OpenVoiceNews Pakistan

Transparent. Unbiased. Yours.

Pakistan’s Tax Ratio Hits 21-Year Peak

August 7, 2025
— Categories: Finance

Pakistan’s tax-to-GDP ratio surged to 15.7% in FY2025, the highest since 2004, driven by record non-tax revenues and IM F-mandated fiscal measures. The Ministry of Finance reported a 68% spike in non-tax collections, including Rs1.22 trillion from petroleum levies and Rs258 billion from public sector markups. While tax revenues grew 26%, the Federal Board of Revenue (FBR) missed its target by Rs1.23 trillion, the largest shortfall in history.

The revenue boost slashed Pakistan's fiscal deficit to 5.4%, a nine-year low, despite Rs8.89 trillion spent on debt servicing. State Bank profits and petroleum taxes contributed significantly, with non-tax revenues reaching 4.6% of GDP, a 16-year high. Critics note the growth stems from one-time windfalls and indirect levies rather than structural reforms, raising sustainability concerns.

Expenditures totaled Rs24.16 trillion, with provincial development allocations hitting Rs2.12 trillion. The Public Sector Development Programme (PSDP) received Rs786 billion, while statistical discrepancy of Rs329 billion highlighted federal-provincial reporting gaps. Analysts warn that without broadening the tax base, reliance on non-recurring revenue streams risks future instability.

While the IMF program has stabilized public finances, achieving lasting growth requires deeper tax reforms. The FY2025 data reveals progress but underscores Pakistan's chronic challenge: balancing immediate fiscal fixes with long-term economic transformation. Sustainable revenue growth demands curbing evasion and formalizing the undocumented economy, not just tapping state-owned enterprises for quick gains.