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*Tax amnesty scheme in light of the positive and negative externalities
in Pakistan*



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TAX AMNESTY SCHEME IN LIGHT OF POSITIVE AND NEGATIVE EXTERNALITIES
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Abstract

Tax amnesty scheme is a limited-time chance for a specified group of taxpayers to get forgiveness of a tax liability (including interest and penalties) by paying a defined amount, relating to a prior tax periods without fear of criminal prosecution. The fear of prosecution typically expires when one declares all his assets and wealth in order to comply voluntarily to the tax reforms. There was a need to have a study and work on this topic to spread the awareness and make them comply to the New Tax Amnesty Scheme introduced by the previous government and avail the benefits in the shape of exemptions. Taxes are the income to the government and the state uses these funds to provide public and merit goods to its citizens like providing arms to the army, streetlights and roads for instance. Considering a large population only a small amount of people actually pay taxes. The government of Pakistan has made countless efforts to Broaden the Tax Base, as in year 2012, 2013, 2016, 2017 and now in 2018. Conclusively, it could be seen that the amnesty scheme has cause balance of payment deficit as people are bringing back their wealth in the shape of liquid and real assets to Pakistan, just by paying a small amount of penalties and other exemptions like remittances and the new tax brackets have although widened the tax net but did not generate as much tax revenue as it could have but it is expected to in the future. It caused discouragement to the honest tax payers and provided a golden chance for all those who stashed their wealth abroad and have been evading tax dues all this time. Pakistan's financial position is in a very bad condition, GDP although has improved by a small scale which is still one of the lowest amongst the south Asian region. Pakistan needs to improve its GDP and the Financial Position by bringing in the foreign investment which would increase the exports volume and imports will be reduced to a significant level. That would generate sufficient amount of funds for its Multi-Billion Dollar projects like CPEC and the construction of new Dams.

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