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KTBA slams IMF grip on Pakistan in post budget 2025-26 analysis

Karachi, June 17, 2025 – In a hard-hitting critique of prolonged economic dependency of Pakistan, President of the Karachi Tax Bar Association (KTBA), Ali A. Rahim, issued a powerful warning regarding the country's dangerous over-reliance on the International Monetary Fund (IMF).

Speaking at KTBA's post-budget 2025-26 seminar, Rahim lamented that Pakistan has entered IMF programs 24 times since its creation. "Each of these arrangements averages three years, meaning Pakistan has spent 72 out of its 77 years under IMF supervision. This is a national crisis," he said.

He emphasized that the nation's repeated appeals to international lenders have led to increasingly harsh and burdensome conditions. "With every new agreement, Pakistan is subjected to tougher terms, making it progressively harder to meet the requirements. The sovereignty of our economic policy is at stake," Rahim warned.

He criticized the government's fiscal expansion despite warnings from lending institutions. "Talks of a surgical audit by IMF and World Bank should have served as a wake-up call. Instead, we've witnessed ballooning government expenditures and the introduction of draconian laws designed purely for tax collection, not reform."

One such law, enacted on May 2, 2025, allows authorities to recover taxes even when there are stay orders from the High Courts or the Supreme Court. Rahim denounced this move as an attack on constitutional protections and judicial authority.

Nevertheless, the KTBA president acknowledged a rare positive step: the government's recent push to tax agricultural income through provincial legislation. "Agriculture contributes over 20% to Pakistan's GDP yet accounts for a meager 1% in tax revenues. If implemented earnestly, this reform could drastically improve revenue collection and help reduce dependence on the IMF," he added.

Rahim concluded that such reforms could allow Pakistan to reallocate funds from the National Finance Commission (NFC) award, thereby enhancing federal development initiatives. However, he cautioned that the window for action is closing fast. KTBA has called for a complete overhaul of economic priorities to break the cycle of debt and foreign dependency that has entrapped Pakistan for decades

As we all know, Pakistan's population is expanding at an alarming rate—over 2% annually. If this growing demographic is not strategically absorbed into the economic fabric, the burden on national resources will become unsustainable. The only viable solution lies in aggressive and widespread industrialization. Only a robust industrial base can generate the volume of employment required to accommodate this population surge.

This is not merely an economic need—it is a national imperative. Failure to act decisively will exacerbate social inequalities and deepen the poverty crisis. To illustrate the gravity of the situation, it is distressing to note that just this year alone, 10 million more Pakistanis have fallen below the poverty line. Without fundamental structural reforms, this trend is set to worsen.

A particularly noteworthy development in the 2025-26 budget is the introduction of new taxation measures targeting online marketplaces and digital entities. While this move is a step in the right direction—aimed at expanding Pakistan's narrow tax base—it still suffers from critical implementation flaws. The policy does not fully reflect the operational realities of digital business models, nor does it align with international best practices. Without refinement, its effectiveness and compliance rates will remain limited.