

TAX PERCEPTIONS REPORT

Compiled by
Muhammad Ali Ozain

Note: This report has been produced as part of the Gallup Pakistan Summer Internship Program 2025. It is an intern output prepared by Muhammad Ali Ozain under the supervision of the Gallup Pakistan research team.

Pakistanis generally have a negative perception towards taxes

48% Pakistanis think that the tax amount is more than required

56% respondents claim that the taxes imposed are unfair

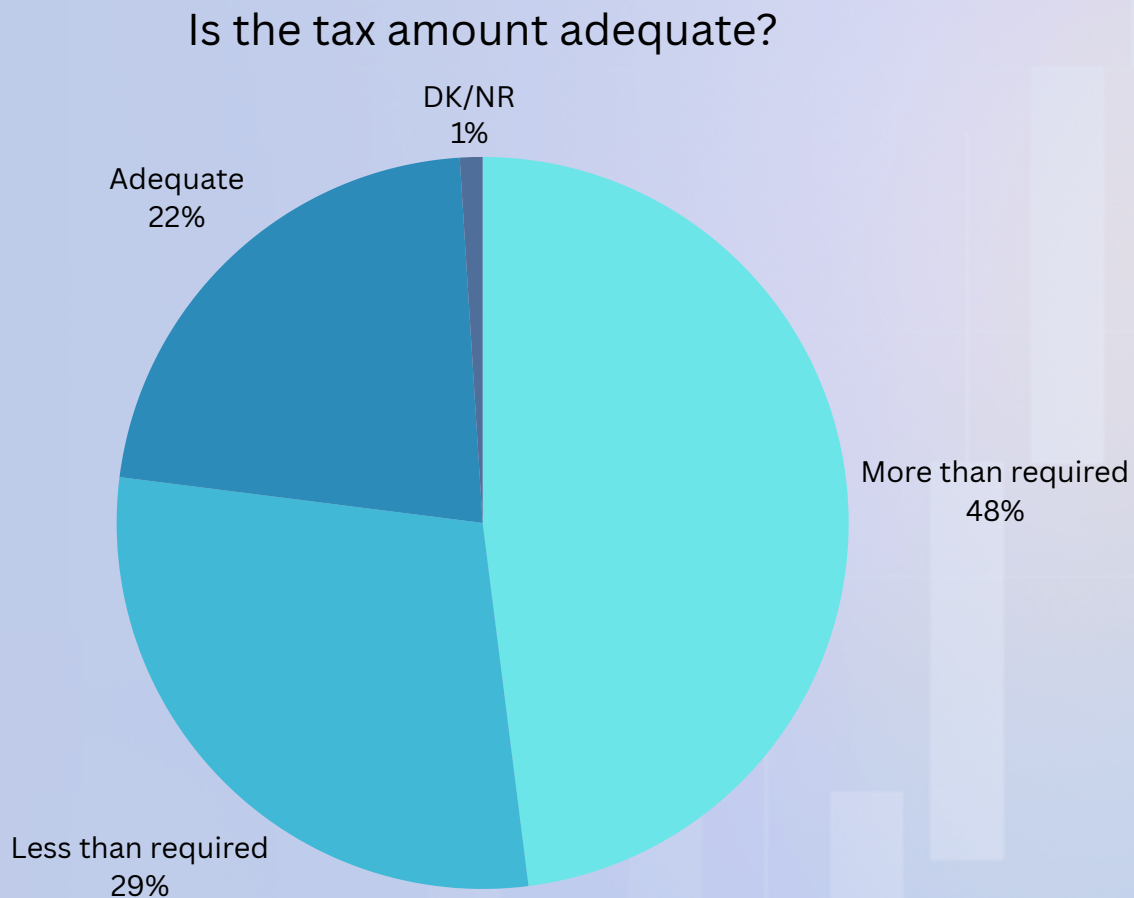
These are some of the key findings of the Tax Perception Survey:

- 59% respondents believe that only a few people benefited from tax revenue in 2004.
- 47% respondents believe that only a few people benefited from tax revenue in 2017.
- 50% respondents think that low-income people pay the largest amount of taxes.
- 36% respondents think that high-income people pay the lowest amount of taxes.
- 95% respondents do not file taxes regularly
- 84% reportedly filed taxes within the past year, suggesting a growing short-term compliance trend.
- 33% first filed their returns more than 2 years ago, which corresponds with government amnesty schemes and stricter penalties.

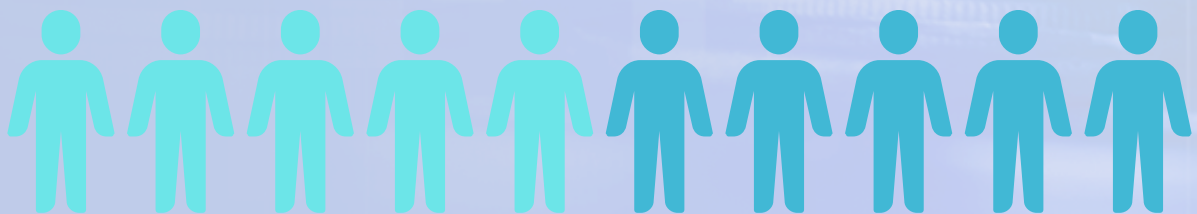


1. The tax amount is more than required

The survey shows that 48% Pakistanis think that the tax amount is more than required, with another 22% claiming it is adequate. Only 29% think it is less than required. The overwhelming respondents therefore, have a negative perception associated with the tax amount.



Source: Gallup & Gillani / National Survey, 2017



Almost 5 in 10 Pakistanis think taxes are more than required

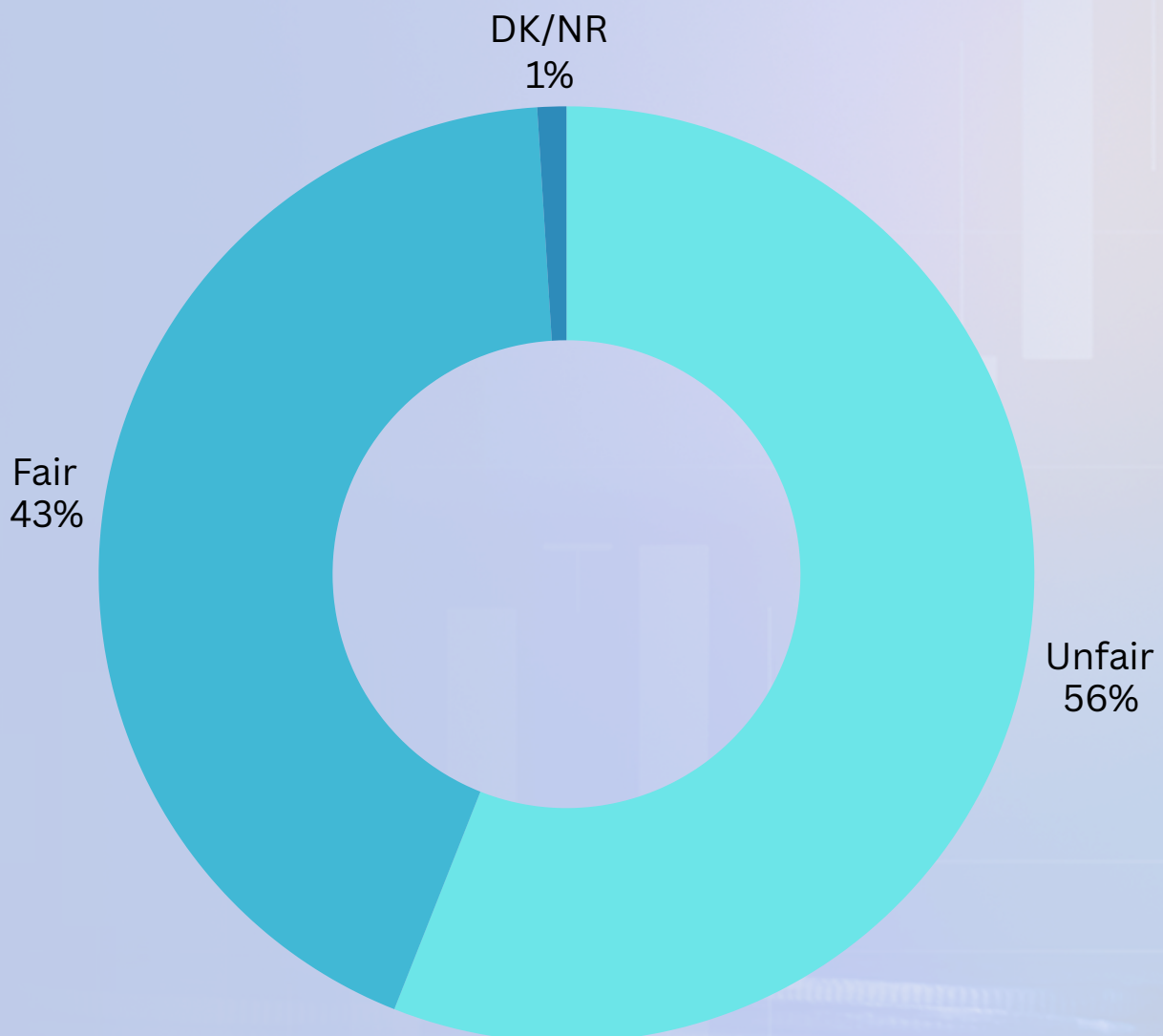
Pakistan's tax-to-GDP ratio has historically been one of the lowest in the world

- According to the World Bank, Tax revenues above **15% of a country's gross domestic product (GDP)** are a key ingredient for economic growth and poverty reduction.
- From 2011 to 2022, the tax-to-GDP ratio in Pakistan increased by **0.8 percentage points** from 9.2% to 10.0%
- Similar pattern of low tax-to-GDP ratio in other underdeveloped economies such as Bangladesh, Ethiopia, Myanmar, Congo Republic, Angola, Tajikistan, etc.
- **Pakistan's reliance on indirect taxation (sales tax, customs duties) exacerbates perceptions of unfairness, as these taxes disproportionately burden the poor.**
- **Exceptions to the tax-to-GDP ratio: The Gulf Countries.** Most of the Pakistani diaspora is in Saudi Arabia and the UAE, with the Gulf Cooperation Council's constituent countries being other popular destinations for migrants due to low tax or tax-free salaries. Although this contradicts the World Bank's recommendation for the tax-to-GDP ratio, these states earn the bulk of government revenue from natural resources, especially oil and gas exports. They don't rely on taxing citizens directly. Instead, they fund services and infrastructure through state-owned oil income.
- For example, in Saudi Arabia, over 70% of government revenue comes from oil exports. In the UAE, it's nearly 60%. (IMF)
- **Rentier State Theory** (Mahdavy, 1970): States that derive significant revenue from natural resources do not need to tax citizens, which weakens accountability and democratic pressure.

2. The taxes imposed on Pakistanis are unfair

An overwhelming majority of 56% of respondents claim that the taxes imposed are unfair, while 43% think they are fair. This finding corroborates surveys from the early 2000s, where there is a persistent perception that taxes imposed are unfair.

Is Fair or Unfair to impose tax?

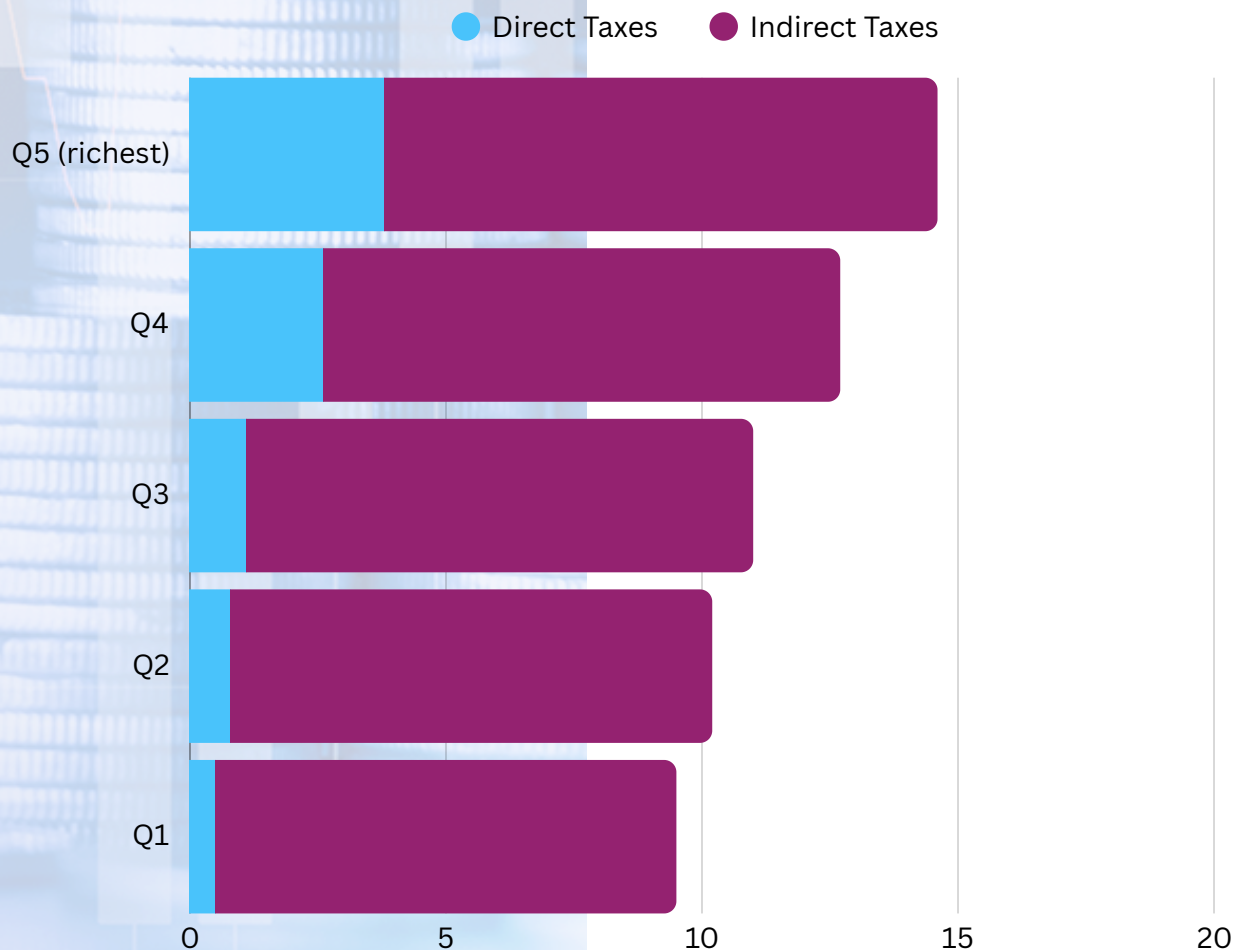


Source: Gallup & Gillani / National Survey, 2017

Negative perception of taxes is tied to tax incidence - Who actually bears the burden of taxation?

- A 2021 UNDP report found that direct taxes (on income and capital gains) are underutilised, while regressive indirect taxes (e.g. GST) dominate.
- Pakistan's tax system relies heavily on indirect taxes like sales tax, fuel levies, and import duties, which hit low-income households the hardest. Direct taxes (like income tax, wealth tax, and capital gains) contribute a much smaller share of total revenue.
- Between 2008 and 2021, Pakistan's federal government collected between 36% to 39% of its tax revenue from direct taxes, while the rest came from indirect taxes. (International Growth Centre report)

Incidence of taxes by quintile, (2017-2018)



Source: UNDP calculations

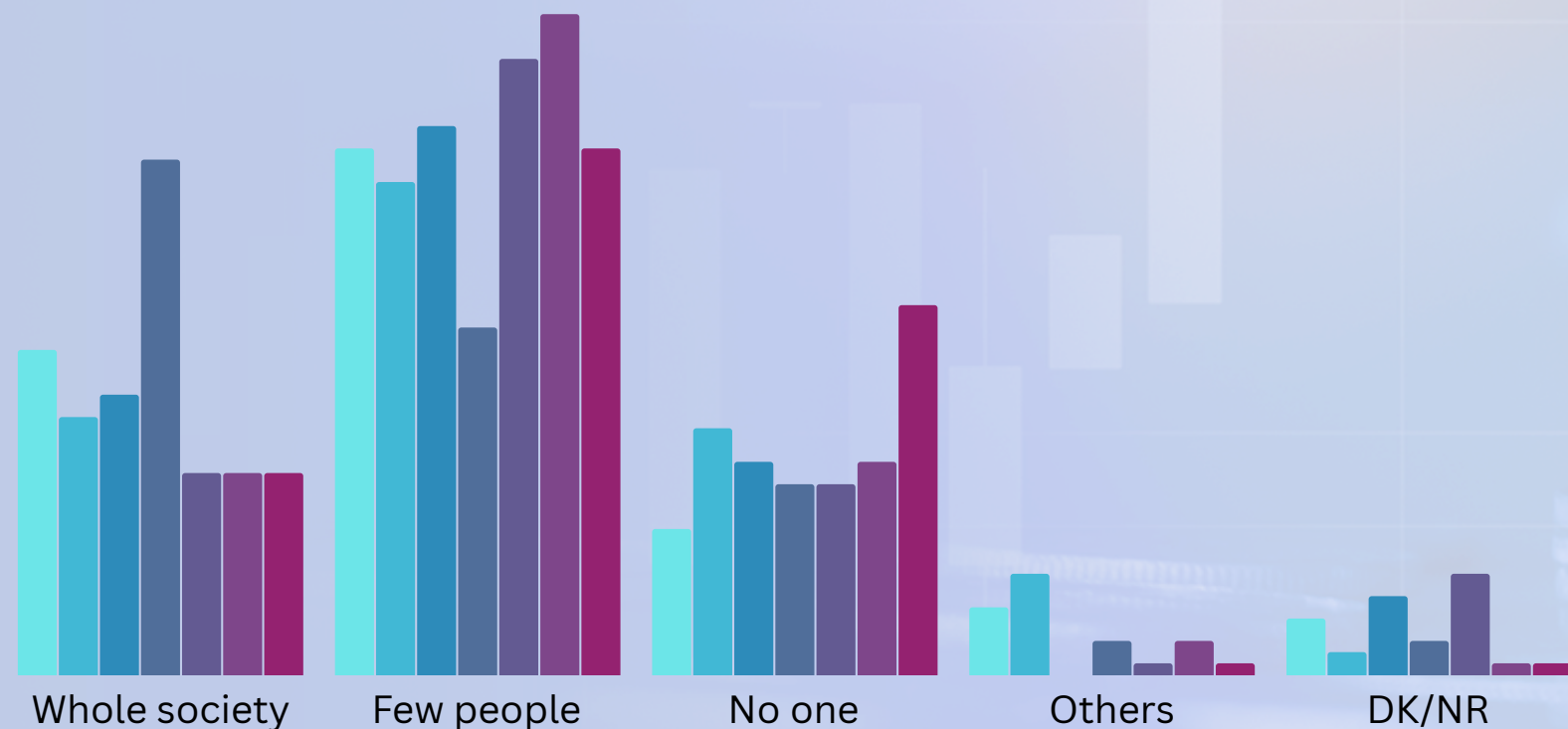
3. Only a few people benefit from tax revenue

Persistent trend shows that Pakistanis believe that only a few benefit from tax revenue:

- 59% respondents believe that only a few people benefited from tax revenue in 2004.
- 47% respondents believe that only a few people benefited from tax revenue in 2017.
- 33% respondents believe that no one benefited from tax revenue in 2017.
- 18% respondents believe that the whole society benefited from tax revenue in 2017.

Who is the beneficiary of tax revenue?

1986 1998 2001 2002 2003 2004 2017



Source: Gallup & Gillani / National Survey, 2017

Tax Revenue is Captured by Elites in Pakistan

- Akbar & Ahmad (2019) find that public trust in government institutions is a major determinant of tax morale in South Asia.
- Torgler & Schneider (2009) stress that perceptions of government corruption and misuse of tax funds are primary reasons for non-compliance globally.
- Politicians and civil-military elites often benefit from non-transparent discretionary spending.
- Public services are underfunded, and informal patronage networks often decide spending, not need.
- A UNDP report estimated elite capture in Pakistan amounts to about \$17.4 billion annually - equivalent to nearly 6% of GDP - achieved through land grabs, misuse of public funds, and monopolistic control. Meanwhile, the top 1% of Pakistanis command approximately 9% of the national income.
- According to the BTI Pakistan Country Report 2024, Pakistan's fiscal system suffers from limited tax assessment and enforcement capacities. A reliance on indirect taxes and a vast informal economy means that the wealthy can often avoid taxation altogether.
- Moreover, elected officials frequently deliver public goods selectively to their constituencies, leaving others underserved. This breeds perceptions that tax revenues are used to prop up political networks, not public welfare.
- Research from the Islamabad Global Centres, in partnership with Punjab's government, demonstrates a vicious cycle: poor service delivery discourages tax payment, which then leads to even weaker services. (IGC Report)

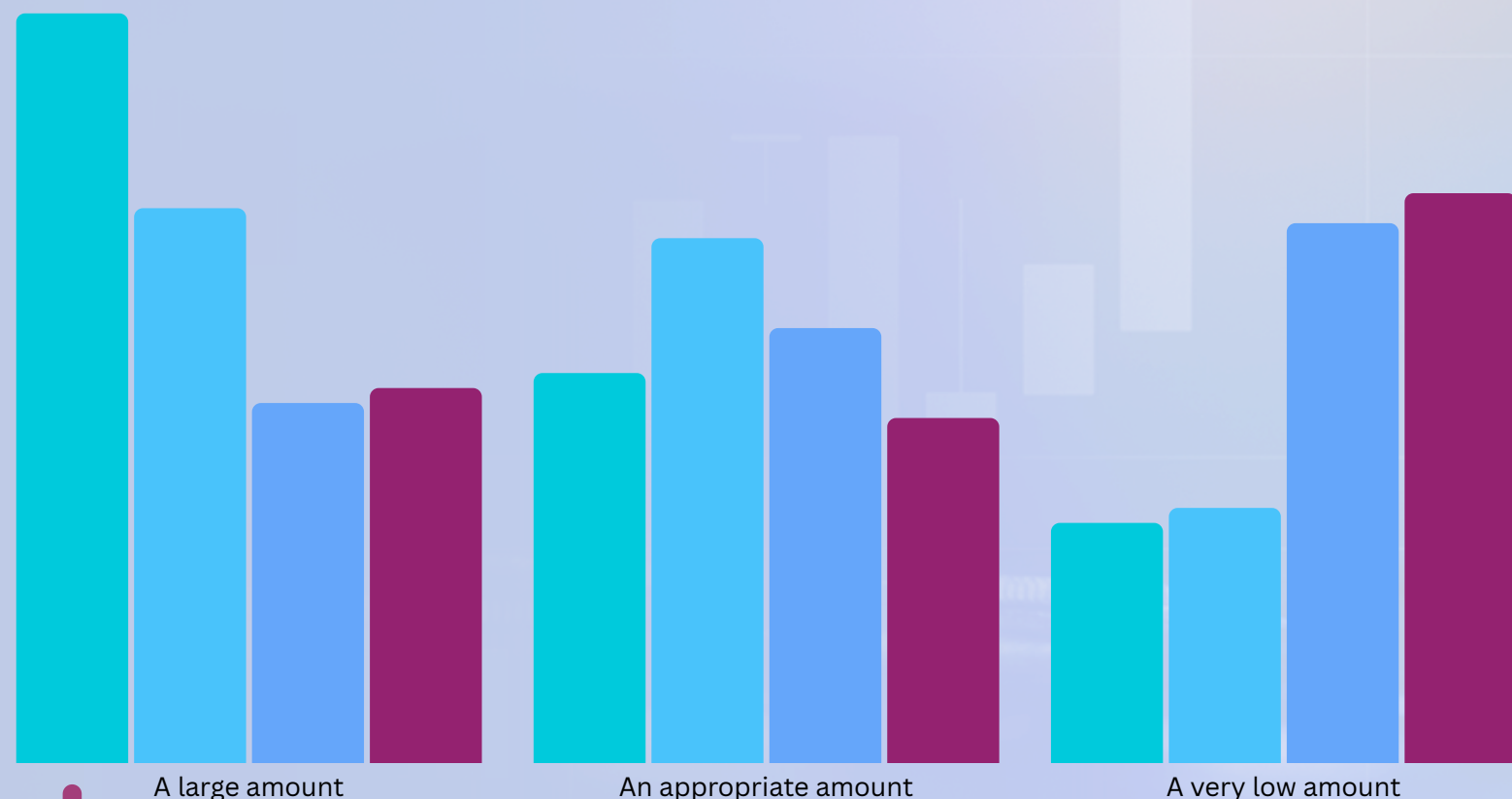
4. Only a quarter think high-income people pay a lot of taxes

Most people think that taxes disproportionately burden the lower economic classes:

- 50% respondents think that low-income people pay the largest amount of taxes.
- 36% respondents think that high-income people pay the lowest amount of taxes.
- 38% respondents think that corporate sector organisations pay the lowest amount of taxes.
- 35% respondents think that middle-income people pay an appropriate amount of taxes.

Which economic group pay's the most tax?

Low income people Middle income people High income people Corporate sector organisations



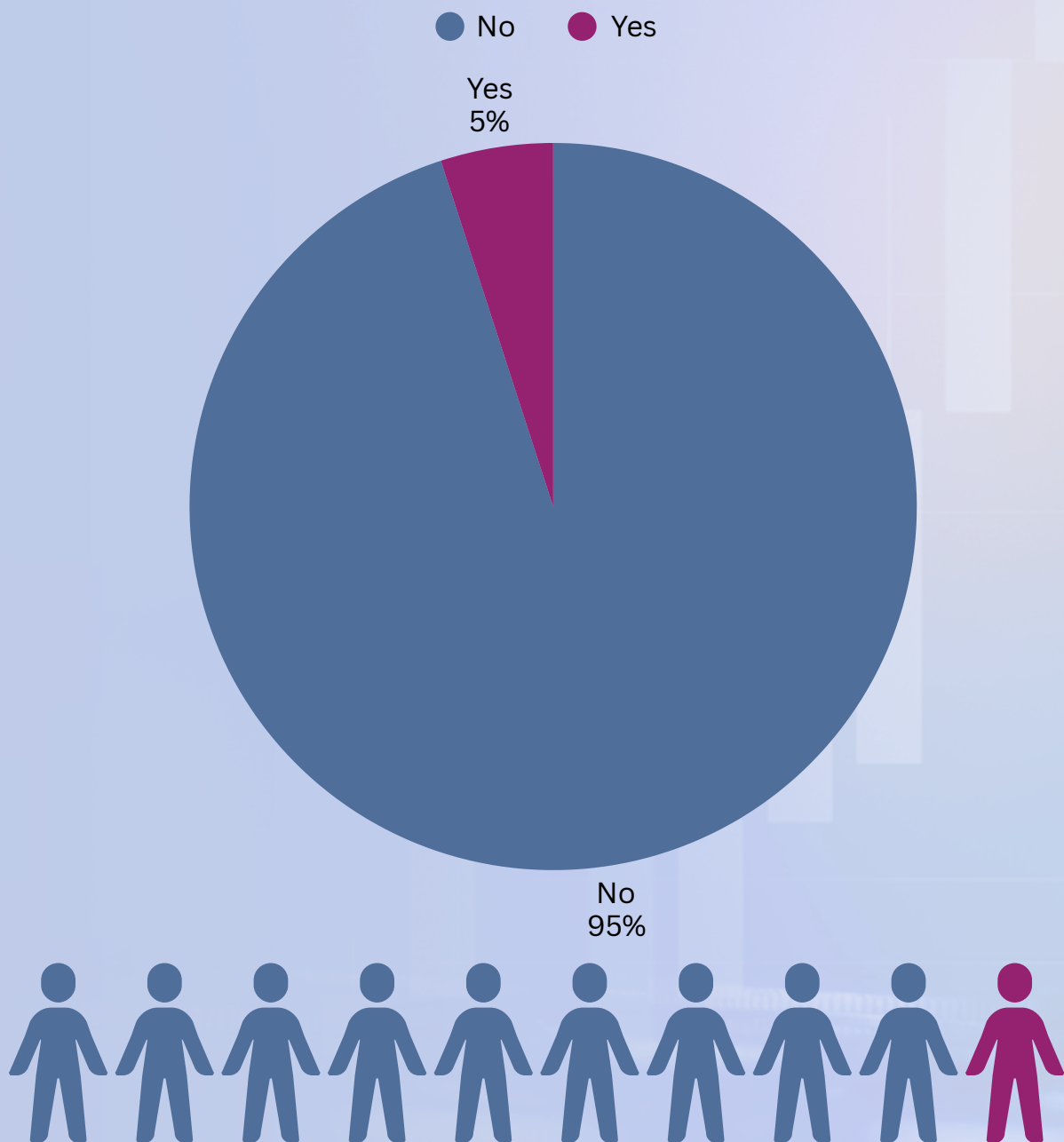
Source: Source: Gallup & Gilani / Opinion Poll September 21st, 2022

Rich become Richer and Poor become Poorer

- According to the Pakistan Institute for Legislative Development and Transparency (PILDAT) / ICTD 2024 survey of 7,500 adults, over 40% supported introducing a progressive wealth tax, indicating that a substantial portion believes the wealthy are under-taxed.
- Pakistan's tax code is also plugged with a range of exemptions that cost the country over PKR 1.7 trillion in forgone tax revenue in the past year alone. Most of these exemptions are applied on the discretion of the federal government to provide preferential treatment to certain sectors. (International Growth Centre report).
- As IGC research has shown, with a population of over 100 million, all of the state of Punjab in Pakistan collects less urban property tax than the city of Chennai in India, which is home to about 10 million people. The agriculture sector is also undertaxed: while agriculture contributes to nearly one-fifth of the GDP, it counts for less than 1% of national tax revenue.
- Disproportionate taxation is a problem that plagues almost every country. United States (2023); only about 28% of Americans say upper-income people pay their fair share; the majority believe they pay too little, while nearly 58% think lower-income people pay too much.
- When people believe tax systems favour elites - like large landowners, military businesses, real estate owners - they assume high-income individuals aren't paying their fair share. Trust in government and experience of corruption weaken compliance and fairness perceptions. (Institute for Fiscal Studies)

6. Lack of faith in the tax collection system

An overwhelming majority of 95% respondents do not file taxes regularly while the rest, 5% responded in the affirmative. Major signal for policy makers showing the lack of faith in the tax collection system and a high risk of tax evasion.



More than 9 in 10 Pakistanis do not file taxes regularly

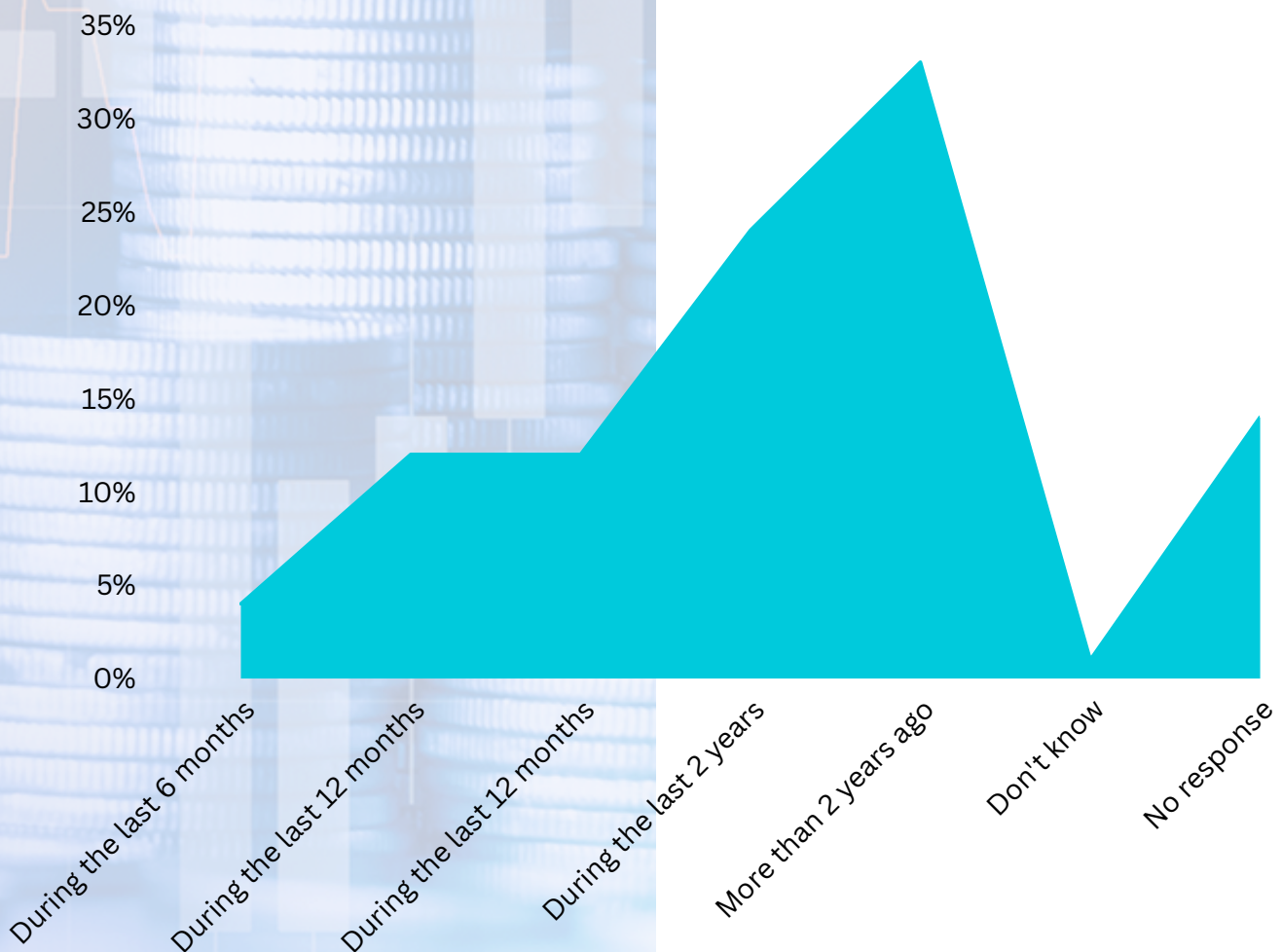
Source: Gallup Pakistan, Nov 30 - Dec 07, 2015

7. 33% first filed their returns more than 2 years ago

Although government regulations had led to more people filing taxes, new tax payer onboarding is slow:

- 33% first filed their returns more than 2 years ago, which corresponds with government amnesty schemes and stricter penalties.
- Only 4% filed for the first time in the last 6 months, implies that recent onboarding of new taxpayers is slow.
- 14% gave no response and 1% said “Don’t know”, indicates lack of awareness and existence of informal economies.

First time filing taxes

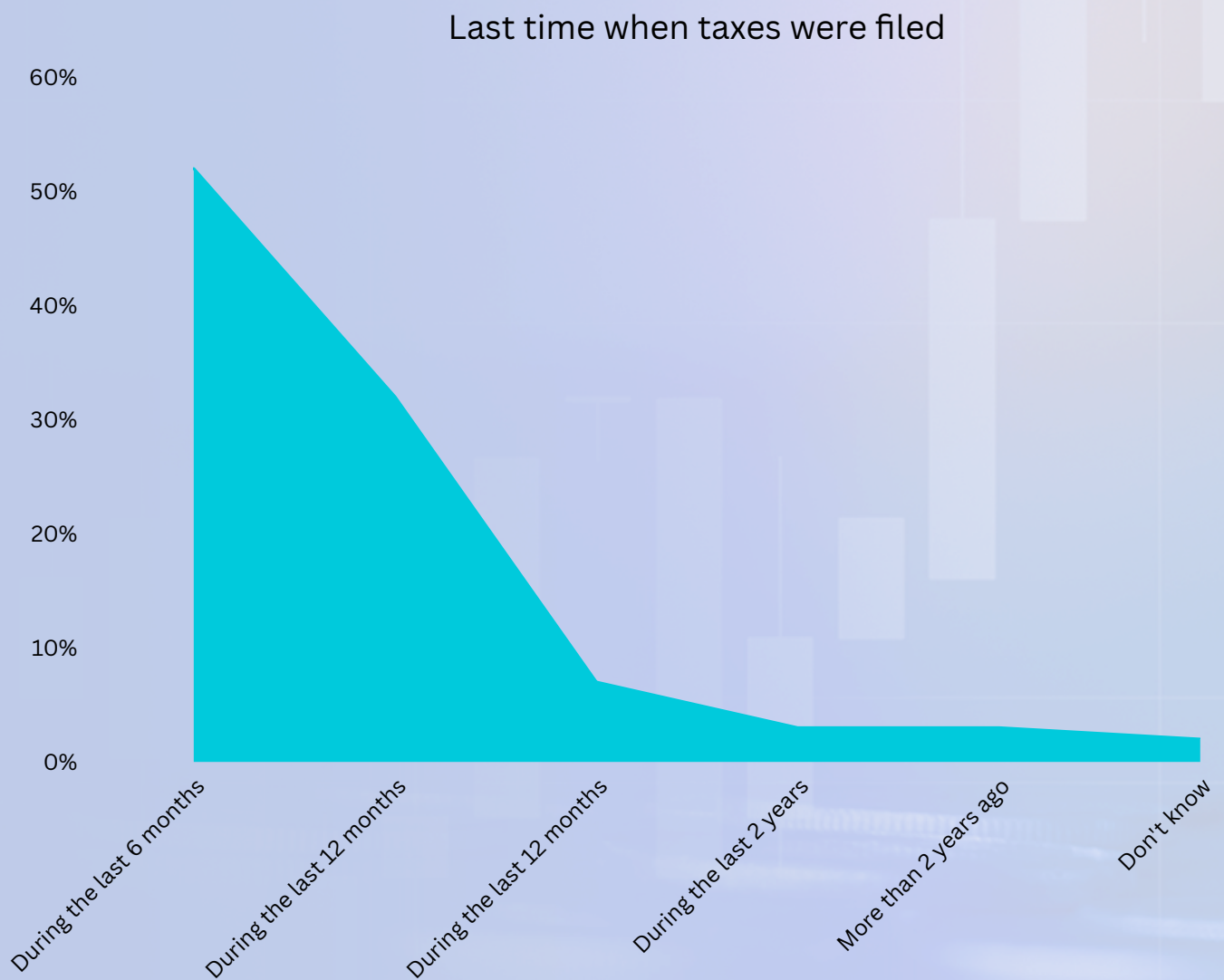


Source: Gallup Pakistan, Nov 30 - Dec 07, 2015

8. 84% reportedly filed within the past year

Overall compliance with paying taxes is increasing:

- 84% reportedly filed taxes within the past year, suggesting a strong short-term compliance trend.
- Only 2% answered "Don't know", a positive indicator that shows less lack of awareness about filing taxes.
- Only 6% last filed more than a year ago, implying a portion of taxpayers who are inconsistent - can have the potential to be significant contributors.



Source: Gallup Pakistan, Nov 30 - Dec 07, 2015

Chasing Shadows: Tax Compliance, Evasion, and Institutional Trust in Pakistan

- Pakistan's massive bureaucracy (including the FBR and provincial authorities) is widely perceived as inefficient and corrupt, undermining trust in how tax revenue is utilised. A 2002 Transparency International survey found that nearly 99% of respondents faced tax-related extortion, with 32% paying bribes to reduce assessments.
- Morality is an important predictor: those with higher tax morale are more likely to comply. Yet, prevailing norms of evasion reduce overall willingness to file. (International Centre for Public Policy)
- Around 60% of Pakistan's economy is informal, with cash transactions dominating. This allows widespread tax avoidance - especially among small vendors, traders, and service providers who operate outside banking and digital records. (WIRED 2023)
- Taxpayers are more likely to comply if they see tangible returns - like schools, hospitals, or infrastructure. Pakistan provides limited visible public services in exchange, weakening perceptual incentives for filing. (Voluntary tax compliance behavior of individual taxpayers in Pakistan, 2021)
- A 2021 study of 435 individual Pakistani taxpayers found that simplicity of compliance had the largest positive effect on tax filing - while perceptions of fairness and benefits of government spending were also significant factors. (Voluntary tax compliance behavior of individual taxpayers in Pakistan, 2021)

Is Taxation Important for a State Like Pakistan?

- *“Taxes are the cornerstone of any modern society... in poor countries, capacity to tax can be the difference between chaos and development.”* (Taxation and State-Building in Developing Countries)
- Musgrave’s theory of public finance posits that taxation is crucial not only for revenue but also for redistribution and macroeconomic stability.
- In Pakistan’s context, taxation is essential for independence from foreign aid, development spending, and democratic accountability.
- World Bank policy notes show that reforms such as tax on agriculture and land could boost revenue by 1–2% of GDP - vital funding for health, education, and infrastructure.

Conclusion

- Overall lack of faith in the tax collection system which increases the risk of tax evasion.
- General belief that tax revenue does not benefit society as a whole.
- Stricter tax regulations are increasing the number of those filing tax returns, but does not indicate any increase in the positive perception towards the tax collection system itself.