or to transfer their work to untaxed segment of the economy in reaction to a personal income tax, then employees will tolerate a lesser amount of tax burden of a personal income tax.

After the tax incidence determined (globally and domestically) – on income of land or capital or labor or entrepreneur or consumers -- the tax must be imposed to persons based on their part of income or consumption (determined by the supposition of incidence). Take as the

[2] Factor of production in economics = (land, labor, capital, and entrepreneurship)

case of a tax that is transferred forward to users of a specific product. If we arrange the people from lowest income earner to highest income earner and allocate the part of taxes accordingly, through which it can be easily find out how much burden is tolerated by different income groups in the people. It can also be conclude that how much tax is borne comparative to income by each section of the population, which is, -- the Average Effective Tax Rate (AETR) or the tax paid to income ratio. If the AETR rises with income then the arrangement is described “progressive” and if it drops as income increases, the tax is called “regressive”. This turns out to be the major point for any incidence analysis.

It is understandable from the entire of this that the tax’s progressivity is directly determined by the assumptions of incidence. Such as, the corporate income tax (CIT)’s incidence is frequently tacit to be mostly on capital’s owners, and these will be subject to be high income persons.

Tax Structure of Pakistan:

A technically planned tax structure of the state not just develops the industrial, agriculture as well as economic competitiveness although as well adds to motivating economic activity and consequently economic growth in the country. The strong and sound base of a tax system offers a more even and stable basis of revenue desired to backing the government spending through an objective to alleviate poverty and convey public services. Previously, tax system of Pakistan destabilized because of structural flaws, faults and weaknesses similar to contracted tax base, immense evasion of tax and organizational weaknesses etc. These structural weaknesses have taken a charge on the whole tax collection as the economy has observed a lowest tax to GDP ratio not merely in the developing economies but as well inside the region (Pakistan Economic Survey 2012-13).

In spite of the raise in tax revenues, Federal Board of Revenue (FBR) TGR assorted among 8.5% to 14% in the past 12 years. Throughout July to April, Fiscal Year 2013 FBR TGR stood at 6.6% in opposition to 7.1% witnessed in the similar epoch last fiscal year (Pakistan Economic Survey 2012-13).

Table no. 1 Structure of FBR Tax Revenue

Year	Total (FBR)	Tax Rev as % of GDP	Direct Taxes	Indirect Taxes			
				Customs	Sales	Excise	Total
2001-02	404.1	9.2	142.5	47.8	166.6	47.2	261.6
			[35.3]	{18.3}	{63.7}	{18}	[64.7]
2002-03	460.6	9.6	151.9	68.8	195.1	44.8	308.7
			[33.0]	{22.3}	{63.2}	{14.5}	[67.0]
2003-04	520.9	9.2	165.1	91	219.2	45.6	355.8
			[31.7]	{25.6}	{61.6}	{12.8}	[68.3]
2004-05	590.4	8.9	183.4	115.4	238.5	53.1	407
			[30.1]	{28.4}	{58.6}	{13.0}	[68.9]
2005-06	713.5	9.4	225	138.4	294.8	55.3	488.5
			[31.5]	{28.3}	{60.3}	{11.3}	[68.5]
2006-07	847.2	9.2	333.7	132.3	309.4	71.8	513.5
			[39.4]	{25.8}	{60.3}	{14.0}	[60.6]
2007-08	1,008.10	9.5	387.9	150.7	377.4	92.1	620.2

			[38.5]	{24.3}	{60.9}	{14.9}	[61.5]
2008-09	1,161.10	8.8	443.5	148.4	451.7	117.5	717.6
			[38.2]	{20.7}	{62.9}	{16.4}	[61.8]
2009-10	1,327.40	8.9	526	160.3	516.3	124.8	801.4
			[39.6]	{20.0}	{64.4}	{15.6}	[60.4]
2010-11	1,558.20	8.5	602.5	184.9	633.4	137.4	955.7
			[38.7]	{19.3}	{66.3}	{14.4}	[61.3]
2011-12	1,882.70	9.4	738.4	216.9	804.9	122.5	1,144.30
			[39.2]	{19.0}	{70.3}	{10.7}	[60.8]
2012-13 B.E	2,381.00	10.1	932	247.5	1076.5	125	1,449.00
			[39.1]	{17.1}	{74.3}	{8.0}	[60.9]

Source: Pakistan Economic Survey: 2012-2013

Current Pakistan tax structure is distortionary and gives advantage to huge evasion of tax. Furthermore, several segments of the economy of Pakistan various are not taxed and various are under taxed in any way which imitates contracted tax base. (Pakistan Economic Survey 2012-13).

From the year 2001-2002 to 2012-2013 excise duty collection is decreased by 10 percent, customs duty collection is decreased by 1 percent and sales tax collection is increased by 10 percent.

From the year 2001-2002 to 2012-2013 direct tax collection is increased by 4 percent and indirect tax collection is decreased by 4 percent. Although it takes 11 years but the share of direct taxes increase which is a positive sign.

Review of Literature:

Although there is a huge increasing amount of literature is available over the topic of taxes incidence in developing and developed nations, this literature becomes less or unimportant in contrast to the empirical and theoretical literature review over the incidence of tax in developed nations. Modern thoughts regarding incidence of tax branches as of Arnold Harberger's (1962) effort in representing how taxes imposed within single marketplace can be tolerated by useful and dynamic factors in a different marketplace. Model of Harberger estimated the effect of a corporate income tax like a levy over capital in single division of the country (a "partial factor tax"). Through employing a method where the supply and demand for good or service altered to a fresh equilibrium subsequent to a duty was levied, the corporate income tax effect over the value of labor, capital, and good or service could be examined. The outcomes demonstrate that, depending over the ability of producers to substitute labor for capital in the production process and the elasticities of supply and demand, the corporate income tax burden possibly will be entirely or partly tolerated by capital or labor, or transferred onward in shape of high good or service prices. Model of Harberger has been designed for over four decades to calculate approximately the taxes burden, and it is as well a method for examining the taxes "welfare loss" or taxes excess burden. Still extra complex, theoretical models of intertemporal that believe the taxes incidence on a lifetime of person have been made employing complicated models of the country. John Shoven and John Whalley (1984) were in the middle of the earliest economists to employ computer methods to examine the taxes system incidence. These kinds of models are nowadays frequently employed like a way to integrate numerous markets into the analysis of tax incidence.

Although there are no hundred percent agreements over the all taxes incidence, and there is no total consensus over how to calculate the burdens of tax distribution, there is a huge compact of consensus regarding how to perform empirical studies of distributions of burden of tax. In this research, I will employ a group of reasonable and logical different assumptions concerning the various taxes incidence to show the extent of sensitivity of the examination to different assumptions. It is helpful currently to give an outline of the offered literature over burdens of tax in different nations and of the methods of estimation they employed.

There have been various studies of the different taxes incidence in Pakistan. Ahmad et al (1989) examination occurred by an occasion when the Value Added Tax transformation was under review and discussion. Ahmad et al House Income Expenditure Survey data to examine the effective tax rates distribution previous to and subsequent to the transformation.[14] The researchers suggest a sequence of Value Added Tax choices and discover that a proportional tax rate of fourteen percentage over the majority consumption goods and services would compose sixty percent of individuals better off than they likely in the present taxation system (wherever an enhance in wellbeing is calculated through a transform in the value of the spending function employing a utility function of Stone Geary). In nearly all of their models, the major achievers are the depravedness fraction of the total population.

Refaqat (2003) gives a complete distributional and incidence analysis of the General Sales Tax in Pakistan. Employing data as of the House Income Expenditure Survey Refaqat implicates effective tax rates for a comprehensive consumption items list through spending deciles and for totality as well increases the examination along with households prearranged by income. Refaqat describes total annual consumption of household as an alternative measure for income of lifetime and total annual income of household like merely yearly income.

Derived from estimates of Refaqat, the General Sales Tax is fairly progressive calculated as of a life span or yearly assumption of incidence, along average effective tax rates approximately between 3.49 to 4.19 percentage points. Nevertheless, when Individuals are classify with income, and then incidence of lifetime is still comparatively progressive although the yearly incidence is regressive in nature. Refaqat examination as well comprises numerous comprehensive consumption goods categories. Refaqat discovers that the burden of tax over a few particular goods including electricity, cooking oil, kerosene, gas and cigarettes is regressive in nature.

Kemal et al (2001) performed investigation of the effect of reductions of tariff over the general income distribution, employing CGE technique. They discover that reductions of tariff over manufacturing imports would enhance the differences between poor and wealthy in Pakistan through a minor quantity.

Martinez-Vazquez (2006) presents an incidence of tax examination of the main taxes related to federal government of Pakistan employing tabulations of summary of consumption and income distribution as of the House Income Expenditure Survey. He discovers that the highest income quintiles of the population are tolerated forty percent of the taxes collected. The general federal taxes distribution derived from his examination is somewhat progressive in nature.

Shah et al (1991) give a little sensitivity analyses concerning classic incidence suppositions over the trade taxes progressivity, corporate income taxes progressivity and individual income taxes progressivity in Pakistan. While they employ different suppositions concerning incidence of tax they discover that while conventional suppositions concerning the trade taxes incidence over consumers yield a regressive tax, if the tax is transferred to importers, the tax possibly progressive in nature. The income tax on individual possibly transferred to rural labor and if therefore, a tax progressive in nature becomes regressive. At last, under their different assumptions of incidence for taxes on corporate, the tax continues slightly progressive, however the progressivity level is influenced through the supposition concerning the tax incidence of labor, price or capital.

Other Country Studies

A large number of the previous work over burden of tax in the United States employed an incidence assumptions set to allocate tax revenue as of the main United States taxes: income taxes of corporate, individual, as well as payroll taxes moreover local as well as state government taxes.

Work of Pechman (Pechman 1985) over the allocation of burdens of tax from 1966 to1985 given a comprehensive examination of the allocation of the burden of tax of the main taxes within the United States over that time span. He employed a typical incidence assumptions set (wage earners tolerate labor taxes and taxes on corporate income as well as other taxes over capital, were divide among owners of capital, consumers, and labor. Conditional on the assumption concerning the taxes on capital incidence and the corporate income tax incidence, on the whole structure in the United States was moreover reasonably progressive otherwise somewhat regressive. Pechman sum up that the system of overall tax had slight effect over the income distribution in the United States under the time span considered. Nevertheless, the effective tax rates spread reveal that in the most progressive incidence suppositions, the low deciles gives almost nineteen percent of income in taxes whereas the top income deciles gives twenty percent. At the other hand, in the most regressive suppositions, the lower income deciles give almost twenty eight percent in tax while the top deciles give almost nineteen percent.

These researches propose that the General Sales Tax in Pakistan is not regressive, and possibly will essentially be slightly progressive. The collective character of the Vazquez-Martinez research composes it complex to find out how “well-known” in the income distribution profound tax incidence is tolerated. Furthermore, the largest part of earlier research of the taxes incidence within Pakistan does not alter for evasion of tax distinctions between consumption/income deciles. In the rest of this work, I expand my methodology and describe the outcomes for the entire main provincial as well as federal taxes employing data at micro-level. I as well examine the horizontal taxes distribution within Pakistan, which has been done only once, up till now.

Conclusions:

Who tolerates the load of taxations within Pakistan? It is demonstrated in this study that all families tolerate the taxes burden part within Pakistan, the households who have more income tolerate a greater tax burden and who have low income paid less taxes (Umar et al 2008). Under different income definitions and different capital fair distributions, these effects hold—while to different levels. Taxes which are related to consumptions of different goods and services, spread in a comparatively proportional way—while taxes related to income are also distributed in a propotional mannar (Umar et al 2008). Taxes that are direct in nature have a practically more progressive in nature.

A burning question that often asks by everyone is that Does Pakistan follow the the "appropriate" tax distriburtion? It is not an easy task to answere this question, and it should be ansrwered in the overall in the context of tax-expenditure policy. Pakistan's Government has continuesly articulated a serious anxiety about the level of tax effort as well as a need to increase efforts. The existing nature of direct taxes at the top income level in Pakistan exhibits a progressive nature followed by a relatively flat throughout the rest of the income distribution. This important information regarding tax distribution in Pakistan suggested that there is still more capacity exist for increasing tax effort in various parts of the income distribution. To achieve this policy objective, there are any number of changes that could be made by way of tax reform in Pakistan. However, for illustration purpose, the current effort made in this paper, by analyzing two significant potential reforms possibilities as a conclusion to this paper. These policy possibilities are preferred to determine the capability of the models to lever policy possibilities and to consider the influence of such policy changes on the distribution the burdens of overall taxes in Pakistan.

In addition to this, there are various additional prospective reforms options such as issues of the exemptions in GST, cleaning up the zero-rating, also plummeting exclusions in the corporate as well as individual income tax systems, and investigating the tax impose on capital gains. Some of these potential reforms involve more comprehensive tax return data such as income tax exemptions, while others investigated by including many of the GST studies can be completed largely within the same context of the models used for this analysis. The significant interrogation of who bears the burden of taxes in the context of Pakistan's economy under the ongoing system and under reform choices remains an essential fragment of the policy debate in Pakistan.

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