



Improving Tax Return Literacy in Pakistan: The Crucial Role of HEC, Curriculum Integration, and Collaboration with the Federal Board of Revenue

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ABSTRACT

The purpose of this study is to increase the tax return literacy and understanding of university students in Pakistan regarding the urgent issue related to lack of tax compliance, and financial literacy in the country. By incorporating the Financial Literacy Framework as a theoretical foundation, this study aimed to provide a holistic model of financial education focusing on the role the tax literacy plays as a key dimension of financial capability. The research design for this study is quantitative in nature and used the deductive reasoning model to test hypotheses about tax literacy and compliance. Using the Saunders Onion Model, the paper presented an organized data collection process for empirical data gathered from students studying in the public and private universities of Pakistan. This will be implemented in stages, including university student education, student-run tax return preparation programs and compulsory tax return lodgments for new university entries. The design for each stage was implemented to develop tax literacy amongst the population by way of training and participation in local activities. Collection of data was a collaboratively effort with the Federal Board of Revenue (FBR) to ensure students received the most updated and well-suited information to make training more efficient. Surveys and evaluations were recommended to measure changes in knowledge and adherence, creating a strong structure to evaluate the program's effectiveness. This study has education and policy implications—education to academia: tax literacy should be included in university curricula; policy—expanding education may help solve the problem. Directions for future research are extending curriculum integration to BISE boards, comparison of the international models in tax education and the use of technology for education that is scalable. This study can change the tax literacy of Pakistan and make it possible for the upcoming generations to comprehend the terminologies of tax system.



Introduction

Education is key when it comes to developing tax literacy (Kogod School of Business, 2025). Understanding the tax system is a core domain of financial literacy through which individuals gain the knowledge to manage their tax affairs and defend their rights. This includes knowing the tax laws, regulations and procedures so that the tax payer can pay the taxes owed with minimum inconvenience and in a timely manner. In recent years, there has been a growing body of research which has underscored the importance of tax literacy in compliance behavior, evasion and community engagement of the taxpayer (Bahl & Bird, 2021).

The role of tax return literacy is particularly salient for college students and families. When they graduate and go to work, college students take on new financial obligations – including taxes. It's important that they know how to do a tax return, how to claim tax and understand some of the complexity of tax law — to be on top of that is a fundamental part of their financial literacy. Nevertheless, many university undergraduates do not have all the knowledge and skills needed to perform correctly, which leads to confusion, mistakes and sometimes might result in sanctions (López & Rodríguez, 2022). This informational void ultimately impacts more than students directly -- it also impacts their families, specifically parents and guardians who may depend upon their children for help when it comes to tax-related issues.

There is evidence that tax literacy is related to general financial literacy, since both includes skills in knowledge and use of financial concepts (OECD, 2023). More specifically, tax literacy enables individuals to make informed choices about the obligations arising from the tax and the impact of taxes on their overall financial situation. A research by McEwen and Roderick (2023) highlights that tax compliance risk can be minimized when filers have high level of knowledge in relation to tax concepts because good knowledge may influence intention to comply with tax laws/regulations and to reduce the tendency of tax evasion.

The role of schools and universities in developing tax literacy is important. Higher Education Commission (HEC) of Pakistan is a regulatory body, which develops and implements curricula schemes with tax education to apply to Universities. Through the education system, HEC will ensure that students have the education and skills necessary to navigate the tax system. Such an infrastructure becomes even more critical in a country where people's compliance with tax laws is low and a large number of them do not even know about their tax obligations (Khan & Ali, 2024).

Engaging researchers and academics in the creation of tax literacy programs is another way to strengthen the educational value of such efforts. Investigations may be carried out to analyze where and how the level of knowledge about tax and compliance vary across the different strata of populations. For example, Rahman and Qureshi (2022) find there are substantial deficiencies in tax education at the university level, suggesting the differences in curricula should be targeted to address these shortfalls. By using empirical methods, policymakers and educators can create curriculum that serves the unique needs of students and their families.

Besides, the development of a uniform course of tax literacy in universities in Pakistan shall be instrumental in maintaining uniformity among all students for having a complete knowledge about tax. HEC could take the lead in partnering with tax professionals, educators, and researchers to develop a curriculum with concepts of taxation, filing, and compliance integrated within. This partnership can further extend to the FBR, providing the universities a platform to develop their tax courses in accordance with the national tax policies (Bashir, 2023).

The possible content of the curriculum elements could include introducing tax laws, how to file a tax return, awareness regarding deductions and exemptions, and the calculation of the advantages of compliance with the tax system. Further, the tax planning and compliances may be supplemented with case studies/Real life situation questions etc, so that the students are able to grasp concept with practical implications (Zafar & Raza, 2025).

It can also be beneficial in schools if researchers are also involved in this approach, in doing gap analysis in which educators can see where students may be having issues understanding tax concepts. For instance, a report of Khan et al. (2023) reveals that a huge number of students are ignorant about the electronic means of filing of returns and payment of tax and its animals are increasingly becoming important in the digital age business environment. Tackling those educational deficiencies will make students better equipped to make the decisions that will confront them as taxpayers.

Higher levels of tax literacy bring benefits that go beyond individual compliance, they also bring about a greater sense of civic duty at the hands of taxpayers. From what evidence suggests, those who comprehend what their taxes amount to be more likely to participate in communities and provide for public goods and services (Saeed & Iqbal, 2024). This public outreach is essential for creating a vibrant tax culture in a country like Pakistan, where a large segment of society is largely apathetic to the tax system.

Moreover, imparting tax literacy to students can have a ripple effect in families and communities. By educating students who are then able to explain the tax liabilities to their parents or relatives, students promote a compliance culture that takes on a life of its own outside their immediate spheres. This generational shift of information is crucial for building a well-educated and compliant taxpayer pool.

Global Exposure

Tax literacy, i.e. knowledge of tax laws, rules and procedures, is increasingly regarded as an important component in the promotion of tax compliance and the values of responsible citizenship. Comparative assessment of strategies adopted by DM, LDC and leading countries (e.g., USA, Canada, Europe) exposes independent strategies and even contradiction, in discrete stages, against the backdrop of the specific economic, social and institutional framework.

Most developed countries have implemented broad initiatives to increase tax literacy, with programs that extend to the formal educational systems. These are designed with the idea of fostering a compliance culture from childhood, with the idea that citizens should know about their rights and duties as a taxpayer.

In the USA, for instance, different types of organization, including the Internal Revenue Service (IRS), provide education for citizens, so as to make them aware of the taxes that they owe, and the credits that they can claim. IRS's "Understanding Taxes" program presents a way for teachers to access materials to share with students so that they can learn about taxes and, hopefully, become more tax literate (IRS, 2023).

Canada, too, has introduced initiatives like the "Community Volunteer Income Tax Program" (CVITP) to provide free tax filing assistance to low income Canadians. This program does not only help compliance, it is also a learning opportunity for participants to increase their awareness of their tax responsibilities (Canada Revenue Agency, 2022). Furthermore, Canada includes tax

related themes in its high school content, focusing on the role of tax literacy in achieving well-informed financial decisions.

Tax literacy initiatives in European nations concentrate on transparency and being user-friendly. For example, the European Commission encourages initiatives that work for increased taxpayer education in the member states. Other countries, such as Sweden and Denmark, have a fully-fledged service for the taxpayer that also provides for transparent online sources, webinars, and community services to ensure people know the position (European Commission, 2021). Such campaigns are frequently characterized by stressing the social significance of taxes and the damage caused by tax evasion, thus creating a climate where compliance is the norm.

Technology is also used in developed nations to enhance the taxpayer services provided and the tax literacy. Internet sites offer details on forms, calculators, kinds, and taxes for no price Return and to be able to e-gain accessibility to such forms. Several countries, such as Germany and the Netherlands, provide a pre-filled personal income tax return to ease tax filing and prevent mistakes (OECD, 2021).

Moreover, many developed nations have established volunteer income tax assistance (VITA) programs, in which IRS-trained volunteers walk low-income individuals through tax credits, and prepare simple tax returns for them. These initiatives are particularly aimed at the disadvantaged filers (e.g., persons with disabilities, veterans, and people with limited English proficiency) (IRS, 2023).

The challenges mentioned above with regard to tax literacy are even more complex for developing countries, which typically suffer from resource scarcity, weak institutional capabilities, and the existence of a large informal economy. However, despite these challenges, innovative efforts have been made in several developing countries to achieve better tax compliance through education and awareness-raising campaigns. In Kenya for example, the Kenya Revenue Authority (KRA) has put in place community registration and public awareness programs to educate the public on tax compliance (Karanja & Ochieng, 2023).

A popular approach in many developing countries is to focus on segments such as small and medium-sized enterprises, who often have difficulties complying for tax because they do not have a high level of financial literacy nor understand exactly what the tax parameters are.” These are programs that are focused on helping SMEs to understand the tax system and to meet their obligations. For instance, in Nigeria, the Federal Inland Revenue Service has launched a series of training workshops to equip SMEs with requisite knowledge of how to comply with tax laws (Ogunleye & Akintola, 2022).

In developing countries, too, new efforts being made to include tax education in the curriculum at primary or secondary level, recognizing that cultures of being tax compliant need to be grown from the start. For instance, in Peru, a Master Strategy for Tax Education is in place in Uganda, on the other hand the tax curricula was introduced in primary schools through a partnership (OECD, 2022). Likewise, South African Revenue Service in South Africa has created school resources to foster tax literacy among kids.

And more and more developing countries are using technology to improve taxpayer services and compliance. E-filing mechanisms and online portals are increasingly available, but access remains an issue for all taxpayers, especially those living in rural areas or with poor digital literacy (Khan et al., 2023).

Some research highlights the role of an overall level of literacy in encouraging tax morale and in mobilizing tax revenue (in the case of many developing countries) as a general fact. The better the literacy rate, the better the taxman will be understood by tax payers and the more they will obey. In this sense, the aim of strengthening general literacy should be a priority intervention to be developed within any strategy that seeks to stimulate tax literacy and contribute to a more efficient tax system (Zafar & Raza, 2025).

Cooperative compliance programs are nowadays imposed both in developed and developing countries to promote relations based on cooperation between tax authorities and taxpayers. Such programs are grounded on transparency, trust and cooperation, so that they can enable an enhanced level of voluntary compliance through relationship in good faith (OECD, 2021). Mutual cooperation programs concern the range of services provided by the revenue collection authorities to support compliance, while also involving joint [sacrifices] [commitments] in a framework of transparency and reasonable trust.

The degree of financial literacy that covers the ability to comprehend and use financial knowledge is associated with tax literacy and compliance. People that have a better understanding of personal finance in general generally have better knowledge and are more compliant with tax regulations (McEwen & Roderick, 2023). Improvement in the financial literacy has been envisaged as an important tool to improve the tax compliance especially in the informal sector in the developing countries.

A higher tax literacy could be instrumental in achieving tax compliance, reducing tax evasion, and developing tax culture in developed as well as developing countries. Integrated education programs and technology solutions that facilitate services to taxpayers. Developed countries have for the most part pursued a holistic approach in integrating tax education into formal education and the use of technology to complement taxpayer services. Developing countries have limitations in this respect. However, in a good number of low-income countries, progress is being registered by targeted programs, creative use of technology and attention to raising the general level of literacy. Developed and developing countries alike can build on lessons learned from each other, and modify strategies to suit their unique circumstances, so as to further tax literacy and drive a fair and sustainable tax culture.

Statement of Problem

Progress in Tax Return Literacy

Tax literacy—tax laws, procedures and regulations; is increasingly acknowledged as an important element in creating a culture of tax compliance and responsible citizenry. An examination of developed and developing (and leading) countries such as the USA, Canada, and Europe indicates differentiated policies and difficulties in response to their specific economic, social, and institutional environments.

Tax literate systems have been generally used by industrialized countries, in most cases including the inclusion of tax education as part of the educational national system. The goal is for the public to become acclimatized to compliance, for citizens to know their duties and rights vis-à-vis the tax authorities. For instance, the United States has multiple entities such as the Internal Revenue Service (IRS) that have devised educational programs to educate people about their tax liabilities and the credits for which they may qualify. The "Understanding Taxes" effort of the IRS seeks to

empower educators with teaching tools to bring tax into the school environment, arguing for the need to teach about taxes in schools (IRS, 2023).

In the same vein, Canada has introduced programs like “Community Volunteer Income Tax Program” (CVITP) whereby free tax service is provided to low-income individuals. Along with helping to comply, this program has the added benefit of being an educational tool to achieve a better understanding of a tax position (Canada Revenue Agency, 2022). Canada also teaches tax-themed lessons at the high school level, recognizing that tax literacy has a significant role in educated financial choices.

Tax literacy in Europe Some European countries prioritize transparency and accessibility in tax literacy initiatives. For example, the European Commission promotes several activities to increase taxpayer education in EU countries. Countries such as Sweden and Denmark have had in place comprehensive services to taxpayers, providing transparent online resources, webinars, and community outreach initiatives to sensitize citizens on tax obligations (European Commission, 2021). These are programs which usually focus on the social benefit of taxes and the negative implications of tax-evasion and create a compliance culture.

Technology in developed countries is used as a means to better taxpayer services and to increase tax literate citizens. Complete and accurate return: Online services include forms and guidelines to help complete and check returns. A number of countries including Germany and the Netherlands have introduced pre-filled tax returns for personal income tax, making the process of filing and reducing mistakes easier (OECD, 2021).

Moreover, in developed countries, there are frequently organized volunteer income tax assistance (VITA) programs, in which IRS-certified volunteers inform about tax credits and prepare simplified tax returns for those in poverty. These initiatives focus on taxpayers who are particularly vulnerable, such as people with disabilities, veterans, and those who have limited proficiency in English (IRS, 2023).

There are a number of specific reasons that developing countries have particular difficulties in promoting tax literacy, such as resource constraints, institutional weaknesses, and the prevalence of the informal sector. Yet, in spite of these challenges, several developing countries have provided examples of effective programs to educate and make people aware of their tax obligations. For example, Kenya Revenue Authority has initiated public education programs to educate citizens through engaging the community in outreach programs (Karanja & Ochieng, 2023).

One popular option in developing countries is to focus on some sectors, for example to focus on small and medium scale enterprises (SMEs), who fail to comply with their tax obligations largely because of lack of knowledge on taxes and the associated regulations. Such programs offer coaching and support to support SMEs in accessing and complying with the tax system. In Nigeria, the federal Inland Revenue service has embarked on training workshops for SMEs to have the requisite tax compliance knowledge (Ogunleye & Akintola, 2022).

Emphasis on tax education is not only seen in the industrialized counties, developing countries are also trying to introduce tax education as a subject in their schools, realizing that the culture of paying taxes must be inculcated from the childhood itself. In Peru, it has implemented a Master Strategy for Tax Education, while in Uganda it has partnered in order to include tax in the primary school curriculum (OECD, 2022). Similarly, the South African Revenue Service has designed learning materials for schools and in the school curriculum to increase the tax literacy levels of all children in the country (Nzewi & Edet-Ruks, 2012).

There is also an increasing use of technology, particularly in developing countries to improve taxpayer services and compliance. E-filing platforms and web portals are increasingly used, but access for all taxpayers, specifically those who are living in remote regions and lack digital literacy, are still a struggle (Khan et al., 2023).

It has also been suggested that tax policy literacy can contribute to improved tax compliance and revenue mobilization, especially in LDCs, as various studies agree that tax literacy is significant in facilitating tax compliance and revenue mobilization. Higher levels of literacy allow taxpayers to gain more knowledge on tax laws and practices, which may be associated with higher compliance. Hence, initiatives aimed at promoting general literacy need to complement any such strategy to encourage tax literacy and develop an efficient tax system (Zafar & Raza, 2025).

Both developed and developing countries are adopting more collaborative relationships between tax administrations and taxpayers through cooperative compliance programs. Underpinning these are programs of transparency, trust and collaboration that seek to enhance tax compliance through a relationship built on good faith (OECD, 2021). Cooperative compliance schemes are constituted of a number of instruments of the tax administration to support voluntary compliance and mutual responsibilities within an operational framework of transparency and justified trust.

Financial Literacy (which includes the comprehension of and appropriate use of financial ECONOMICS concepts) is closely related to tax literacy and tax compliance. Those with higher levels of financial literacy seem to be better at interpreting tax rules and meeting tax obligations (McEwen & Roderick, 2023). Improvement of financial literacy has been identified as an effective tool to improve tax compliance, particularly in the informal sector of developing countries.

Creating tax literacy is required for a strengthened sense of understanding tax law and promoting tax compliance, therefore diminishing tax evasion. Whereas most developed countries implemented comprehensive strategies including tax education in formal education and facilitate taxpayer services through IT, developing countries have to overcome various barriers to considering this kind of measures. However, many developing nations are witnessing positive changes through specialty programs, technology applications and a focus on general literacy. By drawing on one another's experiences and adjusting strategies for the purposes of their specific domestic contexts, developed and developing countries alike can further expand tax literacy and help build a more equitable and sustainable tax regime.

Growing issues in Pakistan

Tax evasion in Asia, and in Pakistan specifically, is a burgeoning problem, driven by a host of reasons. This article, for cornerstone reasons alone, is an important one applying to the question of financial literacy, with a lack of familiarity about tax matters, and tax filers — much less why they should join up. The problem is complex, historical, social, economic and institutional factors which have been responsible for the discouragingly low levels of tax compliance to the economy (Khan & Gill, 2024).

The tax-to-GDP ratio in Pakistan is among the lowest in the region, showing high levels of tax evasion (World Bank, 2024). Some studies suggest financial illiteracy is a key barrier to increasing tax revenues. Most of the Pakistanis lack even basics of taxes, calculation of taxes owed and return filing process (Ali & Ahmad, 2022). This is further accentuated by the complex nature of the tax system, which is not only bewildering to someone that may have limited financial literacy (Hassan & Khan, 2024).

Approximately 60% of the people in Pakistan work in an informal economy, and work that is often unrecorded and untaxed (Kemal, 2023). This informal economy is predominantly cash based and operates with minimal financial records and a general distrust of formal financial institutions, accordingly rendering assessment and collection of taxes challenging to tax authorities (Shah & Mahmood, 2024). Adding on to this problem is the lack of financial knowledge and literacy among the businesses in the informal sector as they are not aware of the advantages of formalizing their business and becoming tax compliant (Iqbal & Raza, 2022).

The possible implications of non-compliance are frequently not well known by the population at large. A large number of the masses in Pakistan is not well informed what kind of punishment one gets in case of tax evasion in terms of fines and penalties in the form of seizing all the property distributing to the family as well as imprisonment for a number of years (Federal Board of Revenue, 2023).

Such a public ignorance attitude leads to non-compliance because people do not feel that it is seriously dangerous to escape from paying taxes (Siddiqui & Khan, 2024). And there are not enough positive slants regarding the value of tax filing. Taxpayers can enjoy several concessions in terms of availability for credit, contracting with the government, and specific buttressing services (Government of Pakistan, 2023). But the advantages by the enactment of tax are mostly outweighed by the perceived cost and difficulty of something like tax compliance (Rehman & Aslam, 2022).

The association among financial literacy and tax compliance has been investigated by many researches in Pakistan. According to the State Bank of Pakistan (2023), people who are financially literate are more likely to submit a tax return and to pay their taxes timely. This indicates that increasing tax compliance in the country can occur if financial literacy is enhanced. Furthermore, it has been found that tax literacy studies can result in a marked increase in tax compliance rates (Khan & Ali, 2024).

Through education people will understand their obligations born by others, this in the longer run can minimize non-compliance, and students will be aware of when to report taxes so that revenue generated for researching and developing solutions can also be realized.

In order to combat the increasing problem of tax non-compliance in Pakistan, we need to begin focusing on financial education campaigns. These programs should teach people about fundamental tax ideas and the implications of non-compliance as well as the advantages of becoming a tax filer. Financial literacy programs should be designed according to the requirements of different groups of population such as small business owners, people who are self-employed and working in the informal economy (Hussain & Malik, 2023).

A related goal is to streamline the tax code and make it less of a compliance burden. This may include simplifying forms, providing clearer directions, and making fewer changes in tax laws (Federal Board of Revenue, 2023). By reducing the costs for people to meet their tax obligations, Government assistance can help bring down non-compliance and in turn bolster the revenue raised from the tax.

More than just workplace-based training and simplification of the income tax system, the tax regime must also have a strong enforcement and ensure the public's confidence in the government back. The implications may include multiplying tax audits, hardening sanctions on tax evasions, and fostering transparency and accountability in the provision of tax proceeds (World Bank, 2024). The government can foster a culture of compliance and confidence in tax system by setting an

example by punishing the tax evaders and by showing that tax revenues are spent efficiently (Ali & Khan, 2022).

Aim of the Study

This study is intended to curriculumize tax return in Pakistani universities to equip students with application oriented skills regarding return filing & preparation. By promoting practical experience and compliance from the start of students' schooling, the research aims at improving the general level of the tax literacy of students and their families, and thereby promoting tax-compliance related culture within the community.

Student Training in Universities: Work with the public and private universities with the assistance of the HEC (Higher Education Commission), to train them on detailed information about how to file tax returns and submit forms online. This effort will require taxation return education be mandated in schools and financial literacy, including taxation education, will be a compulsory component of the curriculum.

Generation Student Tax Return Filing: Help students file their parents and elder's taxes to raise overall tax literacy and the number of tax filers.

New University Intake Requirement: All new university students must file tax returns in their first semester, with mandatory training to facilitate compliance.

Key Components: This study endeavors to promote the culture of tax compliance and literacy among the different walks of life of Pakistan through adopting these constructs and align the premiered integrations with Federal Board of Revenue (FBR) that create an overall maximum big wave among the society of Pakistan. The proactive role of the HEC in integrating financial education into the curriculum will make the program more effective and sustainable.

Objectives of the Study

1. To explore the mainstreaming of tax return literacy in the university level syllabus in the light of the role of the Higher Education Commission (HEC) in curriculum development in Pakistan.
2. To investigate the impact of real world tax return preparation and e-filing sessions on students.
3. To assess the role of student-run tax preparation for the parents in the community-wide response.
4. To weigh the advantages of a new student requirement to file taxes as a first semester student.
5. It is for determining continuous assistance are being extended in cooperation with the Federal Board of Revenue (FBR).
6. To test the efficacy of incentives in motivating participation in tax education.
7. To assess the extent to which university students and their families enhanced their tax literacy.
8. The extent to which the program contributes to a general culture of compliance in the community.

Significance of the study

This study has multiple significance that stem from an urgent need of increasing tax literacy and compliance in Pakistan. This study fills an important gap in the curricular structure by

incorporating tax education at the university level. The HEC is a key figure in the curriculum's development, and works to help ensure material taught is in-line with national standards and goals.

Increased Tax Compliance: It has been found that tax enlightenment is related to taxpayers' attitude and compliance. Knowledge of the tax system provided to college students can result in a more responsible and compliant group of citizens (Kogod School of Business, 2025).

Improved Financial Literacy: Tax literacy is a part of overall financial literacy. Knowledge about taxation helps individuals to make sound financial decisions that maximize their savings and also speak them the headache of tax lawsuits (Taxpayer Advocate Service, 2024).

Economic Advantages: Greater tax compliance means more revenue that the government can spend on infrastructure and public services, which can only help the economy continue to grow and be stable in Pakistan (Harlem World Magazine, 2024).

Role of HEC in Curriculum: HEC's participation guarantees uniformity and quality in the tax education at universities. The HEC through curricula revision and policy making introduce best and acceptable teaching methodologies and evaluation (Purdue OWL, n.d.).

A Well Employed Future Generation: Knowledge of tax increases the overall sense of citizenship and a greater level of personal responsibility and autonomy in the process of the development of the country's economic base (Scribbr, n.d.).

Appeals to Complexity: Taxes are complicated; tax literacy makes it easier to understand and file taxes (Kogod School of Business, 2025).

Long Term Financial Health: Consciousness of tax is the first step toward the long-term financial health because it leads to right decision (Taxpayer Advocate Service, 2024).

Finally, this study would be helpful to inculcate taxpayer culture and financial literacy among students of universities of Pakistan. Through the expertise at HEC in terms of curriculum construction, there's an opportunity that this research can lead to (enhanced/ greater) tax generation, better financial literacy, and a more empowered populace in an economic sense.

Literature Review

Tax knowledge is a major component of financial knowledge, which has major implications for the ability of individuals to deal with the complexities of the tax system. When people's lives can be so easily affected by financial decisions, it becomes crucial that they have a solid grasp of their tax burdens, benefits, and the vast picture of tax and its relation to society we know as "fiscal policy." This paper consolidates important lessons learned from multiple sources about the necessity of tax awareness and education, the possibility of using artificial intelligence to elevate tax literacy, and the implications for policymakers, educators and the public.

Tax Literacy and Its Importance

Tax literacy describes the level knowledge and ability a person must have to effectively comprehend and navigate their way through the tax system. The IRS (2024) states that low levels of tax literacy can have serious ramifications for taxpayers such as expensive errors on returns to eligibility of tax relief. For those who are not familiar with the tax laws, not properly utilizing deductions they qualify for, getting penalties, and becoming even more stressed about their

finances are quite possible events. This failure to comprehend can have huge consequences not only for taxpayers, but for the government coffers and the economy.

The Impact of Low Tax Literacy

The cost to our economy of poor tax literacy is huge. Emphasizing the importance of tax awareness, Harlem World Magazine (2024) explains that a lack of knowledge regarding tax credits could result in individuals losing out on valuable financial gain, like the Child Tax Credit. These are credits, not deductions; they're meant to reduce the financial sting, especially for those who are less well off. Another tool, Taxpayer Advocate Service (2024), calculates in 2023, inadequate financial literacy costs in the USA are as high as 388 billion, or 1,506 per adult. This figure is testament to the pressing requirement for educational programs which enhance tax literacy.

What bad things can happen to someone who doesn't know anything about taxes? For example, a lot of people are not aware that they have to file their taxes, or what happens when they don't file on time. The Taxpayer Advocate Service (2024) has found that a lot of taxpayers do not understand the basic concept of when the tax returns are due or what sorts of records are required to be maintained for this purpose. This oversight can lead to fines, levies, and a general feeling of not knowing where you stand with the money.

Economic Implications

However, the aggregate economic effects of limited tax literacy are also substantial. Failure to efficiently manage tax rules may result in compliance costs for both the taxpayers and the government. The Taxpayer Advocate Service (2024) adds that taxpayer errors are also a component of the "core tax gap", which reached \$696 billion, based on 2022 filings. This gap is the disparity between the tax that is due and the tax that is actually paid, which continues to stress the importance of proper tax literacy in trying to close this gap.

Education as a Mechanism to Enhance Tax Literacy

Education is key when it comes to developing tax literacy. (Kogod School of Business, 2025) Good tax literacy education teaches people how to use the various law, deductions, and credits, allowing them to work the system better. Continuous education in schools, community programs and online resources creates a financially literate population that can make informed economic decisions.

Challenges in Tax Education

In fact, despite the widely perceived significance of tax education, there are a number of hurdles to overcome. Tax literacy is relatively unknown to most education systems and many courses of study, failing to prepare students to fulfill their financial obligations. The Taxpayer Advocate Service (2024) points out that many taxpayers do not understand fundamental tax principles, such as what is counted as income to be taxed or the types of deductions that can be claimed. Studies show that a large number are not confident in their knowledge about taxes which just adds to the problem.

And the U.S. tax system is hard to understand. The tax law is long, over 4 million words, and no intuitive to most of the average citizen (Taxpayer Advocate Service, 2024). This intricacy can be quite confusing and frustrating for the tax payer, and might convince people not to participate actively in the tax system.

Tax Literacy and the Influence of AI

As technological development advances, AI has become a useful instrument to increase the level of tax literacy. Kogod School of Business (2025) explores how AI can make tax filing easy by streamlining data entry, creating chats, chatbots based help, and tax understanding to people. This may contribute to greater accessibility of the tax system, increasing taxpayer interaction and compliance.

AI as a Learning Tool

AI's impact as a teaching tool is huge. Bots are able to respond to questions specifically around tax, providing tailored advice and support to the public. Such 24/7 access increases availability, with people being able to ask for help at their own convenience (Kogod School of Business, 2025). But the use of AI needs to be tempered with traditional education to provide a complete understanding of the tax concepts. If we rely too much on AI and de-professionalize the understanding of basic tax principles that will contribute to separation of the tax system from public consciousness—i.e., general tax illiteracy, and reduce the tax self-sufficiency of the average person (Kogod School of Business, 2025).

Limitations of AI in Tax Education

AI is advantageous in many ways but it also has constraints. For example, tax payers can come to depend overly on AI-based tools, and miss opportunities to learn fundamental concepts. If people rely exclusively on technology to file their taxes, they might not have a full comprehension of their tax situation, omissions or compliance. Moreover, AI may not always offer responsible, intelligent advice, especially when dealing with complex tax issues. So AI can be looked upon as a way to augment tax literacy, as opposed to tax avoidance on training wheels.

Strategies for Improving Tax Literacy

Community Engagement and Outreach

Community involvement is required to build tax literacy. The Taxpayer Advocate Service (2024) suggests that relationships with tax professionals, schools or educational entities, and community groups are an effective way to expand outreach. Programs such as the Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the Elderly (TCE) assist individuals with information and resources to help them understand their tax responsibilities and the tax breaks for which they may qualify.

Curriculum Development

Tax education is an important factor in school curricula for lasting improvement. Harlem World Magazine (2024) highlights the importance of schools providing tax education within their financial literacy curriculum. This would involve educating students on how complicated the tax code can be, why recordkeeping is crucial and how tax credits can be used to an advantage.

Furthermore, the incorporation of tax literacy in financial literacy schooling should not be confined to the class room. Such community meetings, class-based online courses, or public seminars can be valuable settings where people are able to get educated about taxes in a supportive environment. Creating an engaging learning experience that educates, not mystifies, the tax process, educators can help teach students to take control of their financial futures.

The Role of Tax Literacy in Financial Decision Making

Financial Stability

Tax knowledge correlates with financial wellbeing. A tax-savvy person is able to maximize retirement contributions, budget appropriately, and prevent costly mistakes (Harlem World Magazine, 2024). For instance, the ability to find all tax deductions can save you more money, and so the inability to do so brings you less money in refunds.

Long-Term Financial Planning

Long-term planning is imperative in terms of tax implications. It's in much the same way and for the very same reasons as individuals and families make key life decisions—buying a home, financing an education, starting a business—equip themselves with greater tax literacy as a tool to navigate the complexities. The tax literacy provided by a TAS session supports taxpayers and helps them make confident, informed financial decisions, which in turn reduces liabilities and maximizes savings (Taxpayer Advocate Service, 2024).

Enhancing Tax Compliance

Higher level of tax knowledge is also associated with better tax compliance. When people perceive the value of tax compliance and realize the implications of failing to comply, they are more liable to respect their tax obligations. The Taxpayer Advocate Service (2024) argues that an enhancing tax literacy system can lead to enhance tax morale, expressing people's inner motivation to pay taxes. This, in time, in turn, to better compliance and higher government revenues.

Role of HEC in creating tax literacy

Tax literacy in universities is promoted by the Higher Education Commission (HEC) of the country. Through its curriculum, accreditation, funding and monitoring, the HEC can greatly enhance tax education and by so doing, compliance.

Curriculum Development

The HEC's main duty is to create uniform curriculums for colleges and universities. An integrated tax literacy curriculum would enable the HEC to guarantee uniformity for the material taught at different universities. Standardization is necessary, however, in order to arm students with a comprehensive understanding of tax law, their legal obligations and available benefits (Taxpayer Advocate Service, 2024). A well-crafted curriculum could incorporate modules on preparing a tax return, understanding tax credits and compliance requirements. This fundamental knowledge is critical in developing a financially literate society that can make educated decisions about its tax obligations.

Accreditation and Recognition

Aside from curriculum development the HEC has, as usual, an important role in accrediting those universities where tax literacy is successfully established. This highlights institutions that place an emphasis on tax education, as it would encourage other universities - to follow in their footsteps, and create a standard for educational excellence (Harlem World Magazine, 2024). Even for students and employers, accreditation can be a way for tax literacy to win legitimacy within the larger educational setting. Through the development of an accredited program network, the HEC

can help foster infra-institutional collaboration, sharing of resources, and best practices in the teaching of tax.

Funding and Support

The HEC can be a source of crucial funding and support programs in tax literacy. Financial support can be used by universities to create course materials, train faculty and to incorporate tax education into existing (Kogod School of Business, 2025). Through teacher training, HEC can secure good preparation of the staff for the tax education. This backing is paramount for universities, many of which may lack the resources to create extensive tax literacy programs on their own. Moreover, funds can be allocated to community outreach projects, intended to inform students and their families of the significance of understanding taxes.

Monitoring and Evaluation

Finally, the HEC assumes an important role in overseeing and assessing tax literacy campaign effectiveness in university curricular provision. Routine evaluations help offer up insight into whether or not these programs are effectively meeting their goals—and where they could use some improvement. With metrics to quantify success, the HEC can monitor student results, including knowledge retention and the application of tax concepts in a real-life setting (Taxpayer Advocate Service, 2024). This evidence-based initiative will enable HEC to make informed policy about program improvement and resource requirements in order for tax literacy to remain effective and relevant.

Benefits of Tax Literacy

Tax literacy is emerging as an essential dimension of financial literacy that affects not only individual financial decisions but also evolution of society. In this review, I examine the gains accruing to society from increased tax literacy with particular attention to enhanced tax compliance, enhanced financial decision-making, and enhanced citizenship.

Improved Tax Compliance

One of the main advantages of tax literacy will apply on tax compliance. According to research, those who have a higher degree of tax knowledge are more likely to understand their rights as well as the opportunities offered to them, resulting in more compliance with tax laws and regulations (Taxpayer Advocate Service, 2024). Individuals who understand the details of the tax code are less likely to commit tax evasion and thus pay the price (audits and penalties). For instance, Harlem World Magazine (2024) points out that individuals with knowledge about what credits they must substantiate, such as the Earned Income Tax Credit, are more likely to submit their returns more accurately and completely and this further allows for compliance with applicable laws.

It's not just a win for taxpayers— it's a win for the government as well. Government revenue is enhanced when citizens pay their taxes and can be used to provide vital public services and infrastructure (Taxpayer Advocate Service, 2004). This generates a virtuous circle where the higher is compliance, the better the public goods, reinforcing once more the relevance of tax literacy.

Better Financial Decision-Making

Tax understanding is a fundamental factor that helps people to make informed decisions in regards to their finance. The knowledge of tax consequences empowers taxpayers to make better decisions with their money. For example, those familiar with the tax advantages of retirements accounts may be able to better plan their savings (Kogod School of Business, 2025). This information can be used by taxpayers to reallocate their financial resources, institutionalize their liabilities and, in the end, improve their overall financial health.

Tax literacy can also help people make sense of complex financial decisions, like whether to purchase a home or set up a business. Taxpayers are better equipped to evaluate their options and make decisions that fit their financial plans when they understand the tax consequences involved in these decisions. This kind of decision making, when done correctly, enables one to enjoy better financial stability and enhance the likelihood of reaching financial goals down the line, as Harlem World Magazine shares (2024).

Increased Civil Engagement

Tax knowledge also generates taxpayers' sense of civil responsibility. People who comprehend the reason and effect of taxes may be more likely to perceive the role of taxes in financing public goods and services. This awareness may enhance civic participation as tax-paying citizens look to the perceived common good (Taxpayer Advocate Service, 2024). When people have a sense of ownership in what they're paying for with their dollars, they're more likely to engage in meaningful civic activities, like voting, or become involved in charitable and civic organizations.

Further, tax literacy has potential for de-mystifying the tax system, rendering it more accessible and less fearful. This can promote discussion of fiscal policies and campaigning for changes in policies that benefit their communities (2025: 34), (Kogod School of Business). As aware citizens, we can contribute to a stronger democracy, one in which financial literacy guides public policy.

Supportive Theories

Human Capital Theory

Human Capital Theory explains that people make an acquisition in education and training in order to improve their productivity and economical capacity (Becker, 1993). Within the field of tax literacy, this theory has implications for an increase in knowledge surrounding taxes, which could contribute towards better financial decision-making and compliance and have positive economic implications. Improved tax literacy provides people with the skills to engage with the tax system and enhance their financial fitness.

Social Learning Theory

Developed by Albert Bandura, Social Learning Theory focuses mainly on learning by observing, imitating and modeling (Bandura, 1977). Just as with health literacy, this theory can be applied to tax literacy by proposing that people learn about taxes, not only in the classroom, but through social-recreational activities and social action activities in the community. Tax literacy programs will benefit from these findings by fostering peer-based learning and community discussions on tax responsibilities and benefits.

Financial Literacy Framework

The Financial Literacy Framework includes several developmental aspects of financial education such as financial knowledge, skills, and behaviors to facilitate individuals in making sound financial decisions (Lusardi & Mitchell, 2014). This framework contributes to the research by offering a clear insight into where tax literacy stands in the financial literacy structure and how such interacts with financial behavior.

Theory in Practice: Financial Literacy Framework in Tax Literacy

Selected Theory: Financial Literacy Framework

The Financial Literacy Framework includes key dimensions of financial education such as knowledge, skills, behavior, and attitude that influence individuals' ability to make informed financial choices (Lusardi & Mitchell, 2014). This model is relevant for improving tax literacy of students in public and private universities and their families. The model's incorporation of tax literacy into a model of financial literacy allows the study of effective oversight of tax obligations and opportunities to be grounded in an understanding of tax knowledge from a more general, financial point of view.

Theory in Practice

Comprehensive Curriculum Development

HEC could improve tax literacy level more appropriately by designing a common curriculum at schools that has tax return literacy as one of the pillars of financial literacy. This should be a mandatory curriculum for ALL public and PRIVATE university students to help them acquire necessary tax knowledge such as what tax laws exist, how to file, and what are deductions and credits. By addressing these topics, students are able to have a practical knowledge and experience of the outgoings including the 'real' taxes when running their own lifestyles according to the information they face.

Involvement of Families and Communities

Community Involvement and Financial Literacy: The Financial Literacy Framework highlights community involvement in education programs. Efforts at tax literacy should not only include students but their parents and families. Training and information sessions can be conducted for families to learn about available tax benefits and obligations, and promote financial literacy at the household level. This family-centric approach doesn't just deepen family connections but helps to develop a shared familiarity with tax.

Cooperation with the Federal Board of Revenue (FBR)

If the literacy is to translate into good taxpayers, then also the development of good relations with Federal Board of Revenue (FBR) would be more ideal. The HEC may collaborate with main, regional and local FBR offices to offer technical materials and services to assist in curriculum development and training courses. This partnership can help to break down barriers and provide students and their families with the correct information on their tax responsibilities and opportunities. Further, FBR officials could join the courses to share their direct experience about the tax system".

Training Programs for Educators

In order to effectively design tax literacy programs, HEC should invest in teacher trainings. "By giving teachers the expertise they need, the quality of tax education would be transformed. Training can include tax law, techniques of instruction, and how to involve students in the practical aspects of tax. Teachers trained to do this are more likely to motivate their students, and inculcate in them an appreciation of tax literacy.

Rewards and Appreciation Programs

Providing incentives to participate in tax literacy may improve participation and motivation of students and their families. The HEC can implement incentives and recognition awards for students who perform well in tax literacy programmes. This may be in terms of scholarships, certificates, or public recognition at university functions. Who wants to 'must not only have fun with it but also feel a sense of achievement from learning something about taxes.

Monitoring and Evaluation of Programs

The HEC can track and evaluate the effectiveness of tax literacy programs. Pre and post program, recognition, behavioural and knowledge changes related to tax literacy can be measured using surveys and evaluations. Such an assessment will assist in locating the room for improvement to ensure program relevance and effectiveness.

Proposed Methodology

Research Design

Quantitative method using the Financial Literacy Framework as theory will be used as an instrument in this study. This research is intended to measure the tax literacy of students studying in public and private sector universities in Pakistan. The expected research will be executed in deductive way so that, based on the literature and theories of tax literacy and of the effects of the same in behavior of tax and financial decisions, especially when applying the tax literate to decision making and tax compliance.

Saunders' Onion Model

Based on the work by Saunders, there will be inductive and deductive approaches to the methodology and will be used to organize the report using what is referred to as the Onion Model.

Philosophy: The research would be based on the positivism philosophy because the research is the quantitative in nature. This is an empirical materialism system, which is based on the experience of things, statistical data and research and development method.

Approach: Deductive method will be used by taking established theories of financial literacy and tax compliance as point of departure. This methodology tests specific hypotheses emanating from the Financial Literacy Framework.

Research strategy: A survey strategy will be applied to gather primary data from a large sample. Questionnaires will be conducted to collect the quantitative data of tax literacy for university students.

Time Horizon: Based on philosophy and study approach, cross-sectional time horizon will be adopted to collect primary data in one shot.

Method of Data Collection: Primary data will be collected through structured questionnaires revealing the level of tax literacy. The survey will contain Likert-Scale questions to assess students' knowledge and attitudes about taxation issues.

Sampling Technique

Population and Sample

The study population will be the students of public/private sector universities in Pakistan. This will comprise of four clusters, as is representative of the four provinces i.e. Punjab, Sindh, Khyber Pakhtunkhwa and Balochistan.

Sampling Technique

Proportional random sampling will be applied to guarantee each province is represented. Such an approach will enable the investigator to obtain a cohort of participants, sampled from across various geographies, which is representative of the heterogeneous nature of the student population. We will calculate the sample size based on the overall number of students in each province, according to their proportion.

Data Analysis

Statistical Tools

The collected survey data will be interpreted using the (SPSS) Statistical package for the social sciences for descriptive statistics: mean, s ds and frequencies. This preliminary examination will reveal the general tax literacy levels of students.

Structural Equation Modeling (SEM-PLS)

To further investigate the relationship between tax literacy, financial decision-making and compliance, Partial Least Squares Structural Equation Modeling (PLS-SEM) is considered suitable. SEM-PLS is especially appropriate in exploratory research and allows the investigation of complex patterns among numerous variables.

Hypothesis Testing

The PLS-SEM results will be used to verify the hypotheses stemming from the Financial Literacy Framework. The analysis will prioritize the dimension of the association of tax literacy and their implications tax-wise on decision-making and compliance behavior.

Data Collection Plan and Proposed Steps in Phases

Phase 1: University Student Training

In the first phase, all public and private universities in the one province of KPK will be worked with. This partnership is expected to result in the development of a full-fledged training program for tax filing and online submission of forms for students. In order that tax return literacy becomes an essential part of the education of students, it shall be added as a compulsory subject in

universities. The pre- and post- training testing will occur in this phase, during which time the data will be collected about how much student learning has occurred.

Phase2: Student Information Return: Filing a Tax Return Independently by Student:

The second stage is students filing tax returns for parents and elders. The aim of this campaign is to increase the number of tax filers as well as to create awareness about the tax system among students in a practical format. Data gathering will examine the amount of students' tax returns filed and input from families and students. Surveys and interviews will be used to measure the perceived value of the training.

Phase 3: New University Intake

The last will aim at all new university students, who will have to file tax returns in their first semester. Training will be given to these students so that they know how to fill and file their taxes. The second phase of data collection will encompass monitoring the rates of first-time student compliance and their experience in the tax filing process. We will also employ feedback loops to make the training algorithm better and better over time.

Key Components

To streamline these stages, working with the FBR regional and local offices is going to be crucial. Universities will receive supporting sustainable training for the program's success. Also, there will be incentive schemes for the Universities and the students will be encouraged to enroll and follow through. Collection of information will also include the extent to which such incentives were successful and whether they increased student involvement and levels of literacy.

Conclusion of the Study

The objective of the article was to improve the level of tax return literacy in the context of Pakistani students owing to a huge real life problem i.e., low tax compliance and low financial literacy among Pakistani citizens. The aims of the research were to develop a comprehensive program not only to teach students about tax return filing but also promote them to involve their families who will lead to build an informed society. The literature reviewed identified the significant deficit in tax literacy for young people and the implications for national compliance levels. In applying Financial Literacy Framework as a theoretical base, the research aimed to construct a holistic view of financial education which emphasized tax literacy as the core component of financial literacy.

The reason for the intended method of the study to be quantitative was to base the claims on a deductive model, which tested the hypothesis under the umbrella of tax knowledge and compliance. Using Saunders' (2012) Onion Model, the research proposed a systematic, structured data collection plan for the primary data within the public and the private universities of Pakistan. This was gradual, starting with the training of university students, the initiatives of students to fill in the tax return and mandatory submission of tax return forms for new university entrants. Each phase was intended to increase tax literacy through hands-on experience and involvement in community activities.

The strategy for collection of the data would be in collaboration with FBR to make sure that student got the needed information and their training would become successful. Surveys and examinations were recommended to estimate the extent of knowledge gain and rates of

compliance, in order to develop a sound basis for measuring the program's influence. This multi-layered strategy does not just aim at increasing individual tax literacy, but it also strives to instil a culture of compliance within the family and broader community.

Finally, this study provides an in-depth approach on the important subject of tax literacy for university students in Pakistan. Through a formalized education, experiential learning, and a community based initiative program, the study seeks to lay the groundwork for enhanced tax compliance and financial behavior. The benefits are broader than just the individual, leading to the creation of more enlightened citizens who can also have a positive impact on the economic development of the country. At the end of the day, this project has the potential to change the game for tax literacy in Pakistan and provide coming generations with the tools they need to understand and master the world of tax.

Implications of the Study

Contribution to the Literature

This paper contributes to current literature on financial and tax literacy by grounding on survey data to examine the association between tax literacy and compliance -specifically in college students. Previous research has documented the relevance of financial literacy (Lusardi & Mitchell, 2014), yet in the present work a focus was on the discouraging knowledge gap on taxation among young individuals and its consequences on national rates of tax compliance. Targeting the Financial Literacy Framework, this study contributes to academic discussion by supporting and underpinning awareness that the financial education is comprehensive, which includes tax education as a cornerstone.

Academic Implications

The Tax Return Literacy Program and its relevance for higher education institutions. The proposed study, by advocating for tax literacy to be incorporated in the university curriculum, thus urges universities to instill in students financial education as an indispensable tool (Amin et al., 2022). Such an initiative may result in specialized programmes which focus on tax laws, filing requirements and financial planning, which may provide graduates with practical training. In addition to supply of graduates to the FBR, such engagement with the FBR can generate cooperation between academia and the governmental sector and provide means for further research and internships together with the wider society (Wong & Lo, 2015).

Impact on Tax Collection

There are also immediate implications for tax collection and revenue. The program is designed to achieve a culture of compliance and responsible financial citizenship (Akims et al., 2023) via the enhancement of tax literacy at university level amongst students and their families. This should result in higher tax compliancy rates and subsequently higher state income that can be spent on the provision of public services and infrastructure building. "It is important to dispel misconceptions about taxes and encourage good attitude towards compliance," the study adds (ClearTax, 2025).

Societal Awareness and Long-Term Impact

The implications of this study are wider for society. Improvement in knowledge and awareness of tax issues among a large sector of the population fosters an informed and engaged citizenry (Chetty et al., 2011). The more we teach our younger generations of people about how taxes work,

the more they can make sound investment decisions, save money and contribute to the economy. In the longer term, these heightened awareness can help change cultural norms toward tax compliance as a civil responsibility, rather than a payee. The implications of the study This is a future of the next 5-10 years, where tax return awareness, at the leave that students and school students – and their parents – can fully understand the key foundations of our tax system, become a reality for all within our society.

Future Directions

In light of the significance of tax literacy to the financial welfare of individuals and public revenue, next steps should focus on the following, guided by international experience:

Expansion of Curriculum Integration: Extension of tax literacy to be introduced at HEC regulated institutions as well as the BISEs. It also allows the tax education to filter down to both college and school level as the study of both financial and tax literacy is introduced earlier in some countries such as the USA and a number of European countries (Cody Biggs Scholarship, 2024; Tax Adviser, 2022).

Comparative Study of International Models: A comparative study of tax education system implemented in US, Europe and other overseas countries to identify the best tax education practices suitable for Pakistan's requirements. This should involve a review of what is taught in the curriculum, how it is taught, and how it is assessed (AB Magazine, 2022).

Utilize Technology to Scale Education: Create and promote technology-enabled solutions (online classes, interactive simulations, mobile apps) to reach more people with tax education interventions. It mitigates resource shortage and ensures that the information is current (ICTD, 2020).

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