

WORKING PAPER

WHO PAYS AND WHO BENEFITS

ESTIMATING THE GST BURDEN AND PUBLIC SERVICE DELIVERY
ACROSS INCOME GROUPS IN PAKISTAN



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About Gallup Pakistan

Gallup Pakistan, the Pakistani affiliate of Gallup International, is a leading survey research and consultancy firm in Pakistan. Gallup Pakistan is a specialist in independent third-party evaluation and ratings. The company is widely attributed to be the founder of science of polling in Pakistan and brings over 40 years of experience in conducting and analyzing opinion polling in Pakistan.

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Policy Research Institute of Market Economy is a public policy research and advocacy organization striving for an open, free, and prosperous Pakistan. PRIME was established in Islamabad in 2013 and has played a leading role in advancing ideas and policies for free market, open trade and economic competition in Pakistan through its research and advocacy.

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The Tax Incidence Study originated from a discussion between Bilal Gilani, Executive Director of Gallup Pakistan, and Dr. Khalil Ahmad, where they recognized the need for a rigorous examination of who pays taxes in Pakistan and how the tax burden is distributed across different segments of society. Following these initial conversations, Dr. Khalil Ahmad invited Prime Institute to join the collaboration, and Dr. Ali Salman agreed to co-lead the initiative.

From the Prime Institute side, the study was led by Ms. Zartasha Inayat, who—under the guidance of Dr. Ali Salman—conducted the economic literature review, processed and analyzed the data, and contributed significantly to the drafting and writing of the report. Across multiple rounds of consultations involving Bilal Gilani, Dr. Khalil Ahmad and Dr. Ali Salman, the analytical framework, empirical findings, and conclusions were evolved.

We would like to extend special thanks to Dr. Ali Salman of Prime Institute, whose leadership, direction, and intellectual contributions played a central role in steering the study and ensuring its completion.

While the report does not necessarily reflect the views of every member involved, we deeply appreciate the commitment, feedback, and guidance provided by all contributors throughout the process.

FOREWORD



“Why should we pay tax, as we get nothing in return?”

This is a common argument that we hear in public discourse on taxation and government performance. If you are reading this paper, you must have heard this and possibly uttered this.

This utterance symbolizes a point of complete breakdown of trust between citizens as taxpayers and the government as a service delivery organization. It also drives the narrative on low tax collection leading to deterioration of public services.

Therefore, a study which claims that the government is spending more on public services than the money it is receiving in taxes, ought to be interesting, counter intuitive, and possibly controversial.

This paper, authored by Bilal I. Gilani and Zartasha Inayat, argues that the overall government spending on two services: i.e. education and social protection, is more than the tax receipts it collects under General Sales Tax as reported by all income groups according to the Household Integrated Economic Survey (HIES 2018-19) data. Thus, most citizens report receiving more benefits, in money terms, than the cost they incurred.

The study also discusses other parameters of fiscal incidence such as distribution and regressivity and I invite readers' attention to the findings. Nevertheless, analysis on the quality and effectiveness of public spending is out of scope, and one needs to be careful about making inferences and generalizations. The paper explains the assumptions, data sources, and limitations of the methodology, and its conclusions should be considered within these limitations and caveats of any research paper.

Too often, our public discourse on economic and governance issues is driven by pre-conceived notions and subjective observations. Research based on a well-defined methodology and carefully selected statistics should help in improving and possibly changing these misperceptions. I hope that this paper will inform the narrative on tax collection and public expenditure thus enriching the debate.

This paper owes its genesis to a conversation between Bilal I. Gilani and Dr. Khalil Ahmad in early 2025. I am grateful to Dr. Mahmood Khalid for his constructive comments on the key results of this research. As a young economist, Zartasha Inayat did heavy lifting work including study design, analysis and writing, and she deserves due praise for her analytical rigour. Authors will greatly benefit from comments and feedback from readers and analysts.



Dr. Ali Salman
CEO Prime Institute

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Executive Summary

Debates around the effectiveness and fairness of Pakistan's fiscal system have long shaped the public discourse. A widespread public perception is that the government doesn't spend enough on services relative to the taxes it collects. This perception is usually reinforced by concerns around the possible leakage of funds through corruption and governmental inefficiency, which are considered key obstacles to equitable distribution. This study tries to examine the validity of the perception by estimating the net fiscal incidence of the General Sales Tax (GST) across income groups. Using data from the Household Integrated Economic Survey (2018-19), the study compares the burden of GST on households' consumption with the benefits received in the form of education and transfer payments (BISP).

The results from this study challenge the above-mentioned perception that the government collects more in taxes than it returns to the public. By comparing GST paid against public service delivery in the form of public education and cash transfers, the study finds that the government provides more of the above-mentioned services than it receives in GST. This is especially true for low-income households, which receive disproportionately more in public benefits. The results are consistent with broader evidence, including the World Bank's recent Commitment to Equity (CEQ) analysis for Pakistan, which also highlights a positive net benefit for most of the income groups. Key findings of this study include:

- Nine out of ten Pakistanis receive more in public benefits than what they pay in taxes. However, this net positive transfer doesn't necessarily imply fiscal balance or satisfaction with state services. Instead, it highlights the structural imbalances in the tax and transfer systems and raises questions about the quality and adequacy of service delivery.
- Households derive significant value from the subsidized or free education and cash payments in the form of BISP. Yet benefit distribution remains uneven.
- Tertiary education benefits are accrued mainly to the top income decile, where most of the education funding goes to universities, and primary schools remain underfunded.
- Lower-income decile continues to receive BISP support; however, their share is smaller than expected given the program's poverty-focused mandate, indicating a targeting challenge rather than program failure.
- Pakistan's General Sales Tax (GST) remains regressive. The poorest decile allocates nearly 10 per cent of its expenditure to GST, compared to about 8 per cent for the richest decile. GST thus places a heavy burden on low-income households, who

spend a greater share of their income on taxed essentials like food, utilities, and non-durables, thereby amplifying inequality rather than alleviating it.

- The Middle class in Pakistan faces a double squeeze, where they are contributing substantially to indirect taxes but receive fewer direct benefits.

The results presented above suggest that while Program leakages exist, they stem more from design flaws than from corruption. Similarly, the disconnect between the state and taxpayers arises from a lack of transparency and understanding about how taxes are distributed. While the state redistributes a substantial portion of collected taxes through service delivery, the redistributive function remains poorly understood and unequally experienced. Bridging this gap requires not just better policy design but also a new social contract, which links taxation and public benefit, measurable, visible, and equitable. Furthermore, the systematic inefficiencies in the redistribution mechanism, which include poor targeting, fragmented delivery, and a lack of transparency, can be addressed through modernized data systems, improved expenditure tracking, and technology-driven monitoring frameworks.

Introduction:

The fiscal debates often center on tax collection and far less attention is given to how the burden of the taxes and benefits of government spending are distributed across income groups. Understanding this relationship is essential for the effectiveness of fiscal policy. This study seeks to bridge that gap by jointly examining the incidence of General Sales Tax (GST) and the distribution of public service benefits, notably education and BISP transfers across households. Using household level data from Household Integrated Economic Survey (HIES) 2018-19 and the statutory GST rates from Sales Tax Act 1990, the analysis quantifies who bears the share of indirect taxes and who gains most from public spending. By linking tax incidence with service delivery, the study provides evidence on the progressivity or regressivity of the Pakistan's fiscal system. Thus, the study offers insights into how taxation and public service delivery together influence household welfare.

Why Reform Begins with Narrative — Not the Budget

Pakistan's fiscal story is both revealing and unsettling. For decades, the national debate has focused on *who pays taxes* and *who evades them*. Yet the deeper imbalance lies elsewhere, between what the state collects and what it gives back.

Recent evidence from the **Gallup-Prime Fiscal Incidence Study** and the **World Bank's 2025 Commitment to Equity (CEQ) Report for Pakistan** paints a paradoxical picture: Pakistan's welfare reach is real, but it is uneven, inefficient, and increasingly funded through borrowing.

At the same time, the upper-middle class has quietly walked out of public systems, turning to private schools, hospitals, and security. Having opted for, they now feel they get little or nothing in return for the taxes they pay. This silent exit has weakened pressure for reform and deepened the perception that taxation in Pakistan is a one-way burden, not a social contract.

Methodology for The Gallup-Prime Fiscal Fairness Study

To assess the incidence of the General Sales Tax (GST) and the associated distributional effects, statutory rates outlined in the *Sales Tax Act, 1990* were applied to household-level consumption data from the Household Integrated Economic Survey (HIES) 2018–19. The analysis estimates the tax burden across income groups and links it with access to public services, providing a holistic picture of fiscal incidence and welfare impacts.

- **GST Incidence Estimation**

1. Data Source: Household consumption data were extracted from HIES 2018–19.
2. Tax Rate Mapping: Statutory GST rates were assigned to each consumption item based on its classification under the *Sales Tax Act, 1990*. Items exempted under the Act were taxed at 0%, while standard and reduced rates were applied according to category.
3. Computation: Household-level GST payments were calculated by multiplying expenditure on each item by its applicable tax rate.
4. Categorization: The total GST incidence was computed for major consumption groups, food, durables, non-durables, and utilities, and analysed by consumption decile to capture the distributional impact across income levels.
5. Integration with Service Delivery: To complement the tax incidence analysis, estimates of public service benefits were integrated at the household level.

Similarly, a few assumptions are applied in the study. First, all goods are treated as locally produced because import status is not specified in HIES. Second, under the Sales Tax Act, 1990, certain unbranded items, such as chilies and salt, are GST-exempt unless packaged. Since HIES lacks packaging details (except for a few items), the study assumes these goods are purchased unpackaged and are therefore exempt from GST.

- **Service Delivery Valuation**

For education and social transfers, the value of in-kind benefits was approximated using per-student or per-household monetary equivalents based on a World Bank's Study¹:

- Primary education: Rs 35,000 per student annually
- Secondary education: Rs 70,000 per student annually
- Tertiary education: Rs 110,000 per student annually (university level)
- Benazir Income Support Programme (BISP): Rs 18,000 per household annually (2018)

These values represent the estimated rupee benefit households receive from public services. By integrating both tax incidence and benefit estimates, the framework allows for an evaluation of net fiscal impact on households.

¹ <https://openknowledge.worldbank.org/server/api/core/bitstreams/fc1324b5-f23c-44f3-a4fd-6b3bf0ab809c/content>

By linking each household’s consumption profile with the incidence of General Sales Tax (GST) and comparing it to the value of education, and BISP transfers they receive, the study measures the *net fiscal position* of every income decile.

Results of the Study

The results are striking: nine in ten Pakistanis receive more in public services than they pay in GST, underscoring the redistributive intent of the state, but also exposing the heavy reliance on borrowed resources to fund that redistribution.

This work is part of a larger, ongoing collaboration between **Gallup Pakistan** and **PRIME Institute, Islamabad** to build a sustainable “Fiscal Fairness Index” for Pakistan, benchmarking who gives and who gets across provinces and income groups.

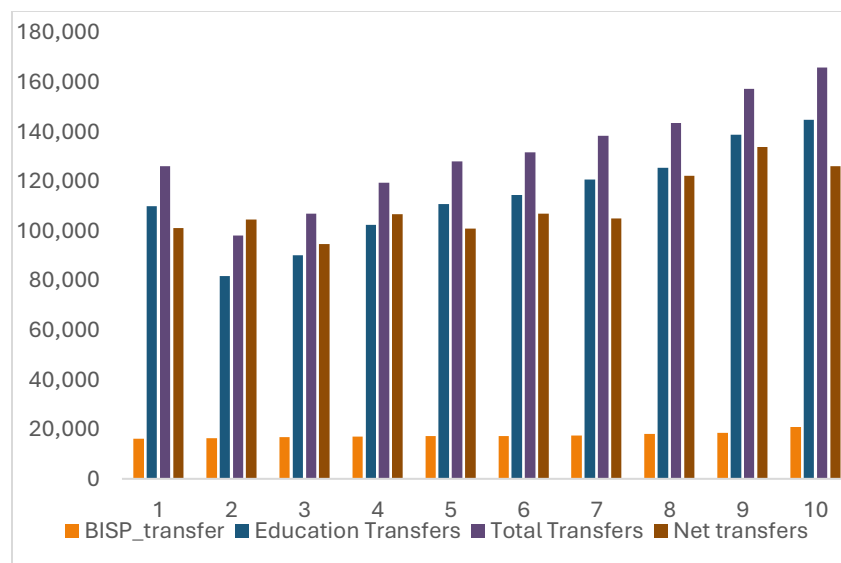
There are ten key ideas that emerge out of this study and purpose of this article is to articulate them.

1. The Poor Are Not Excluded — Just Underserved

Contrary to popular belief, Pakistan’s poorest households are not entirely beyond the state’s reach. Even under a regressive tax structure, they derive substantial value from free or subsidized education and social protection such as BISP.

The problem is not absence, but adequacy. The poor are *reached* — just not *well served*. Expanding the scale and quality of these services would yield outsized welfare gains for the bottom decile.

Figure 1. Service Delivery Received Across Deciles



Source: Gallup Prime Fiscal Incidence Study

2. Most Pakistanis Are Net Beneficiaries —But Not Equally

When taxes and benefits are tallied, nine in ten Pakistanis get more from the state than they pay in GST. Average Pakistani households spend about 9 percent of annual consumption on GST, roughly PKR 28,000 per year, as shown in the table below.

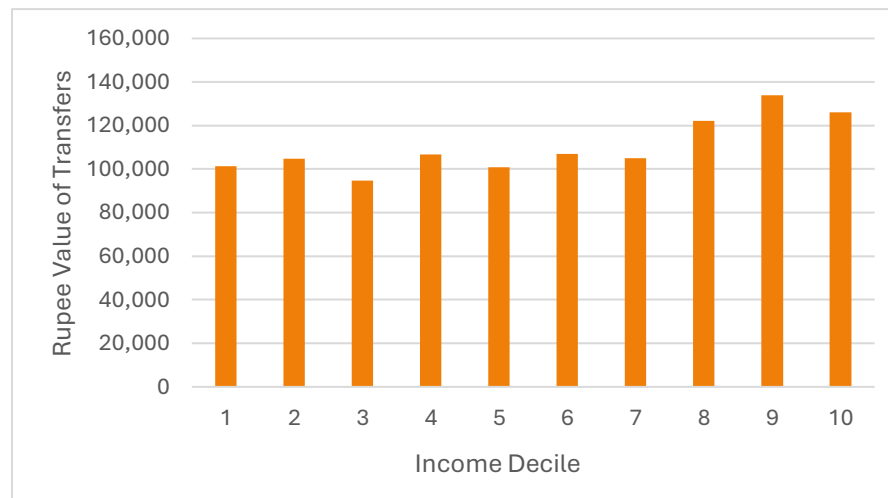
Table 1. Average Yearly Consumption and GST by a household (in PKR)

Variable	Mean Value
Total Expenditure	306,334
Total GST	28,125
Food GST	9,246
Non-Durables GST	10,771
Durables GST	990
Utility GST	5,609
Cigarettes GST	1,509

Source: Gallup Prime Fiscal Incidence Study

When combining public services such as education, and cash transfers, against GST paid, **the vast majority of Pakistani households emerge as net beneficiaries.** Even middle-income groups receive **more in government-provided services and benefits than they pay in GST.**

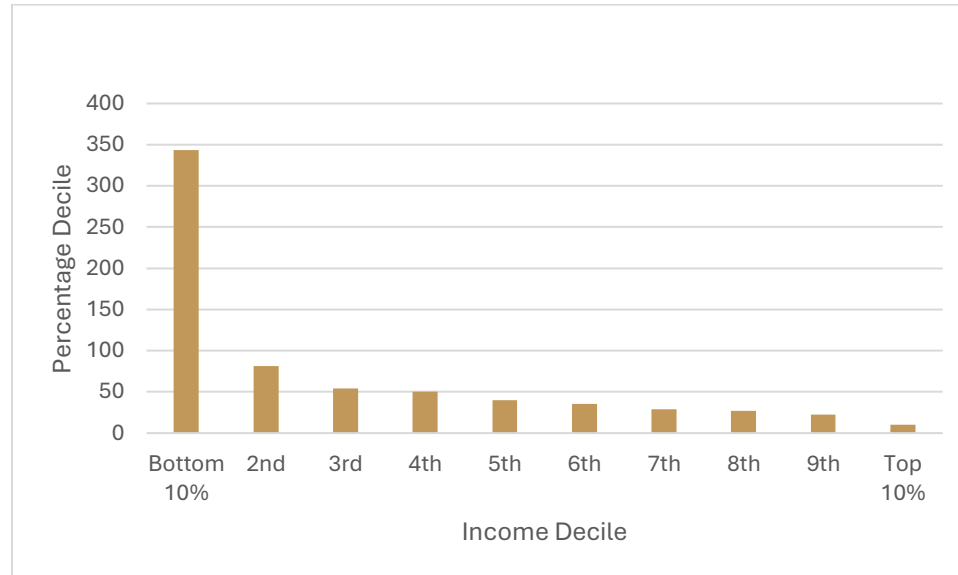
Figure 2. Net transfers Received



Source: Gallup Prime Fiscal Incidence Study

- The **poorest decile** gains transfers and services worth **three times their income.**

Figure 3. Transfers as a Percentage of Total Income by Decile



Source: Gallup Prime Fiscal Incidence Study

- Middle deciles also gain modestly,
- Only the **top income groups** contribute more to taxes than they receive

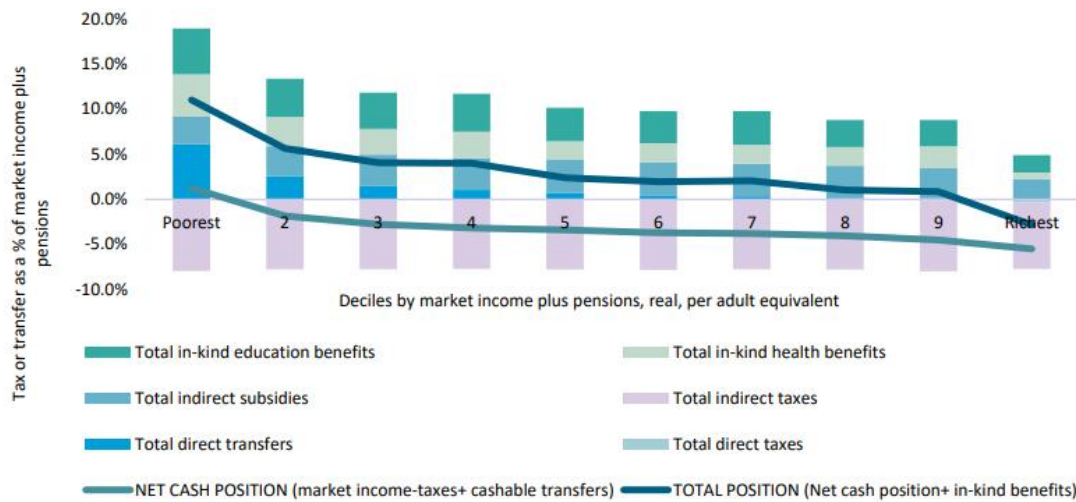
The World Bank's 2025 analysis corroborates this pattern: *although indirect taxes are regressive, public spending on health, education, and social protection offsets much of the burden for most households.*

In essence: Pakistan's fiscal system is **net positive for the majority**, but **the rich still capture the largest absolute share** of public spending.

But this raises a fundamental question: *who is footing the bill?*

Much of Pakistan's welfare spending is financed through foreign and domestic debt, not recurring revenues and not even the upper income classes. Since foreign debt is to be repaid by future generations, in some ways our current privileges are being paid by upcoming generations. Moreover, the country's redistributive system is partially debt-driven, generous in the short term, but fragile over time. This opens a critical debate: *is such a welfare model fiscally sustainable?*

Even within this structure, inequality persists. Urban residents enjoy better-funded schools and hospitals; rural households pay similar taxes yet receive fewer benefits. The system is *nominally redistributive but functionally unequal.*



Source: World Bank calculations based on HIES 2018–19 and fiscal administrative data.

Source: **World Bank (2025)**. *Pakistan: Commitment to Equity (CEQ) Fiscal Incidence Analysis*. Washington, D.C.: The World Bank

3. The Middle Class Faces a Double Squeeze

Pakistan’s middle class feels trapped. It pays substantial indirect taxes on everyday consumption but receives few direct benefits. It also misses out on tertiary subsidies that favor wealthier groups.

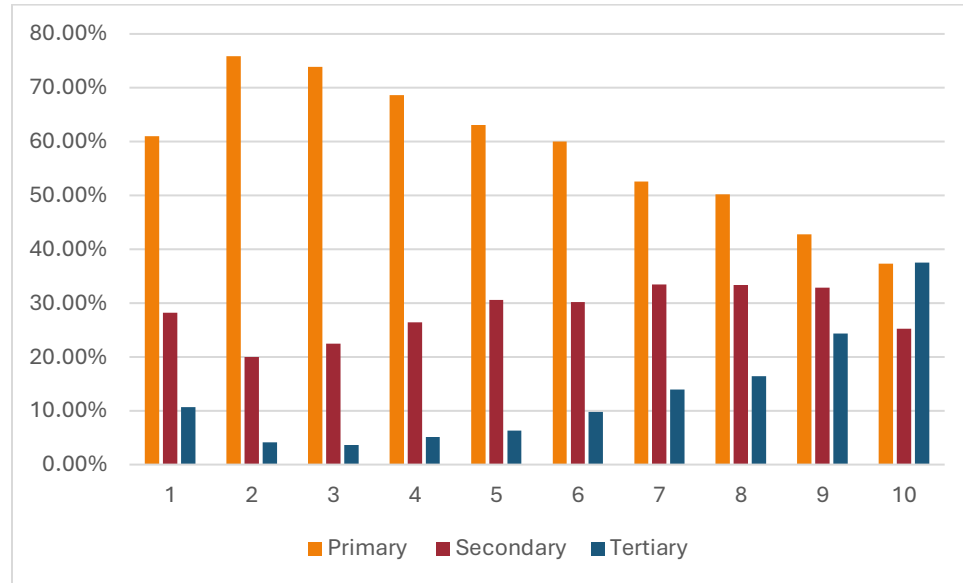
As the World Bank’s **CEQ 2025** notes, this “**missing middle**” is visible in its tax contribution but invisible in benefits. Their frustration undermines the legitimacy of the fiscal compact itself.

4. Education — The Hidden Redistributor

Education accounts for the largest share of state-delivered benefits. Yet the bulk of spending goes to **urban tertiary institutions**, redistributing resources upward.

Primary schools in poorer districts remain underfunded while elite universities absorb large subsidies.

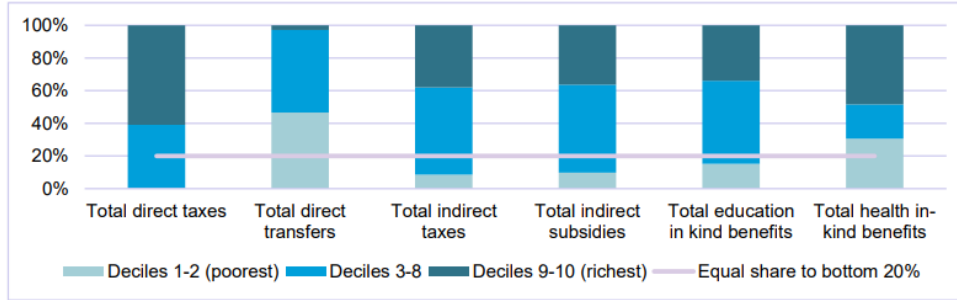
Figure 4. Percentage Enrollment by Education Level Across Income Deciles



Source: Gallup Prime Fiscal Incidence Study

The World Bank CEQ analysis echoes this: education appears progressive on paper but reinforces inequality in practice.

The World Bank Report notes: *For total in-kind public education benefits, the richest deciles 9–10 receive a larger share of benefits compared with the poorest 1–2 deciles (29.3 vs. 13.1 percent). This is explained by the fact that tertiary education benefits (the largest one) provide a larger share to the deciles 9–10 (53.0 percent), whereas in contrast pre-primary and primary education benefits provide a larger share to the deciles 1–2 (32.3 percent). Lastly, for total in-kind health benefits, deciles 9–10 receive 27.0 percent of total benefits and deciles 1–2 receive about 17.0 percent, and most of this result is driven by the inpatient health benefits.*



Source: Authors' calculations based on the HIES 2018–19, fiscal administrative data and the CEQ Methodology.

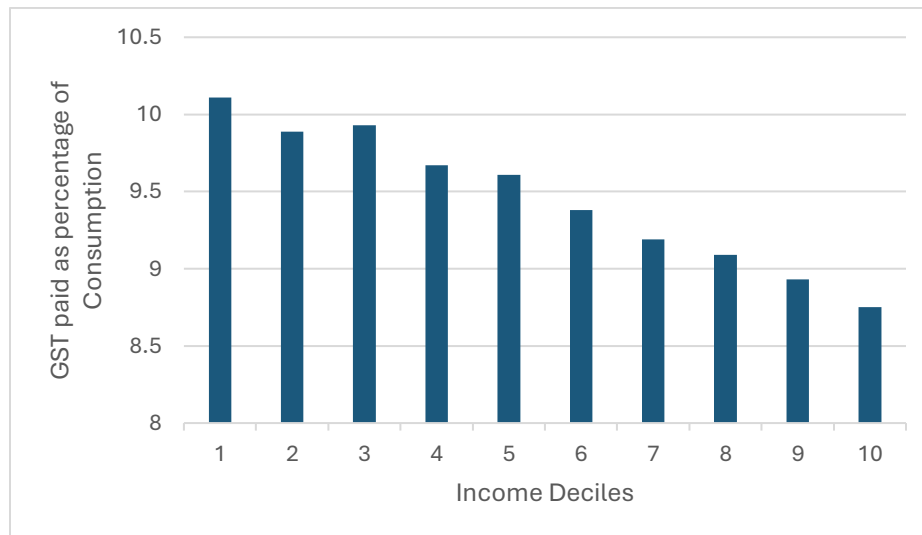
Note: Deciles ranked by market income plus pensions. The gray dashed line is set at 20 percent (how much would be received by the two poorest deciles if the allocation was based on proportional population shares).

Source: **World Bank (2025)**. *Pakistan: Commitment to Equity (CEQ) Fiscal Incidence Analysis*. Washington, D.C.: The World Bank

5. Fairness Depends More on Spending Than on Taxation

Yes, Pakistan’s tax system is regressive. The GST hits low-income families hardest. The poor pay a higher share of income in GST, around 10 percent in the lowest decile versus 8 percent in the top decile. The bulk of GST revenue arises from food, non-durables, and utilities, categories where poor households concentrate spending. This finding mirrors the World Bank’s conclusion that Pakistan’s tax structure places a disproportionate load on consumption essentials, making fiscal policy less pro-poor.

Figure 5. GST Incidence Across Deciles

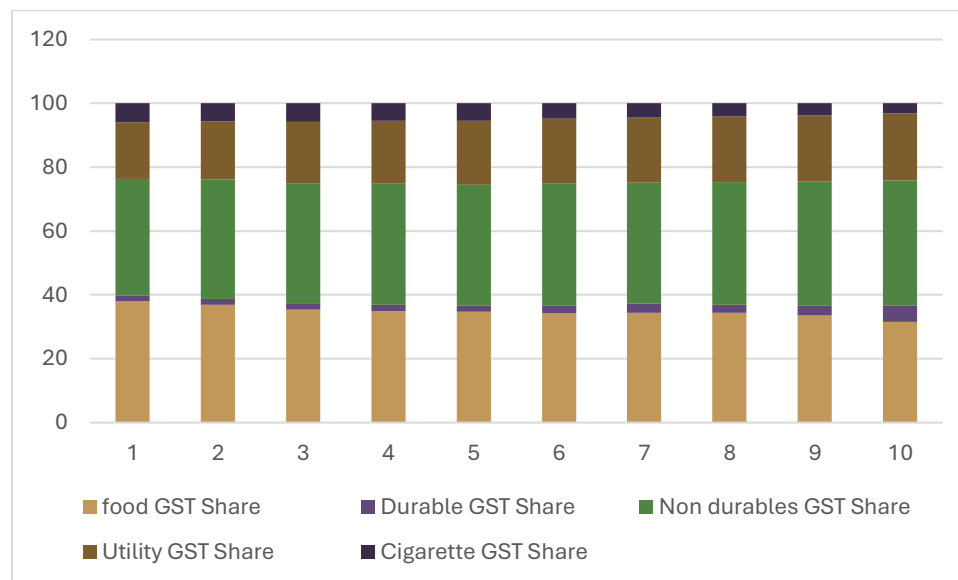


Source: Gallup Prime Fiscal Incidence Study

The distribution of GST incidence across income deciles reveals that Pakistan’s indirect tax structure remains largely regressive. Low-income households bear a disproportionate burden through taxes on essential goods, **as food alone constitutes nearly 38% of their total GST payments compared to 31% for higher-income groups**. In contrast, the share of durables, typically higher-taxed items, rises with income, reflecting greater ownership among richer households. Utilities and non-durables maintain a relatively stable contribution to the GST burden across all income levels, while cigarettes show a sharp decline with income, indicating a heavier relative tax impact on the poor.

Overall, the data demonstrate that GST in Pakistan primarily falls on basic consumption items, meaning that poorer households effectively pay a larger share of their income in indirect taxes than wealthier ones, reinforcing the regressive nature of the current tax system. Because low-income households allocate a larger portion of their expenditure on essential items such as food, any change in prices can affect their consumption proportionally. This also explains the high food prices which affect lower income households more.

Figure 6. GST Incidence of Different Consumption Categories



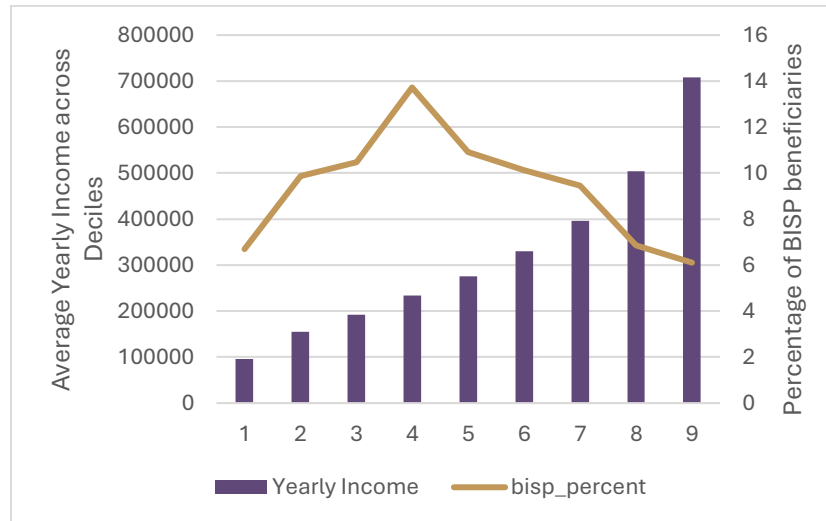
Source: Gallup Prime Fiscal Incidence Study

But fiscal fairness depends more on *how money is spent* than *how it’s collected*.

In Education for example the richest decile receives over three times the per-student benefit of the poorest, as shown in Table 4 above. The World Bank (2025) analysis confirms this pattern, noting that education and energy subsidies are captured largely by upper-income groups.

The Benazir Income Support Programme (BISP) remains the most effective redistributive instrument, yet coverage gaps persist.

Figure 7. Percentage of BISP Recipients Across Income Decile



Source: Gallup Prime Fiscal Incidence Study

To avoid scale distortion from extremely high incomes in the 10th decile, which goes as high as 1.8 million, the visualization excludes the 10th decile. The analysis focuses on the bottom 90 % of households, where most BISP recipients are concentrated. The details of income along with BISP beneficiaries are added in the Annexure.

The Gallup-Prime study finds limited reach of BISP among the poorest households and some spillovers to middle-income groups, indicating a targeting challenge rather than program failure. While the lower-income decile continues to receive BISP support, its share is smaller than expected given the program's poverty-focused mandate, as shown in Figure 7. The World Bank likewise praises BISP's inequality-reducing effect, while urging expanded coverage.

Without public education, health care, and cash transfers, the fiscal system would dramatically deepen poverty. The real reform lies not only in taxation but in spending priorities and delivery efficiency.

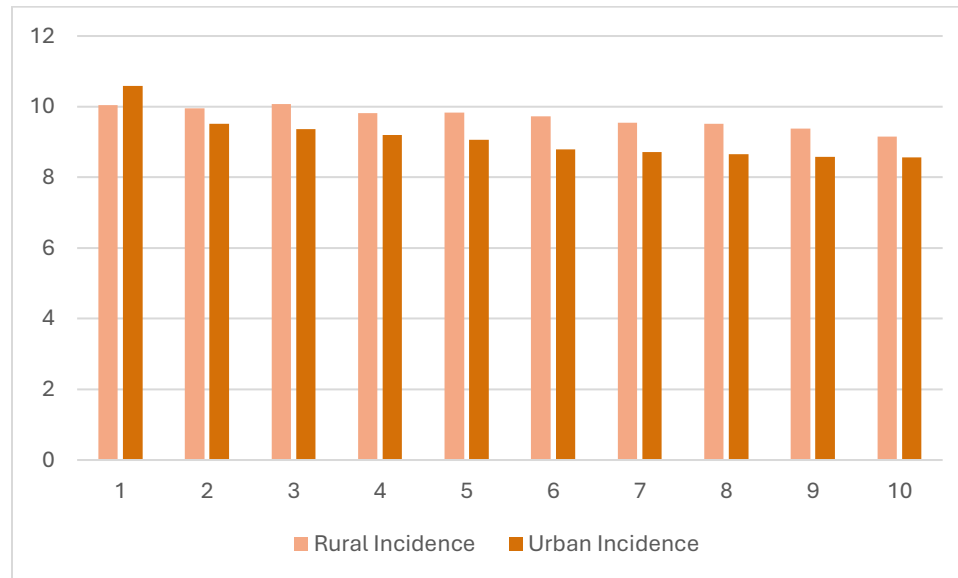
6. The Rural Penalty

Rural Pakistan bears a **double disadvantage**, higher exposure to taxed essentials and weaker access to public services.

Although rural households have a lower absolute share of GST payments (because their total consumption is smaller), they often face a higher effective burden relative to their

expenditure. This occurs because rural households spend a larger proportion of their budget on tax-exposed essentials (food, fuel, non-durables). The literature supports this: for Pakistan, one study notes that the burden of the GST across rural and urban areas is very close but still shows slightly higher incidence in rural areas when expressed relative to consumption (Ara & Khan, 2022).

Figure 8. Rural vs Urban GST Incidence



Source: Gallup Prime Fiscal Incidence Study

This geographic inequality magnifies income inequality. Fiscal reform must therefore incorporate *regional fairness*, not just income-based targeting, ensuring provincial budgets reflect the rural service gap.

7. Missing Data, Missing Debate

The Gallup-Prime model covers GST, education, and BISP; the World Bank adds direct taxes, energy subsidies, and health spending. Yet both rely on partial data.

A more accurate fiscal map demands integration of **administrative and household data** — linking tax records, expenditure accounts, and welfare registries. Without such integration, Pakistan’s fiscal debates will remain impressionistic rather than evidence based.

8. Behavior Mirrors Inequality

As income rises, consumption patterns shift from essentials to luxuries. This insight has policy value: **progressive taxes on discretionary consumption** could be

expanded with minimal welfare loss — provided the proceeds are transparently used to strengthen safety nets.

9. Leakage by Design, Not Corruption

Program leakages are real, but they stem largely from design weaknesses, not graft. Outdated targeting lists and migration patterns cause misallocations, but these are fixable through technology.

Strengthening the National Socio-Economic Registry (NSER) and updating it regularly can sharply reduce errors and restore credibility to cash-transfer programs.

10. Time for a “Fiscal Fairness Scorecard”

The Gallup-Prime Fiscal Incidence shows that even limited data can reveal deep truths. A Fiscal Fairness Dashboard — tracking *who gives* and *who gets* at federal and provincial levels — is now feasible.

Such transparency could rebuild trust, show citizens the value of their taxes, and anchor debates in evidence rather than perception.

The Bigger Picture — From Unjust to Imbalanced

Pakistan’s fiscal architecture is not simply *unjust* — it is *imbalanced*. It reaches most citizens, but not evenly; it collects widely but delivers narrowly.

That imbalance, however, is now measurable. And what can be measured can be improved.

The deeper issue is one of voice and trust. Many citizens cannot see where their taxes go because they were never asked or consulted about the services they receive. When taxpayers are treated as mere payers, not partners, the social contract frays.

If the state can map who contributes and who benefits, it can reform the flows to make them fairer. A transparent, data-driven fiscal system would replace resentment with reciprocity, and opacity with trust.

Last Word

Pakistan doesn’t just need higher taxes or more IMF loans, rather it needs a new understanding between the state and its citizens. The real challenge is not only policy design, but a behavioural and narrative problem. **Most people believe they pay taxes and get nothing in return, yet the majority of citizens actually receive more in public services than they contribute.** These services — education, health,

policing, defence, infrastructure — are not funded just by taxes, but increasingly through borrowing. This means today's roads, hospitals and subsidies are being paid for by future generations.

With one of the world's lowest tax-to-GDP ratios (around 9–10%), expecting the State to deliver an extensive range of social and public services is unrealistic. The issue is not simply corruption or elite capture; it is a fundamental misunderstanding of who pays, who benefits, and what is sustainable.

What Pakistan needs is a new fiscal social contract — built on truth, fairness and transparency. Citizens must understand the real cost of public services, while the state must build trust through accountability. This change starts with narratives, not budgets. When journalists, judges, politicians, bureaucrats, military leaders and opinion makers accept this reality, meaningful policy reforms will follow naturally.

Study Limitations, Scope Clarifications, and Future Roadmap

This study draws on the 2018–19 Household Income and Expenditure Survey (HIES) and was designed within clearly defined methodological boundaries. While it provides meaningful empirical insights into taxation and public service delivery, certain limitations are inherent and should be acknowledged when interpreting the results.

1. Scope and Dataset Limitations

The analysis is based on a single-year dataset (HIES 2018–19), limiting its ability to capture temporal trends or historical shifts. Broader fiscal realities, institutional behaviors, and contextual nuances could not be fully incorporated due to data restrictions. The objective of the study was not to provide a complete fiscal picture, but to focus on specific, measurable aspects of taxation and benefits.

2. Possible Divergence from Perceptions and Field Realities

Findings are strictly data-driven and may differ from anecdotal observations or popular narratives. Counterintuitive results are not dismissed but seen as valuable opportunities for informed debate and further inquiry.

3. Service Delivery – Geographic and Qualitative Gaps

The study evaluates service delivery primarily through measurable indicators like education access and social protection transfers (e.g. BISP), mainly by income declines. Spatial inequalities (province, district, urban-rural), seasonal variations, and qualitative aspects, such as regularity, reliability, and uniformity of services, remain outside the scope of this phase.

4. Taxation Coverage Constraints

GST was chosen as the primary focus as it is traceable in household expenditure data and methodologically consistent with global studies. Withholding taxes, informal levies, and indirect taxes embedded in private goods/services were beyond the dataset's capability to capture.

Household spending across food, non-food, utilities, and durable goods was analyzed irrespective of service provider, but informal or unrecorded taxation remains unquantified.

5. Benefit Measurement Limitations

Only benefits traceable in data—such as education expenditure subsidies and social transfers—were assessed. Broader public goods and services (e.g. health quality, policing, infrastructure) and the irregular nature of benefits could not be fully evaluated due to data constraints.

6. Methodological Boundaries and Generalizability

As with all empirical studies, methodology and dataset structure limit generalizability. HIES is internationally recognized (used by the World Bank, etc.) yet inherently restricts the study from capturing all dimensions of taxation and public service delivery.

Future Directions and Commitment

Gallup-Prime acknowledges these limitations and is committed to expanding the study in future phases. The next steps include:

- i) Incorporating longitudinal and multi-year analysis using the upcoming HIES dataset (expected to be released later this year).
- ii) Extending tax coverage to include withholding taxes, indirect private-sector taxes, and informal taxation burdens.
- iii) Adding spatial and qualitative analysis of service delivery across provinces, districts, and urban-rural divides.
- iv) Cross-validating results with other national and international studies to enhance robustness and policy relevance.

Once the new HIES data becomes available, Gallup-Prime intends to update and expand this study accordingly.

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Annexure

SECTION-I Descriptive Statistics

Table 1: Provincial and Regional Distribution of Survey Sample

Province	Rural	Urban	Total	% of Total	Rural % of Province	Urban % of Province
Khyber Pakhtunkhwa	3,034	1,450	4,484	18.08	67.66	32.34
Punjab	7,836	3,944	11,780	47.49	66.52	33.48
Sindh	3,497	2,718	6,215	25.06	56.27	43.73
Balochistan	1,568	758	2,326	9.38	67.41	32.59
Total	15,935	8,870	24,805	100	64.24	35.76

Table 2: Average Monthly Consumption and Income across rural and urban areas in PKR

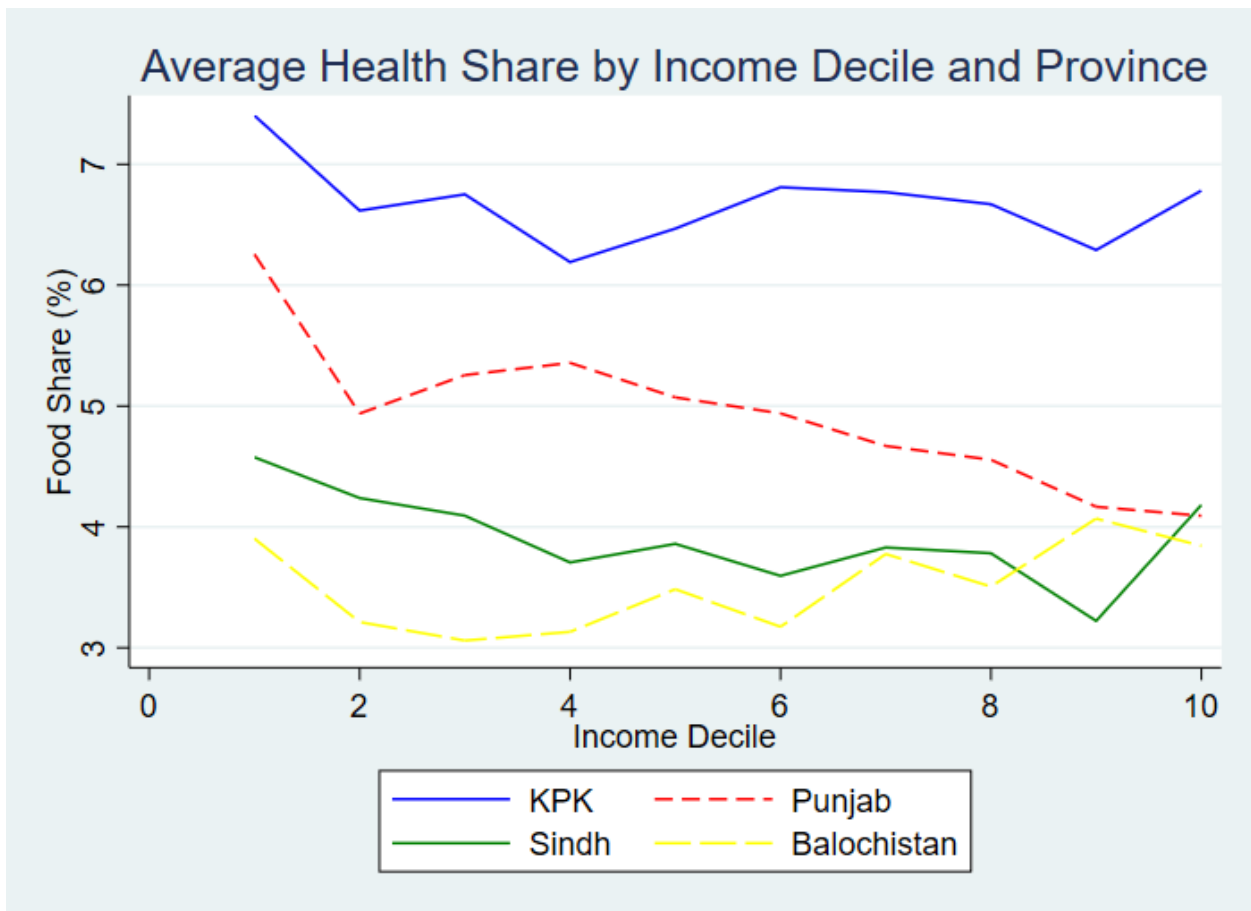
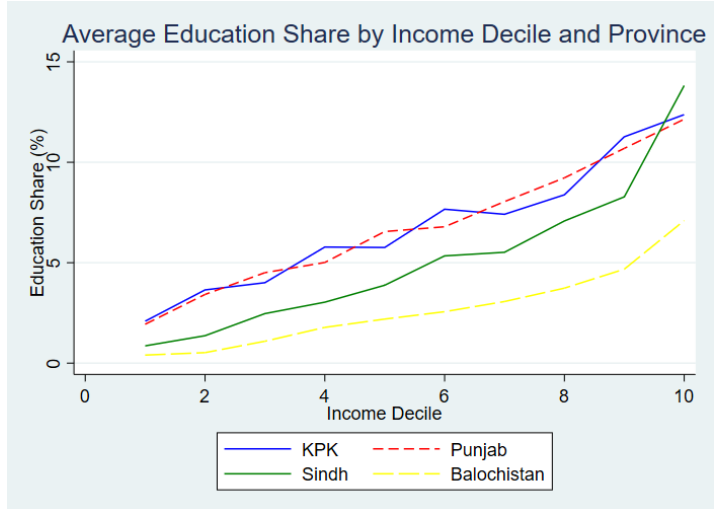
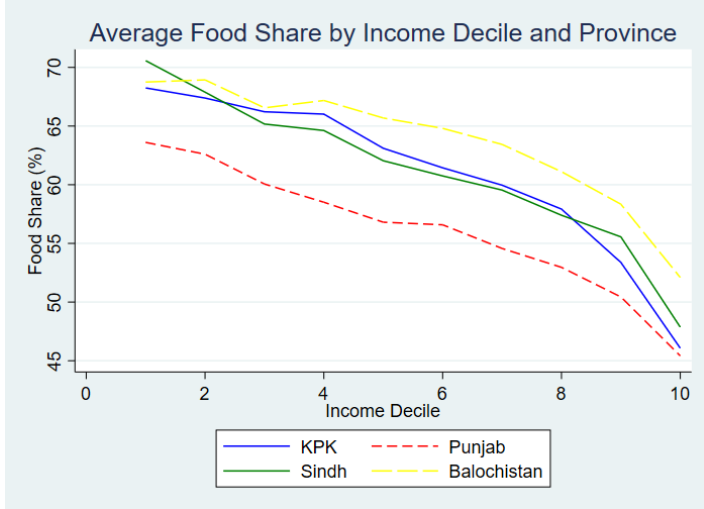
REGION	Monthly Consumption	Monthly Income
Rural	22,620	31,135
Urban	31,000	47,200

Table 3: Average Monthly Expenditure Share of Food, health and education by Income Decile

Income Decile	Food Share	Health Share	Education Share
Bottom 10%	67.08	5.52	1.42
2nd	65.3	4.75	2.55
3rd	63.11	4.86	3.45
4th	62.19	4.82	4.28
Middle	60.14	4.84	5.29
6th	59.5	4.8	6.16
7th	57.76	4.85	6.83
8th	55.72	4.73	8.07
9th	52.73	4.49	9.9
Top 10%	46.32	4.87	12.2

Table 4: Rupee Value of Monthly Expenditure by Income Decile
(All values in PKR)

Income Decile	Food Expenditure	Health Expenditure	Education Expenditure
Bottom 10%	6,341	457	145
2nd	8,618	597	339
3rd	9,970	721	549
4th	11,246	827	771
Middle	12,338	948	1,115
6th	13,917	1,088	1,486
7th	15,002	1,215	1,869
8th	16,988	1,392	2,641
9th	19,393	1,615	3,974
Top 10%	25,275	2,741	8,435



Section II: GST Calculation using HIES Consumption Data

Table 5: GST incidence across provinces and region

Region	KPK	Punjab	Sindh	Balochistan
Rural	8.665504	9.953367	10.3296	9.87693
Urban	8.233854	8.876569	9.055036	9.274485

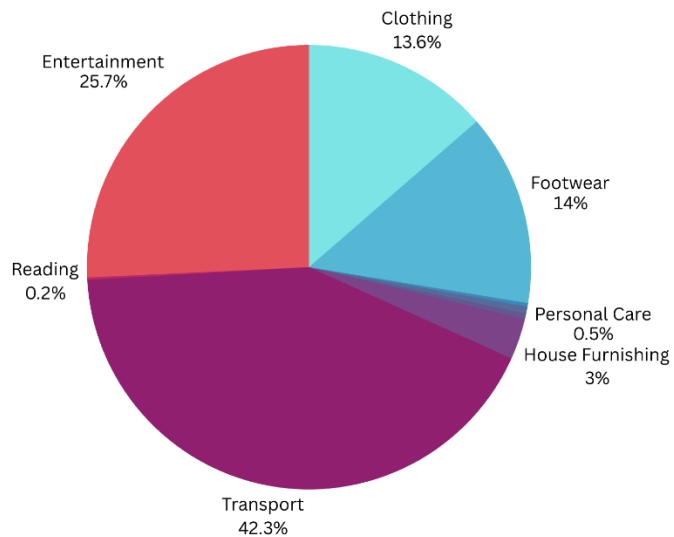
Table 6: GST incidence per Expenditure Deciles across regions

Deciles	Overall GST Incidence	Rural Incidence	Urban Incidence
1	10.11	10.05	10.58
2	9.89	9.96	9.51
3	9.93	10.07	9.36
4	9.67	9.82	9.2
5	9.61	9.83	9.06
6	9.38	9.72	8.79
7	9.19	9.55	8.71
8	9.09	9.52	8.66
9	8.93	9.38	8.58
10	8.75	9.15	8.56

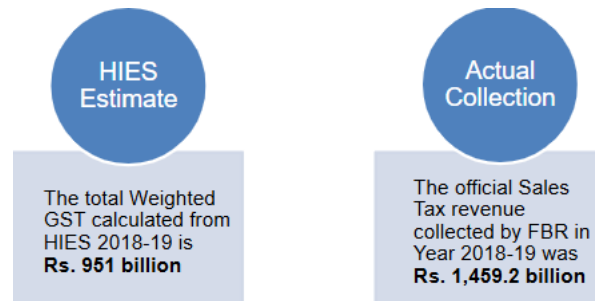
Table 7: GST Incidence of Different Consumption Categories

Decile	food GST Share	Durable GST Share	Non- durables GST Share	Utility GST Share	Cigarette GST Share
1	38.04	1.66	36.6	17.74	5.96
2	36.91	1.82	37.45	18.22	5.6
3	35.37	2.09	37.57	19.15	5.83
4	34.84	1.98	38.12	19.62	5.46
5	34.73	2.06	37.75	20.07	5.39
6	34.29	2.4	38.3	20.29	4.73
7	34.47	2.73	37.91	20.51	4.38
8	34.37	2.59	38.41	20.49	4.13
9	33.54	3.22	38.8	20.74	3.7
10	31.61	5.06	39.22	21.01	3.11

GST on Different Nondurable Goods



Comparing HIES-Based GST with FBR Collections



- HIES-based estimate is around 65% of FBR collections
- This discrepancy exists because:
 - 1. Household underreporting:** Expenditures on luxury goods, eating out, or informal purchases are often understated in surveys.
 - 2. Coverage differences:** HIES covers households' consumption of locally produced goods only, whereas FBR revenues also include sales to businesses, government institutions, and imports not directly captured in household consumption data.
 - 3. Exemptions vs. effective rates:** While the different tax rates on different items and exemptions listed in The Sales Tax Act 1990 are applied in the HIES Dataset, however, not all taxed goods are recorded as household consumption in the survey, creating gaps.

SECTION-III SERVICE DELIVERY

1. Education Transfers Received

Table 8: Distribution of Student Enrolment by School Type and Education Level in Pakistan (in Thousands)

Grade_Group	Govt.	Private	Deeni Madrassa	NGO	Non-Formal	Total	% of Total Students
Below Primary	2,595	2,671	242	335	7	5,861	14.63
Primary	11,724	6,257	191	903	22	19,126	47.76
Middle	4,254	2,088	73	217	4	6,648	16.6
Matric	2,536	1,231	56	99	0	4,008	10.01
Higher Secondary	1,657	668	50	10	1	2,529	6.31
University	1,233	450	25	0	3	1,878	4.69
Total	23,999	13,365	637	1,564	37	40,050	100

Table 9: Percentage of Student Enrolment by Type of School and Education Level in Pakistan

Grade_Group	Government	Private	Deeni Madrassa	NGO	Non-Formal
Below Primary	44.28%	45.57%	4.13%	5.72%	0.12%
Primary	61.30%	32.71%	1.00%	4.72%	0.12%
Middle	63.99%	31.41%	1.10%	3.26%	0.06%
Matric	63.27%	30.71%	1.40%	2.47%	0.00%
Higher Secondary	65.52%	26.41%	1.98%	0.40%	0.04%
University	65.65%	23.96%	1.33%	0.00%	0.16%

Table 10: Student Enrolment in govt. institutes per grade level across Income Deciles

Deciles	Primary	Secondary	Tertiary
1	61.0%	28.2%	10.7%
2	75.9%	20.0%	4.1%
3	73.9%	22.5%	3.6%
4	68.6%	26.4%	5.1%
5	63.1%	30.6%	6.3%
6	60.0%	30.2%	9.8%
7	52.6%	33.5%	13.9%
8	50.2%	33.4%	16.4%
9	42.8%	32.9%	24.3%
10	37.3%	25.2%	37.5%

Table 11. Education Benefits Received per decile, across Education level

Higher Income deciles receive the highest education transfers, mainly because they are the highest beneficiaries of tertiary education transfers

Income decile	Primary Edu transfer	Secondary Edu transfer	Tertiary edu transfer	Total Education transfers
1	46,161	41,032	22,704	109,897
2	49,714	25,249	6,841	81,803
3	53,970	28,301	7,910	90,181
4	52,958	40,234	9,252	102,444
5	53,206	46,118	11,597	110,920
6	49,065	46,470	19,040	114,575
7	44,833	50,393	25,619	120,845
8	40,141	51,188	34,219	125,547
9	37,355	54,020	47,445	138,820
10	31,610	41,716	71,587	144,912

BISP Transfers

Table 12. Number of households which received Cash Transfers in the form of BISP

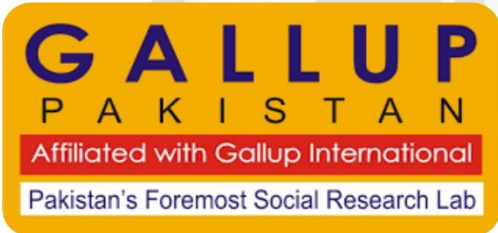
Transfers received	2,182
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Table 13. Percentage of BISP beneficiaries across deciles

decile	BISP Percentage
1	6.688155
2	9.867096
3	10.48137
4	13.72385
5	10.91127
6	10.11736
7	9.456169
8	6.848249
9	6.106232
10	3.830645

Table 14. ANNUAL NET TRANSFERS (in PKR)

decile	Mean Annual Income	Mean Annual GST	BISP_transfer	Education Transfers	Total Transfers	Net transfers
1	29,473	18,743	16,240	109,897	126,137	101,230
2	128,626	13,862	16,384	81,803	98,188	104,672
3	174,778	16,864	16,861	90,181	107,042	94,673
4	213,654	19,549	17,017	102,444	119,461	106,782
5	253,612	22,314	17,212	110,920	128,132	100,883
6	302,611	25,404	17,240	114,575	131,815	107,040
7	362,228	28,531	17,552	120,845	138,397	105,000
8	448,434	33,069	18,110	125,547	143,657	122,223
9	592,749	39,802	18,582	138,820	157,402	133,797
10	1,247,692	63,549	21,009	144,912	165,922	126,039



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