

STRUCTURE OF PUBLIC FINANCES: Historical Perspectives and Future Prospects*

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In developing countries fiscal policy is designed to increase economic growth, to reduce inflation and budget deficit. The international comparison of performance of macroeconomic variables shows that the performance of Pakistan's fiscal policy has been satisfactory over the last thirty years in achieving economic growth and maintaining a low price level. However, fiscal policy conspicuously failed to keep the level of budget deficit at manageable levels. During the last decade the government has started implementing suggestions of the IMF/World Bank for Tax Reforms. This paper shows that if the trend of existing reforms is not altered altogether, the advantages of fiscal policy regarding economic growth and inflation will disappear which might damage the economic plan of the government for the year 2010.

I. Introduction

Fiscal policy in developing countries is generally designed to increase economic growth and to reduce inflation and the budget deficit. The international comparison of performance of macroeconomic variables shows that the performance of Pakistan's fiscal policy has been satisfactory over the last thirty years in achieving economic growth and maintaining a low price level. However, Pakistan's fiscal policy conspicuously failed to keep the level of budget deficit at a reasonable level. In Pakistan, like in most developing countries, the presence of huge budget deficit have created strong pressures (conditionalities) from the international lending agencies, for a wide range of tax reforms. The danger with implementation of the IMF/World Bank conditionalities is that they may increase the cost of investment and reduce the cost of imports of final goods in the country. This will have adverse impact on the growth of GDP and create inflationary conditions. The recent Supply Side concessions introduced by the government may increase output of the economy but it will definitely increase budget deficit as well. The high budget deficit is a result of unsuccessful revenue generation rather than expenditure policies.

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The low tax to GDP ratio as a result of tax evasion, tax expenditures and tax avoidance, along with inefficient tax administration are also being cited as reasons for high budget deficit. Undoubtedly, there are also problems on the expenditure side; a major portion of expenditures are non-discretionary and downwardly rigid. The major non-discretionary expenditure heads are debt service and defence (due to geopolitical reasons), which constitute more than 85 per cent of total current expenditures in the country.

II. International Comparisons

In this section Pakistan's fiscal statistics are compared with other developing countries. The GDP growth rates, inflation rates, budget deficit, tax efforts, and expenditure ratio are compared. The data for comparison comes from different issues of International Finance Statistics.

The statistics on GDP growth show that the performance of Pakistan's Economy in the last twenty years has been very satisfactory. Table 1 shows that in 1980s the economy's performance was far better than the performance of other developing countries. In fact, during this decade the growth rate of Pakistan's GDP was almost twice than that of average GDP growth of other developing countries. Even in 1990's when Pakistan GDP growth suffered adversely due to climatic conditions, the growth rate was much higher than that for other developing countries.

The performance of fiscal policy is also extremely good in achieving and maintaining low price levels. This performance has been more prominent in the last two decades. In 1980 inflation rate in Pakistan was 7.3 per cent as compared to average rise of 37.7 per cent in other developing countries. Similarly, in 1990's the average price increase in Pakistan was only 10.9 per cent compared to 52.1 per cent average rise in other developing countries.

The figures, however show that fiscal policy was very unsuccessful in lowering and maintaining low budget deficits. The Table shows that in 1980 the fiscal deficit in Pakistan was 6.6 per cent of GDP as compared to 4.5 per cent in other developing countries. In 1990s, the average overall deficit of developing countries reduced to 2.8 per cent of GDP, however the overall budget deficit of Pakistan increased to 6.8 per cent of GDP. In order to understand this high overall deficit we have compared the tax and expenditure to GDP ratios of different developing countries.

An international comparison of fiscal effort reveals that the tax effort of Pakistan is very low. Countries with per capita income between \$360 to \$750 have the tax to GDP ratio of around 20 per cent. But for Pakistan, this figure is less than 14 per cent and reduced to around 12 per cent. The comparison also shows that the indirect tax to GDP ratio is comparable with other developing countries. The domestic indirect tax ratio in developing countries was equal to 4.7 per cent and the corresponding figure for Pakistan was 4.8 per cent in 1992. This rose to 7.9 per

TABLE I

International Comparison of Macroeconomic Variables

GDP Growth Rate (percentage)				
	1970's	1980's	1990's	
Pakistan	3.69	6.62	4.74	(5 OBS)
India	3.24	5.96	4.20	(4 OBS)
Asia	5.57	6.94	7.32	(5 OBS)
Developing Countries	5.09	3.88	5.04	(5 OBS)
Industrial Countries	3.37	2.61	1.90	(6 OBS)
Consumer's Price Indices (percentage)				
	1970's	1980's	1990's	
Pakistan	11.76	7.27	10.85	(6 OBS)
India	7.54	9.13	10.25	(6 OBS)
Asia	7.68	8.70	9.90	(6 OBS)
Developing Countries	14.84	37.73	52.13	(6 OBS)
Industrial Countries	8.30	5.90	3.38	(6 OBS)
Overall Budget Deficit as percentage of GDP				
	1980 (Avg.)	1990		
Pakistan	-6.64	-6.89	(6 OBS)	
India	-7.51	-7.55	(5 OBS)	
Asian	-4.55	-3.61		
Developing	-4.54	-2.82		
Industrial Countries	-4.58	-2.02		

Source: International Finance Statistics.

cent in 1996-97. Similarly, the figure for indirect tax on foreign trade for developing countries was 7.6 per cent; but in Pakistan the corresponding figure was 5.2 per cent in 1992-93 which reduced to 3.3 per cent in 1996-97. The comparison of direct taxes shows that developing countries having per capita income of more than \$360 but less than \$750 have a direct tax to GDP ratio equal to 6.8 per cent, whereas for Pakistan in 1992-93 this ratio was 2.7 which rose to 3.5 per cent in 1996-97. This shows that despite high fiscal efforts in the last few years direct tax to GDP ratio remained much less than in other developing countries [Burgess and Stern (1993), and Resource Mobilization and Tax Reforms Commission (1994) p.15].

It is, however, interesting to note that the expenditure to GDP ratio in Pakistan is less than the corresponding average figure for other developing countries. Figures show that in 1980s the average ratio of developing countries was 28.2 per cent whereas the corresponding figure for Pakistan was 22.8 per cent. Similarly the figures for 1990s show that the ratio for Pakistan has increased enormously to 26.4 per cent, but is still less than the average figure of 27.8 per cent for other developing countries.

Concluding this section we can say that the fiscal policy in Pakistan has been successful in raising the GDP growth and reducing the inflation rate. However, it failed to reduce budget deficit. A comparison with other developing countries, shows that low tax to GDP ratio was the main factor responsible for high budget deficit. The reasons for low tax to GDP ratio in Pakistan are discussed in the following sections.

III. A Brief Synthesis of Fiscal Problems in Pakistan

Fiscal powers and the performance of different functions by different levels of government – federal, provincial and municipal are determined in the constitution of Pakistan. The allocations are such that the bulk of revenue sources are vested in two higher levels, and only residual functions are performed by local governments. It is estimated that currently almost 97 per cent of revenues from tax and non-tax sources accrue to the federal and provincial governments, while almost 95 per cent of the expenditure is incurred by them [Ahmed et al., (1992)]. Between the federal and provincial, the bulk of the resources are with the federal government, which are disbursed to lower levels.

Table 3 reveals that since 1970 the budget deficit has been one of the major problems facing Pakistan's economy. The deficit generally remained around 7 per cent of GDP, which is very high by any standards. The Table also shows that major causes of high budget deficit were high expenditure and low tax to GDP ratios. It also appears from the Table that total expenditure rose from 20 per cent of GDP in 1970 to 26.7 per cent in 1987-88, but it then fell to 20 per cent in 1996-97. This reduction in the expenditure to GDP ratio has come through a fall in development

TABLE 2

Level and Composition of Tax Revenue
as percentage of GDP in Developing Countries

Tax	Developing Countries			Pakistan*		
	capita income of less than \$360	capita income of \$360 to \$750	All	1989-90	1992-93	1996-97
<i>Direct Taxes</i>						
Income Tax	3.27	5.53	5.11	1.75	2.58	3.35
Wealth and Property Tax	0.24	0.31	0.45	0.08	0.09	0.07
Social Security Taxes	0.21	0.79	1.30	–	–	0.02
Others	0.19	0.21	0.40	–	–	0.05
<i>Indirect Taxes (Domestic)</i>						
Sales, Turnover, VAT	2.44	2.30	2.46	2.17	1.74	2.23
Excises	1.55	1.95	2.07	2.64	2.54	2.35
Others	0.46	0.49	0.68	0.56	0.57	–
<i>Indirect Taxes (Foreign)</i>						
Import Duties	4.05	6.70	4.32	5.11	4.45	3.31
Export Duties	1.09	0.64	0.62	0.56	0.06	–
Others	0.42	0.63	0.65	1.08	1.24	1.28
<i>Total Taxes</i>	<i>14.02</i>	<i>19.66</i>	<i>18.05</i>	<i>13.94</i>	<i>13.30</i>	<i>13.20</i>
Expenditure / GDP Ratio						
				1980	1995	
Pakistan				22.75	26.36	
India				18.68	21.93	
Asia				25.29	27.32	
Developing Countries				28.18	27.82	
Industrial Countries				36.55	38.89	

*Total includes all Federal and Provincial Taxes and Surcharges.

Sources: i) Burgess and Stern, Journal of Economic Literature, 1993.

ii) Economic Survey, 1992-93, Economic Advisor's Wing, Islamabad.

TABLE 3

Overall Budget Deficit
(percentage of GDP)

Year	Total Revenue	Tax Revenue without Sur-charges ¹	Sur-charges ²	Non Tax Revenue	Oth-ers ³	Total Expen-diture	Current Expen-diture	Deve-lopment Expen-diture	Bud- ⁴ get Defi-cit
1950	6.13	5.26	—	1.47	0.0	8.50	6.09	3.38	2.60
1960	9.42	6.64	—	2.77	0.0	10.15	5.15	5.13	0.40
1972	14.59	11.00	—	3.60	0.0	20.02	11.18	8.42	5.40
1979-80	16.40	13.70	0.3	2.50	0.6	23.30	14.00	9.30	6.30
1984-85	16.40	12.20	0.8	3.40	0.6	24.70	17.70	7.00	7.80
1989-90	18.60	12.80	1.1	4.60	0.8	25.90	19.30	6.50	6.50
1990-91	16.10	11.50	1.2	3.40	0.8	25.60	1.20	6.40	8.70
1991-92	18.00	12.50	1.2	4.40	1.2	26.70	19.10	7.60	7.50
1992-93	17.80	12.20	1.0	4.60	0.1	25.90	19.50	6.40	7.90
1993-94	18.60	12.60	1.5	4.60	0.1	24.50	19.80	4.80	5.80
1996-97	15.52	11.84	0.0	3.10	0.0	19.98	15.79	4.18	4.03

¹ Taxes collected by the Central Board of Revenue.

² On petroleum and gas

³ Self-financing by autonomous corporations

⁴ Budget Deficit = Total Expenditure - Total Revenue - Other

Source: Economic Survey, Economic Adviser's Wing, Islamabad.

expenditure. Development expenditure, which stood at 8.4 per cent of GDP in 1972, was reduced to around 4 per cent in 1996-97. This is causing shortage in the supply of infrastructure and slow improvement in social indicators. The significant growth in non-development expenditure at the expense of development expenditure is due to the high non-discretionary elements of defence expenditure and debt service. These downward rigidities in expenditure and inability to explore new and old resources efficiently have restricted the government's efforts to reduce the budget deficit to 4-5 per cent of GDP as suggested by the IMF.

In order to understand the fiscal situation, the salient features of the tax system are highlighted and discussed below:

- a) The country has a very large parallel economy which is unrecorded and which remains outside the tax net. The study by Ahmed and Ahmed (1994) which used Tanzi's (1983) approach, estimated the extent of the black economy to be from 45 to 50 per cent of the documented economy. This implies that if half of the black economy can be brought under the tax net, the desired level of budget deficit can be achieved without any increase in fiscal effort.
- b) The presence of a wide range of exemptions in both direct and indirect taxes is one of the most important reasons for the high budget deficit to GDP ratio. Various schedules of the Income Tax Ordinance contain concessionary clauses for special groups, institutions and individuals.¹ The major beneficiaries of this system are agriculture, bureaucrats, textile and leather exporters, and certain investors and savers. Some clauses also provide immunity from audit for those who earn money from illegal trade. It is interesting to note that in 1992, total concessions in income tax amounted to more than 143 per cent of the total income tax collection. A similar pattern was observed for indirect taxes, where more than 49000 million Rupees of collectable import duty was foregone by the government. This was equivalent to 106 per cent of collected import duties in 1992. The Resource Mobilization and Tax Reforms Commission (1994) gives the astonishing fact that 45 per cent of public limited companies do not pay corporate income tax due to the concessions on accelerated depreciation allowance, tax holidays, and insufficient profits. Also over 45 per cent of companies have a tax to turnover ratio of less than 0.5 per cent. This suggests that removing half of these concessions in the system could reduce the budget deficit by 3 percentage.
- c) Another poor aspect of the tax system is its low elasticity and buoyancy. The elasticity coefficient of a tax, measures the built-in response of tax revenue to growth in income, without any change in the tax rate. The buoyancy coefficient on the other hand measures the total responsiveness of tax revenue to the growth of income, inclusive of changes in tax rates. Table 3 shows that elasticity in Pakistan for all taxes from 1977-78 to 1989-90, except for the sales tax, were less than one. Whereas in the case of buoyancy the figure for income tax and excise duty was less than one, which implies that (inclusive of all discretionary measures) a one per cent increase in income brings less than one per cent change in tax revenue. The major reasons for this low elasticity are the presence of a wide range of exemptions and poor tax administration. After 1990-91 the Government of Pakistan introduced a package of reforms in the income tax system which has removed many exemptions. Due to this package the elasticity and buoyancy of income tax dramatically increased to 1.49, 1.59 and 1.79 in 1992, 1993 and 1994 respectively [Ahmed, et.al., (1992)].

¹ The second schedule alone contains more than 170 such clauses.

- d) The disproportionate inter-sectoral tax burden is another important problem aggravating the fiscal situation. The taxes paid by agriculture and non-agriculture in 1987-88 as percentage of their respective sectoral income were 4.6 per cent and 15.1 per cent respectively. The share of direct taxes as percentage of total taxes in agriculture and non agriculture sector were 5 per cent and 17 per cent respectively. These facts reveal that the tax system of Pakistan suffers from problems of horizontal and vertical inequities. The non-agriculture sector pays more than the agriculture sector and both sectors pay very little direct taxes [Kazi (1985)].
- e) One of the recent important features of the tax system is the rising share of presumptive and withholding taxes. Income tax in Pakistan is collected through three mechanisms known as collection of demand, payment with returns and deduction at source. Among them the highest share comes from withholding and income tax, with a share of 42 per cent in total collection in 1984-85 which rose to 68.4 per cent in 1996-97. The major heads of withholding income tax are salary, income on securities, presumptive tax on contract and withholding income tax on imports. The second important source of income tax collection is payment with returns. The share in income tax collection through this mechanism was 33 per cent in 1984-85 and fell to 22.5 per cent in 1996-97. This method includes all types of taxes paid voluntarily with the income return being filed by taxpayers. The last contribution to income tax comes from collection of demand. This demand is raised by the income tax department on assessments. The share in total income tax from collection of demand was 25 per cent in 1985-86, but fell drastically to 9 per cent in 1996-97. These figures show that income tax system relies increasingly on presumptive and withholding taxes [Pasha and Iqbal (1994)], and that the Income Tax Department with huge buildings and very large staff collects only 9 per cent of total income tax collected.

Summarizing some of the features of the taxation system in Pakistan it can be said that like the tax systems of most of the developing economies it is inefficient, non-neutral and inequitable. The corrupt tax administration aggravates these problems further. Due to these defects the tax to GDP ratio is very low and has been stagnant for the last twenty years. On the other hand, tax expenditures and the component of the black economy are both high. This situation leads the economy to the point where effective and far reaching tax reforms are the demand of the hour and any further delay in this process may lead the economy into a 'debt trap' and a 'deficit trap'.

The next section highlights the main feature of the expenditure side. Expenditures consist of four main categories, namely: debt servicing, defence expenditure, civil administration and development expenditure.

a) Debt Servicing

Debt servicing comprises of interest on foreign debt, interest on domestic debt and repayment of foreign debt. Debt servicing is the largest head of the expenditure budget. Some interesting points regarding servicing in Pakistan are discussed below:

- 1) Debt servicing is rising continuously; 25 years ago it was 4.3 per cent of GDP which rose to 4.4 per cent in 1980, and to 8 per cent in 1997.
- 2) The net capital inflow of foreign debt was more than 50 per cent before 1980. This proportion has drastically declined over time and in 1997 it was only 31 per cent. This implies that almost 70 per cent of current inflow of foreign resources are utilised to repay the previous loans and interest on it with only 30 per cent left for investment. There are several factors which are responsible for this sharp decline in net capital inflow; three most important once are: (1) non-productive use of foreign loan, (2) persistent depreciation of the rupees after delinking of currency in 1982, and (3) occasional devaluation.
- 3) The relative share of the service on foreign debt has also been rising which is the result of: (a) very large borrowings, (b) short-term borrowing at very high interest rates, (c) depreciation and devaluation of currency.
- 4) Fourth important issue relating to debt servicing is that of Parallel Debt. This debt occurs when government sign a memorandum of understanding (MOUs) to purchase the output of a foreign investor at a higher price than an alternate cheaper source.

b) Defence Expenditure

Defence expenditure was the largest component of non-development expenditure before 1994. In 1980s it was more than 40 per cent of total non-development expenditure. In 1997 government spend 131 billion on defence which was around 30 per cent of the non-development expenditure. Two points are worth noting here:

- 1) Whether the defence expenditure given in the budget include any development expenditure, if yes, then this part should be included in the accounts of ministry of production.
- 2) In order to have a better picture services of armed forces personnels must be quantified.

c) Development Expenditure

The development expenditure was 8 per cent of GDP in 1970s. This trend continued in the 80s after which it showed a sharp decline. In 1997 only 4 per cent of total GDP was allocated for development expenditure.

On the expenditure side the most significant change that needs to be noted is the switch from development expenditure to non-development expenditure comprising debt servicing. In 1980, 9.3 per cent of GDP was spent on development expenditure and only 4 per cent of GDP was spent on debt servicing. As opposed to this in 1997, 8.2 per cent was being spent on debt servicing and only 3 per cent on development expenditure. This has adversely affected the GDP growth rate and increased the cost of investment for private investors.

IV. The Direction of Tax Reforms

The current inequitable and inefficient tax system needs to be reformed in such a way as to reduce the budget deficit and create conditions conducive to macro-economic stability. The aim of recently implemented tax reforms is to reduce the budget deficit from 8 per cent to 4 per cent of GDP. The high deficit during last few years reduced the development expenditure from 8.7 per cent of GDP in 1977-78 to 5 per cent of GDP in 1996-97, which created bottlenecks in the supply of infrastructure, the most important determinant of private investment.

Ahmed and Stern (1991) developed a strategy of resource mobilization for the economy of Pakistan. Their study suggested reforms in income tax, international trade taxes and domestic indirect taxes. Ahmed (1992) added some more suggestions, like the role of computerisation and the removal of tax exemptions. Finally the Resource Mobilization and Tax Reforms Commission (1994) developed and implemented the strategy of resource mobilization and tax reforms, on behalf of the Government of Pakistan. Pasha (1995) discussed the political economy of these reforms. The next section summarizes the main suggestions of these studies for resource mobilization, under 3 headings: (1) General Principles of Tax Reforms, (2) Specific Measures which include direct and indirect taxes and (3) Tax administration.

1) General Principles of Tax Reforms

- i) The principle of "neutrality" of the tax system should be maintained. This implies that tax reforms should be designed in such a way that they do not interfere with the producer's decision about investment and with the consumer's choice regarding consumption, which also implies that a less differentiated rate structure is superior to a more differentiated one.
- ii) The principles of horizontal and vertical equity must be followed in the redesigning of a tax system.
- iii) The share of direct taxes in total taxes should be raised.
- iv) A switch from more distortionary trade taxes to less distortionary domestic indirect taxes is needed.

- v) Increase the tax burden on agriculture to reduce the inter-sectoral tax inequities.

2) *Specific Measures of Tax Reforms*

a) *Direct Taxes*

- i) The income tax base must be increased by including more activities like agriculture, services and the informal sector.
- ii) The elimination of all or most of the tax expenditures which are unjustified on economic and ethical grounds.
- iii) Move away from a presumptive and withholding of income tax regime to a more adequate and systematic taxation of personal and corporate income.
- iv) The top marginal tax rate must be lowered to give incentives for accurate declarations.

From the equity viewpoint the elimination of tax expenditures will be a positive step because they “benefit” only the rich. Also, raising the ratio of direct taxes to indirect taxation will minimize the regressivity of the present tax system.² The regime of withholding tax and presumptive and minimum taxation should be modified. The overemphasis on the deduction of the tax collected at the source can reduce pressures and may be necessary to improve the administrative machinery in the long run by generating information about the taxpayer’s taxable capacity.

b) *Indirect Taxes*

- i) When domestic taxes are substituted for trade taxes, the tariff rates should be lowered considerably in line with the world-wide reduction in the levels of protection (tariff and quota), with only small variations between the lowest and highest rates.
- ii) The scope of a generalized sales tax should be expanded or, preferably, a Value-Added Tax (VAT) introduced. The VAT should be imposed with as few rates and exemptions as possible, and at a relatively low average rate. It can be argued that a VAT imposed at low rates and with exemptions accorded to the goods consumed by the poor – combined with excise duties on luxury goods – will make the tax system progressive.

² Its share in total tax revenue is at 76.8 per cent which is one of the highest among developing countries

The proposed reform package will improve the allocative efficiency of domestic investment in several ways: (a) lowering of import tariffs will reduce effective protection and make industries more competitive, (b) the deleterious effects of the large current smuggling activity on the domestic industry will be minimised; and (c) increased imports will moderate domestic inflation. Another advantage of such a reform is that it will help the administration of corporate and income taxes by facilitating collection of relevant information on gross receipts and deductions.

3) Reforms Through Tax Administration

The successful tax administration reforms being neutral, efficient and equitable will simplify the tax procedures and lower the cost of collection. A simplification of the tax base enhances the quality of tax compliance if exemptions, deductions and loopholes are abolished. This also curbs the rent-seeking activity that surrounds these base-reducing provisions. A regime of a high nominal rate and low tax base is administratively more complicated than one with low nominal rates and a broader tax base.

The introduction of computerisation of the tax department will also simplify and facilitate tax collection. It will also provide a tool for cross verification of other taxes, for example the information on the import duty paid on the import of a car will facilitate the revenue collection of stamp duty at the registration stage, and income tax at the assessment stage.

V. Conclusions

This section of the paper summarizes the main conclusions and their implications.

1. In the last 25 years fiscal policy was a great success in raising and maintaining economic growth above the average growth rate of developing countries.
2. Fiscal policy was also successful in reducing and maintaining the price level much below the average growth of prices in developing countries.
3. Fiscal policy however, conspicuously failed to reduce the budget deficit level and bring it at par with average in developing countries.
4. The tax system of Pakistan is inequitable, inefficient and inelastic.
5. Low tax to GDP ratio was the most important cause of high budget deficit; low tax to GDP ratio is a result of tax evasion, tax expenditure, tax avoidance and bad governance.
6. High expenditure to GDP ratio is causing high budget deficit.
7. The expenditure incidence is also regressive as only less than 5 per cent is spent on education and health.

8. This situation is further aggravated when government tries to reduce the expenditure in GDP ratio by reducing the development expenditure. This will reduce the supply of infrastructure.
9. The most significant change in the expenditure pattern emerged in 1990s, when in less than 10 years, the debt servicing increased from 4 per cent of GDP to 8 per cent and development expenditure as percentage of GDP reduced from 8 per cent to 4 per cent.
10. The expenditures and revenues patterns reveal much scope to reduce budget deficit on the revenues side, much can be done to reduce tax evasion, tax expenditure and tax avoidance. Similarly there is a lot of scope for improvement of tax administration. However very little can be done on expenditure side as most important expenditure heads are non-discretionary Expenditures on social services should not be reduced.
11. If the IMF/World Bank conditionalities are implemented without further considerations it will hurt domestic production and will increase cost-push inflation.
12. Similarly the supply side concession given to the businessman without any checks and accountability will increase the budget deficit further.

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APPENDIX

TABLE A1

	Debt Servicing					
	(in million Rs.)					
	1950	1960	1970	1980	1990	1997
1. Interest on domestic debt	-	-	-	2495	35947	115788
2. Interest on foreign debt	-	-	-	2375	11416	29770
3. Repayment of foreign debt	-	-	474	5604	19392	52964
4. Total debt servicing	19	23	2506	10494	67897	198523
5. GDP(mp)	-	17854	54673	234199	855943	2503251
6. Total external resources	-	820	929	13693	44335	121195
7. Total internal resources	711	888	4407	5999	30656	2325

TABLE A2

Summary of Income Tax Exemptions and
Revenue Foregone, 1991-92

S.No.	Classification	Number of Clauses of 2nd Schedule	Revenue Foregone (in million Rs.)
1.	Income of Public enterprises	5	4900
2.	Wealth tax	WTA of 93 XV	3300
3.	Salaries perquisites	38	3200
4.	Agricultural income	1	3100
5.	Depreciation allowance	3rd schedule	2400
6.	Interest, saving and investment	7	2400
7.	Income of exporters	Part-3,2nd Sc. Part-4,1st Sc. 8th Schedule	2100
8.	Welfare trust funds and foundation	5	1350
9.	Immunity from probe into source of income	4	1000
10.	Tax holidays	23	1000
11.	Capital gain	8	715
12.	Owner occupied properties	?	700
13.	Foreign exchange bearer bond/certificates	4	650
14.	Health and education and research	10	622
15.	Specific organization	11	394
16.	Pension, annuities and gratuities	20	210
17.	Dividend income of bonus share	1	200
18.	Agro-based activities	5	150
19.	Donation to specific entities	1	2
20.	Miscellaneous	18	25
	TOTAL	161	28418

TABLE A3

Share of Federal and Provincial Governments in Total Taxes

	Federal	Provincial
1950	78.51	21.49
1960	66.16	33.84
1970	74.53	25.47
1980	78.11	21.89
1990	96.17	3.83
1996-97	95.88	4.12

TABLE A4

Income Tax Collection by Mode

	(in million Rs.)		
	1985	1990	1995-96
Collection of Demand	1910 (18)	4824 (22)	10076 (13)
Payment of Returns	4571 (43)	6828 (31)	17785 (29)
Deduction At Source	4138 (39)	10191 (47)	49948 (64)

Figures in parentheses are in percentage.