



TRANSPARENCY INTERNATIONAL-PAKISTAN

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1st March, 2018

Chairman,
Federal Board of
Revenue,
Islamabad.

Sub: Request to stop the proposed Tax Amnesty, by paying 3% Tax to FBR.

Dear Sir,

Transparency International Pakistan refers to the Prime Minister Shahid Khaqan Abbasi announcement on 17th January 2018 that the government will offer an amnesty scheme for Pakistanis to declare their foreign assets, and reduce tax rates to broaden the tax base and address challenges on the external and fiscal fronts, ahead of next year's budget and the upcoming general election. "We will bring a one-time amnesty scheme," said the prime minister, confirming recent reports that the government was working on a scheme to allow Pakistanis to declare their assets abroad. (Annex-A).

On 28th February 2018, Daily Jang has reported that the government after the Senate Elections will announce the tax amnesty scheme for Pakistanis to declare their foreign assets by paying only 2% or 4% tax.

28 Feb 2018 12 noon

اسلام آباد (حنیف خالد) وفاقی حکومت عنقریب ڈیکلریشن آف اوورسیز ایسٹس ایمنسٹی اسکیم کا امکانی طور پر اعلان کرے گی اس حوالے سے ذرائع نے جنگ کو بتایا کہ سینٹ کے الیکشن کے بعد سمندر پار مقیم پاکستانیوں کے اوورسیز اثاثوں کی ڈیکلریشن کی ایمنسٹی اسکیم باقاعدہ طور پر جاری کرے گی ذرائع کے مطابق ریڈیڈنٹ/ نان ریڈیڈنٹ پاکستانی اپنے بیرون ملک اثاثہ جات بنک اکاؤنٹس ڈیکلر کر کے پاکستان لائیں گے ان سے اثاثہ جات کی ٹوٹل ویلیو کا تخفیف شدہ دو فیصد ٹیکس لیا جائے گا اور جو پاکستانی ریڈیڈنٹ/ نان ریڈیڈنٹ باہر والے اثاثہ جات اس اسکیم کے تحت ڈیکلر کر دیں گے مگر پاکستان نہیں لائیں گے ان سے چار فیصد تخفیف شدہ ریٹ پر ٹیکس وصول کر کے ان کو قانونی قرار دیا جائے گا اس سلسلے میں یہ بھی معلوم ہوا ہے کہ اندرون ملک پاکستانیوں اور تاجر برادری فیڈریشن آف چیمبرز تمام چیمبرز، قانونی ماہرین، چارٹرڈ اکاؤنٹنٹس کے مطالبے پر اندرون ملک اثاثہ جات بنک اکاؤنٹس وغیرہ کے ڈیکلریشن پر بھی حکومت ایمنسٹی دینے پر کم و بیش تیار ہو رہی ہے جسکا اعلان سینٹ کے الیکشن کے بعد کسی بھی وقت کیا جائے گا۔



(Annex-B).

The most lamentable and shocking aspect of this provision is blatant discrimination under Article 25 of the Constitution of Islamic Republic of Pakistan--it is a slap on the face of all honest taxpayers, who have been paying taxes diligently

Mr. Umar Cheema had informed in his article in January 2016 about how the TAX Evaders availing Tax Amnesty Scheme in 2008 transferred their illegitimate money, whitened by FBR in Pakistan, to US and invested in real estate. **(Annex-C).**

- i. A budding entrepreneur of a leading business family in Pakistan popped up on the radar of American tax authorities in 2008 to invest 23 million dollars in the real estate of New York.*
- ii. Upon questioning about his funding source, he said the money was brought from Pakistan. The investigators subsequently wrote to Federal Board of Revenue inquiring whether the transferred funds were taxed in Pakistan or not.*
- iii. An amnesty scheme of the PPP government was in the offing by the time allowing rich Pakistanis to whiten black money by paying only two percent taxes. It could generate only Rs. 2.8 billion; of this amount, Rs. 40 million was contributed by the scion of the rich family facing the inquiry in America.*
- iv. The FBR, instead of using this opportunity to recover the due amount of tax, wrote to its counterpart in the US that the money was taxed in Pakistan without mentioning that the person under question was the beneficiary of an amnesty scheme and had not paid a penny before, revealed an official privy to details.*
- v. Here questions arise about the efficacy of amnesty schemes and whether the latest move by the PML-N government for luring traders into the tax net through yet another amnesty will be beneficial in the absence of FBR reforms.*

Note: 'In 2008 it is reported that an individual paid Rs. 40 million to whiten US \$ 23 million' FBR statement quoted by Umar Cheema. This needs to be probed. FBR has to explain whether in the 2008 Amnesty Scheme, the illegal money was allowed to be remitted after FBR whitened it? If not, why FBR did not take action on report from US Government. In Panama Papers 4 offshore companies of this person family have been exposed by ICIJ,

The Chairman FBR is requested to stop this Tax Amnesty Scheme, as it is not only un-constructional, but also a case is pending in Supreme Court of Pakistan against Pakistanis named in Panama and Paradise List (Enclosed).

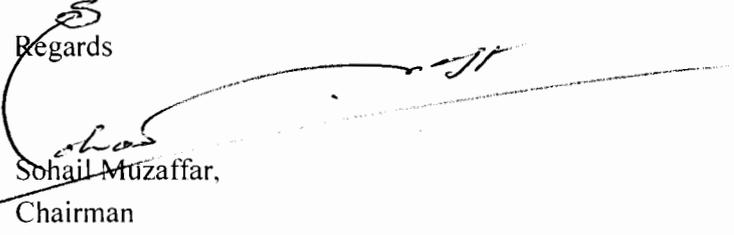
On 23rd November 2017 a two member bench headed by Justice Ejaz Afzal heard petitions on Thursday against 436 Pakistanis mentioned in the Panama Papers, and the Supreme Court has issued notices to the federal government and National Accountability Bureau on petition against all the Pakistanis whose names are mentioned in the Panama



Papers. The names include Adviser to PM, MNAs, Senators, Judges, Govt. Servants, businessmen and Media persons.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

Regards


Sohail Muzaffar,
Chairman

Enclosed Annex-A, B,C,

Copies forwarded for the information and action under rules to,

- 1 Secretary to Prime Minister, Islamabad,
2. Chairman, NAB , Islamabad.
3. Federal Secretary, Ministry of Finance, Islamabad
4. Auditor General Pakistan, Islamabad.
5. Registrar Supreme Court of Pakistan, Islamabad

Complete list of Pakistanis named in Panama Papers

Published: May 10, 2016

The International Consortium of Investigative Journalists published a fraction of the data leaked under the Panama Papers investigation, naming 259 Pakistanis as the beneficiaries of offshore holdings on Monday. While some of the proprietor's names were simply put as "The Bearer", some more were repeated in the search results. All the names are listed below:

1. Muhammad Haroon Mahmood
2. Mohammad Azam Ali
3. Romana Sher Zaman Lodhi
4. Khan Amir Saleem Anwar
5. Bashir Dawood
6. Mariyam Dawood
7. Fatima Taqi
8. Muhammad Bakar Gokal
9. Rashda Tariq
10. Khaliquz Zaman Khan Lodhi
11. Amina Bakar Gokal
12. Aynah Adil Jaffer
13. Maryam Adil Jaffer
14. Farah Dawood
15. Muhammad Talha Mahmood
16. Tasneem Tanveer Awan
17. Khan Nasir Saleem Anwar
18. Ambreen Haroon
19. Tanveer Sultan Awan
20. Abdul Kader Jaffer
21. Moonis Elahi
22. Ali Naqi Taqi
23. Tariq Salam
24. Amin Mohammed Lakhani
25. Sajjad Bakar Gokal
26. Nazim Fida Hussein Haji
27. Amer N Haji
28. Adil N Haji
29. Maha Abedi Dadabhoy
30. Naveed
31. Peter McDiarmid
32. Imran Riaz
33. Mariam Bakar Gokal
34. Ismathunissa Mumtaz
35. Omer Adil Jaffer
36. Khan Tahir Saleem Anwar
37. Bashir Dawood, Mariyam Dawood & Farah Dawood
38. Fauzia Bakar Gokal
39. Iftikhar Ahmed Zahid
40. Mehreen Akbar
41. Mohammad Shaukat
42. Habib Ahmad
43. Mehboob Ahmed Sheikh
44. Shahid Shafiq
45. Ahsan Shafiq
46. Amir Shafiq
47. Shehzad Shafiq

48. Shan Faisal
49. Yousuf Jan Mohammad
50. Aftab Lakhany
51. Jawed Lakhani
52. Raazia Ajmal
53. Raazia Ajmal
54. Humayun Khan
55. The Bearer
56. The Bearer
57. Ullah Zahir
58. Iqbal Khan
59. The Bearer
60. Mir Shakilur Rahman
61. Feroze Sayeedud Deane
62. Maya Inayat Ismail
63. Abdul Samad Dawood
64. Younus Zakaria Tabani
65. Rukhsana Chaudhry Tabani
66. Shazada Dawood
67. Samina Durrani
68. Samina Durrani
69. Majid Ahmad Khan
70. Osman S Khan
71. Sabahat Zahid
72. Mahin Hasib
73. Saleem Mohyud Din
74. Muhammad Farooq Naseem
75. Mahin Hasib
76. Mohamed Ashraf Abouldahab
77. Saleem Mohyuddin
78. Saad Ali
79. Zahid Rafiq
80. Javed Ahmad
81. Shamaila Nasir
82. Shams Nasir Pirzada
83. Humayun S Khan
84. Hussain Dawood
85. Mariam Zubair Khan
86. Aqueela Mumtaz
87. Sheikh Maqbool Ahmad
88. Syed Muhammad Ali
89. Imran Ali, Sher Ali & Hussain Ali
90. Navaid Malik
91. Khalid Hussain
92. Irum Hasib
93. Jehamgir S Khan
94. Sheerin Shahid
95. Shahid Abdullah
96. Shayan Abdullah
97. Nosheen Riaz Khan
98. Waseem Khalida Khan
99. Mohammand Yousuf Ahmed
100. Salma Yousuf
101. Zulfiqar Paracha
102. Arif Aziz
103. Yousef Abdullallah
104. Usma Yousef

105. Shahid Rashid Soorty
106. Nargis Rashid Soorty
107. Zahid Rashid Soorty
108. Syeda Zheelan Zahid
109. Mehreen Akbar
110. Asad Mahmood Ali
111. JT Khan
112. Jawaid Tariq Khan
113. Abdul Rashid Soorty
114. Nargis Shahid Soorty
115. Shahid Rashid Soorty
116. Abida Zulfiqar
117. Abdul Rashid Soorty
118. Pir Ali Gohar
119. Mohamed Zaffrullah Khan
120. Umer Aziz
121. Humayun S Khan
122. The Bearer
123. The Bearer
124. The Bearer
125. Mehr E Azam
126. The Bearer
127. Sadaf
128. The Bearer
129. The Bearer
130. Ayaz Thaver
131. Gulnoor Ayaz Thaver
132. Osman Khan
133. Aqueel Hassan
134. Naeem Aslam Chowdry
135. Ali Siddiqui
136. Fatima Waqas Paracha
137. Muhammad Aly Saifvllah Khan Shahzaib Akhtar
138. Javed S Khan
139. Salim S Khan
140. Samia Roomi
141. Salim Khan
142. Chaudhry Muhammad Aslam
143. Shamoos S Aslam
144. Nadeem Ahmed Jeddy
145. Nizar Mohammed
146. Noor Mohammed Ebrahim
147. The Bearer
148. The Bearer
149. The Bearer
150. The Bearer
151. The Bearer
152. The Bearer
153. The Bearer
154. The Bearer
155. Salman Ahmed Tabba
156. Gul Muhammad Tabba
157. Fazal Khan
158. Anwar S Khan
159. Amer Abdullah
160. Ali Abdullah
161. Ambareen Amer

162.Tanwir Hassan
163.Javed Saifullah Khan
164.Anwar S Khan
165.Osman S Khan
166.Sara Adnan Paracha
167.Iqbal S Khan
168.Syed Mahmood Ahmed
169.Syeda Sakina Bukhari
170.Ijaz Rashid
171.Zain Iftikhar Sukhera
172.Abid Ahmad Khan Bhatti
173.The Bearer
174.The Bearer
175.The Bearer
176.Mehreen Akbar
177.Shahid Iqbal
178.Rubina Haider
179.Riaz Haider
180.Imitiaz Majeed
181.Javed S Khan
182.Azfran Hasan
183.Irum Hasib
184.Fissal Atique
185.Askara Abbasi
186.Atique Ahmed
187.Javed Khan
188.Iqbal Khan
189.Anwar Khan
190.The Bearer
191.Ilyas Mehraj
192.The Bearer
193.The Bearer
194.The Bearer
195.Javed Khan
196.The Bearer
197.Salim Khan
198.Mehreen Muddassir Paracha
199.Nadeem Iqbal Saigol
200.Hussain Haji
201.Azim Mohammad Haji
202.Humayun Khan
203.Javed S Khan
204.Hamid Ullah
205.The Bearer
206.Anwar S Khan
207.Iqbal S Khan
208.The Bearer
209.Anwar Khan
210.Irshad Ali Mian
211.Waseem Gulzar Chaudhry
212.The Bearer
213.The Bearer
214.The Bearer
215.Mehreen Akbar
216.Musa Khan
217.Hanif Muhammad
218.Jehangir Khan

219. Jehangir Saifullah Khan
220. Faisal Farid
221. Muhammad Iqbal
222. Nadeem Abdullah
223. Noshaba Nadeem
224. Nabeel Abdullah
225. Mahin Hasib
226. Irfan Puri
227. Atique Ahmed
228. Mahin Hasib
229. Mohammad Abdullah
230. Shamsheed Begum
231. Jehangir Saifullah Khan
232. Muhammad Shoaib
233. Khalid Hussain
234. Ijaz Rashid
235. Shamsheed Begum
236. Ambareen Amer
237. Rubina Riaz
238. Usmā Yousef
239. Jehangir Saifullah Khan
240. Yousef Abdullaah
241. Abida Zulfiqar
242. Zulfiqar Paracha
243. Shamalia Nasir
244. Hamid Ullah
245. Fazal Khan
246. Shams Nasir Pirzada
247. Shahid Abdullah
248. Saba Obaid
249. Fatima Waqas Paracha
250. Amer Abdullah
251. Riaz Haider Ali
252. Irshad Ali Mian
253. Mehreen Muddassir Paracha
254. Mohammad Abdullah
255. Sara Adnan Paracha
256. Dr Kamran Kamal
257. Sadaf
258. Ali Abdullah

Published in The Express Tribune, May 10th, 2016.

Former PM Shaukat Aziz among 135 Pakistanis named in Paradise Papers

Monday Nov 06 2017

Names of several Pakistanis, former prime minister Shaukat Aziz among them, have surfaced in the new database of documents, Paradise Papers, released by the International Consortium of Journalists Sunday night.

The Paradise Papers reveal data of over 25,000 companies spanning 180 countries, from 1950 to 2016. Around 381 investigative journalists from 67 countries worked extensively to bring facts about the Paradise Papers before the people. Senior News reporter and ICIJ member Umar Cheema was also part of the team which unearthed the Paradise Papers.

The leak, which includes 13.4 million documents, comprises a major part of documents leaked from company 'Appleby'. The documents were obtained from two companies in Singapore and Bermuda by a German newspaper and shared with the ICIJ.

Also read: [ICIJ releases another database revealing offshore companies](#)

According to a report in [The News](#), as many as 135 Pakistani individuals with accounts in a Swiss bank were also identified which they either created in their own name or through offshore companies.

Some of the prominent individuals:

Former PM Shaukat Aziz

Aziz was an employee of Citibank before becoming Pakistan's finance minister and then prime minister in General (ret'd) Pervez Musharraf's government.

He was one of the shareholders and directors of Bahamas-registered Cititrust Limited from 1997 to 1999, along with other executives of the bank.

In 1999, Aziz was appointed finance minister and created the Antarctic Trust. The Antarctic Trust's beneficiaries include Aziz's wife, their children and granddaughter.

Pakistani President Pervez Musharraf (right) and Prime Minister Shaukat Aziz, are seen at a National Command Authority meeting in Rawalpindi, in this August 2, 2007 photo via Reuters/ISPR.

Aziz had set up the trust in Delaware (USA) before becoming finance minister. Interestingly, the trust was neither declared to the tax and election authorities during his stint as finance minister nor as prime minister. Speaking through his attorney in New York, Aziz said that he didn't have to declare the trust in Pakistan as he was a settlor.

When asked if his wife or children declared the trust, he responded that they didn't have to declare because they were beneficiaries, not the beneficial owners.

Aziz served as prime minister from August 28, 2004, to November 15, 2007.

Aziz settled abroad after his tenure came to an end in 2007.

NICL chairman Ayaz Khan Niazi

Moreover, former National Insurance Corporation Limited (NICL) chairperson Ayaz Khan Niazi has also been identified in the records in connection with four offshore holdings in the British Virgin Islands.

One of them was a trust, Andalusian Discretionary Trust, while the other three were set up as companies: Andalusian Establishment Limited, Andalusian Enterprises Limited and Andalusian Holdings Limited.

Ayaz Khan Niazi. Photo: File

All the three companies were set up in 2010 when Niazi was the NICL chief.

In the record, however, Niazi's two brothers, Hussain Khan Niazi and Muhammad Ali Khan Niazi, were shown as the beneficial owners, whereas Ayaz along with his father Abdul Razaq Khan and mother Fauzia Razzaq acted as directors.

The NICL scandal, which made headlines in Pakistan during Niazi's tenure, pertained to financial embezzlement by Niazi, then commerce minister (late) Makhdoom Amin Fahim and several bureaucrats in purchase of official land.

The case is yet to be decided.

Businessman Sadruddin Hashwani

Sadruddin Hashwani, a leading business magnate in the hoteling and oil industry, owns one company in Barbodas and Cayman Islands each. They are: Bowenergy Resources (Pakistan) SRL and Ocean Pakistan Ltd.

Sadruddin Hashwani. Photo: File

Documents show the companies were used for securing hefty loans from Standard Chartered situated in yet another offshore jurisdiction, Mauritius, as well as its branch in London.

The above two companies are in addition to a couple of other offshore holdings discovered through Panama Papers: North Atlantic Services Limited and Rushlake Hotels (USA) Inc., registered in British Virgin Islands.

Responding to The News' questions, Hashwani said he had answered in detail the last year (when the companies were identified in Panama Papers) and there is nothing to add in case of the two newly discovered companies. As for loans from Standard Chartered from its Mauritius branch is concerned, it was a business loan and the charge was registered in favour of the bank with the Security Exchange Commission of Pakistan (SECP) hence nothing is hidden.

Businessman Mian Mansha

Mian Mansha. Photo: File

Mian Muhammad Mansha, chairman of Nishat Group, has been linked with six offshore companies. Four of them are in British Virgin Islands: Mallen Securities Ltd, Maple Leaf Investments Ltd, Lyle Trading Ltd and Dolin International Limited. The remaining two are in Mauritius: Croft Limited and Best Eagles Holdings Inc. An account in a Swiss bank has also been found connected with these companies which dates back to 1994 and was in existence till 2007.

Responding to The News' questions, Mansha said he had to move to the United States in the mid-1990s due to the adverse political situation in Pakistan. These bank accounts were meant to meet day-to-day living in that period. Finally, almost a decade ago, these accounts were liquidated and amounts repatriated to Pakistan through official channels and have been duly recorded in tax returns.

Alauddin J Feerasta

Alauddin J Feerasta, chairman of Soneri Bank, is the owner of Rangeworth Limited, a company registered in British Virgin Island, having an account in a Swiss bank. Nooruddin Feerasta, his nephew and chairman of Rupali Polyester Limited, also has a company set up in British Virgins Island with an account in Swiss Bank. Both of them did not answer questions sent by The News.

Annex-A.

DAWN

PM announces plans for foreign assets amnesty scheme

Khaleeq Kiani Updated January 18, 2018

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi announced on Wednesday the government's intentions to offer an amnesty scheme for Pakistanis to declare their foreign assets, and reduce tax rates to broaden the tax base and address challenges on the external and fiscal fronts, ahead of next year's budget and the upcoming general elections.

"We will bring a one-time amnesty scheme," said the prime minister, confirming recent reports that the government was working on a scheme to allow Pakistanis to declare their assets abroad. Speaking at an event organised by the Pakistan Business Council (PBC), he said there was a need to lower tax rates, bring wealthy individuals into the tax net and push deeper tax reforms. Another way could be the use of technology, with the help of the National Database and Registration Authority (Nadra) to identify prospective taxpayers to address the country's fiscal challenges, he said.

Business community calls on Abbasi to share CPEC plan, include them to ensure its implementation

Former State Bank governor Dr Ishrat Hussain also advised the government to follow the Indonesian example, which materialised \$30-40 billion by offering an amnesty scheme to attract people to declare their foreign assets.

He also suggested other measures to address external account vulnerabilities after the PBC called for sharing the China-Pakistan Economic Corridor (CPEC) plan with the business community and sought the establishment of a monitoring mechanism to ensure its implementation and the maintenance of a correct trade imbalance with China.

The prime minister said that high corporate sector tax rates were not sustainable and would be brought down, while technology would be used to curb tax evasion by identifying individuals who failed to justify their consumption patterns. He deplored that a tax base of 1.2 million filers was dismally low, and lamented that the Federal Board of Revenue (FBR) collected just Rs200 billion out of a possible Rs4,000 billion, which was less than 5pc of the country's potential.

He stressed the need to take remedial measures by undertaking tax reforms, including lowering tax slabs for individual and corporate taxpayers and jacking up the minimum taxable limit for individuals. The loss in revenue after reducing tax rates could be offset by bringing more taxpayers into the tax net, he emphasised.

PM Abbasi said the government and the business community agreed on most economic issues, but now was the time to develop a roadmap to reach their goals. He said it was clear that the country's performance was below-par, adding that a deliverable plan was needed to unleash its true potential.

He said the Pakistan Muslim League-Nawaz (PML-N) had won the 2013 elections and promised to address law and order issues, overcome the energy crisis and improve the country's economic conditions, claiming that the government had restored the law and order situation to a large extent and the country was now a much better place to live.

Secondly, he said, the government had not overcome the energy crisis, but had set the stage for no electricity shortages until 2030. However, the prime minister conceded that a lot of inefficiencies still existed, resulting in the circular debt crisis, which was "a serious concern". The prime minister said that exports worth \$20 billion were quite low and needed to be doubled, for which export products would have to become competitive to get their due share in the international market. He said the government could not increase exports, but could facilitate exporters and manufacturers to achieve the desired results.

On its part, the government has arranged a big opportunity in the form of China-Pakistan Economic Corridor (CPEC) and the business community should take full benefit of the opportunities, he said.

Dr Ishrat suggested a set of actions to address external challenges in the short run and said the export package announced by the government should have continuity so that business had the incentive to deliver on export growth. The prime minister, he advised, should regularly sit with the exporters, give them targets, address their problems and follow up on deliverables to achieve higher export growth. He said more incentives should be given for foreign remittances to flow through the official channel so that higher revenues were available.

He said there were discrepancies in foreign direct investment data reported by the central bank and tax authorities on account of the import of machinery from China. The gap between two sources was earlier \$2 billion which had now doubled to \$4 billion which needed to be reconciled at the earliest.

Published in Dawn, January 18th, 2018

Annex-B

بیرون ملک اثاثہ جات کی ڈیکلریشن کی ایمنسٹی اسکیم پر صرف دو اور
چار فیصد ٹیکس ہوگا



28 Feb 2018 12 noon

اسلام آباد (حنیف خالد) وفاقی حکومت عنقریب ڈیکلریشن آف اوورسیز ایسٹس ایمنسٹی اسکیم کا امکانی طور پر اعلان کرے گی اس حوالے سے ذرائع نے جنگ کو بتایا کہ سینٹ کے الیکشن کے بعد سمندر پار مقیم پاکستانیوں کے اوورسیز اثاثوں کی ڈیکلریشن کی ایمنسٹی اسکیم باقاعدہ طور پر جاری کرے گی ذرائع کے مطابق ریڈیڈنٹ/ نان ریڈیڈنٹ پاکستانی اپنے بیرون ملک اثاثہ جات بنک اکاؤنٹس ڈیکلر کر کے پاکستان لائیں گے ان سے اثاثہ جات کی ٹوٹل ویلیو کا تخفیف شدہ دو فیصد ٹیکس لیا جائے گا اور جو پاکستانی ریڈیڈنٹ/ نان ریڈیڈنٹ باہر والے اثاثہ جات اس اسکیم کے تحت ڈیکلر تو کر دیں گے مگر پاکستان نہیں لائیں گے ان سے چار فیصد تخفیف شدہ ریٹ پر ٹیکس وصول کر کے ان کو قانونی قرار دیا جائے گا اس سلسلے میں یہ بھی معلوم ہوا ہے کہ اندرون ملک پاکستانیوں اور تاجر برادری فیڈریشن آف چیمبرز تمام چیمبرز ، قانونی ماہرین، چارٹرڈ اکاؤنٹنٹس کے مطالبے پر اندرون ملک اثاثہ جات بنک اکاؤنٹس وغیرہ کے ڈیکلریشن پر بھی حکومت ایمنسٹی دینے پر کم و بیش تیار ہو رہی ہے جسکا اعلان سینٹ کے الیکشن کے بعد کسی بھی وقت کیا جائے گا۔

Annex-C



Traders' tax amnesty: Facts and future challenges

Umar Cheema
January 5, 2016

Ayub Khan's amnesty scheme succeeded as 7pc revenue contributed to GDP and 71,289 persons brought into tax net; out of 3.5m traders, only 135,000 in tax net; tax on banking transactions likely to increase up to one percent after grace period

ISLAMABAD: A budding entrepreneur of a leading business family in Pakistan popped up on the radar of American tax authorities in 2008 to invest 23 million dollars in the real estate of New York.

Upon questioning about his funding source, he said the money was brought from Pakistan. The investigators subsequently wrote to Federal Board of Revenue inquiring whether the transferred funds were taxed in Pakistan or not.

An amnesty scheme of the PPP government was in the offing by the time allowing rich Pakistanis to whiten black money by paying only two percent taxes. It could generate only Rs2.8 billion; of this amount, Rs40 million was contributed by the scion of the rich family facing the inquiry in America.

The FBR, instead of using this opportunity to recover the due amount of tax, wrote to its counterpart in the US that the money was taxed in Pakistan without mentioning that the person under question was the beneficiary of an amnesty scheme and had not paid a penny before, revealed an official privy to details.

Here questions arise about the efficacy of amnesty schemes and whether the latest move by the PML-N government for luring traders into the tax net through yet another amnesty will be beneficial in the absence of FBR reforms.

To answer these questions, a brief review of the past schemes will be instructive. If the history of tax amnesty schemes in Pakistan is any guide, only the one offered in 1958 had turned out to be productive.

Being a maiden initiative and announced by the first-ever military ruler Ayub Khan, it succeeded in inspiring fear among the public contributing seven percent revenue to the GDP, the doctoral research of Shoaib Suddle, former Federal Tax Ombudsman, had found. (As many as 71,289 individuals were then enrolled in the tax net, according to FBR data.)

The second amnesty granted by Gen Yahya Khan in 1969's revenue contribution to the GDP was only 1.52 percent and 19,600 persons were brought into the tax net. The third was offered by Zulfikar Ali Bhutto that collected revenue of 2.2 percent of GDP. The fourth scheme was during Gen Zia's regime in 1986 that contributed not more than of the 1976 amnesty. Dr Suddle's research completed in 1986 indicates.

That followed an amnesty by the PML-N government in 1997. Although no analysis in terms of the revenue contribution to the GDP is available, yet this money-whitening package generated a meagre sum of Rs141 million tax revenue. Genindividuals into the net and revenue around Rs103 billion.

A collection of Rs2.8 billion through amnesty scheme of 2008 by PPP government has also been mentioned. As far as the recently announced amnesty is concerned, it is not general in nature but only traders' specific. A lot has been written in the newspapers and debated in talk shows about it.

That it will disillusion the honest taxpayers is a predominant argument being advanced. There is no second opinion about this contention but whether we have an honest taxpayer or not should be the foremost question.

Other than salaried class that can't avoid paying tax and the compulsory indirect tax, there is hardly any Pakistani claiming to be honest taxpayer. This correspondent has asked the same question over a time to serving and retired FBR officials in search of an honest taxpayer but failed to find any.

Also the fact remains that the rich are granted amnesty in different forms and one of such was announced during budget of 2015-16 declaring tax exemptions to industry in Khyber Pakhtunkhwa for five years.

The amnesty for traders can't be better described than a carrot and stick policy. The government first imposed withholding tax of 0.6 percent tax on the banking transactions of non-filers and then reduced it to 0.3 percent by bringing traders to the negotiation table.

Official figures have found 3.5 million traders throughout Pakistan and only 135,000 are in the tax net. Trading sector constitutes around 19 percent of the GDP but traders' tax contribution is only 0.05 percent meaning thereby they are virtually out of tax net. Same goes with agriculture sector that forms 21 percent of the GDP but zero tax contribution.

Bringing traders to tax net will be a major achievement of the PML-N government as they are the ruling party's constituency and deadlock is not affordable politically and financially. The scheme has been announced with a modest expectation of enrolling one million traders.

The optimism is not out-rightly misplaced. A refusal to enrolment under this amnesty means an escalating business cost in form of withholding tax of 0.6 percent at each transaction of Rs50,000. That will follow notices from the FBR on the basis of banking data and any protest by non-availing traders attracting no attention. This tax on banking transaction is likely to increase further up to one percent after the grace period of benefiting from amnesty is over.

While opposition parties are dismissive of this policy, including PTI leader Imran Khan, Asad Umar is supportive of it and firmly believes that the energy should be directed towards its improvement instead of politicising it.

However, his major objection during conversation with 'The News' was on levying mere one percent tax for whitening the business capital by traders. The missing point in his argument is that the tax rate of one percent has been fixed keeping in view all-weather amnesty granted through section 111 (4) of Income Tax Ordinance that bars the FBR from questioning foreign remittances.

Majority of the businessmen in Pakistan have been routinely sending money through different channels abroad and bringing it back in shape of foreign remittances with only two percent tax on banking transaction. 'The News' have already highlighted it in a story entitle 'Money laundering flourishes under the garb of remittances' basing report on some case studies where billions have been recycled through this channel.

Thus enhancing tax rate for traders under this scheme means defeating the purpose of amnesty as they are likely to whiten money through other channels and remain undocumented. Instead of questioning one percent tax rate, amendment in tax law should be demanded for empowering tax officials to question the source of remittance.

Presently, a political appointee in the FBR is under NAB inquiry for receiving Rs700 million through remittances but is reluctant to disclose who sent the remittances. Another point in the scheme worth highlighting is the clause relating wealth statement. Under the present scheme, any trader declaring income less than one million rupees don't have to declare assets that will likely to encourage mis-declaration by traders.

This preferential treatment to the traders unlike other taxpayers who have to declare assets no matter the declared income is less than one million, should be abolished.

Other issues meriting consideration are the reforms of tax administration. What if traders are brought into the tax net but the FBR is not capacitated enough to ensure due recovery from them.

While the government is bent on bringing them into the net, a matching number of rich individuals discovered by Nadra have gone unaccounted by the FBR since there are many influential figures enlisted.

A study by Nadra in 2012 found 3.5 million rich Pakistanis who frequently travel abroad, live in posh areas, operate multiple banks accounts with more than one vehicles registered in their names but are out of tax net.

Instead of training guns at the government for this scheme, the media, civil society and parliamentary opposition should focus on making this a successful attempt through demanding reforms in tax administration that include its autonomy having tenure-protected chairman who could perform duty diligently and independently in absence of any political pressure.

Less than that, business will remain as usual. No amount of reform commissions will help without implementation of recommendations. Like amnesty scheme, many commissions have been set up before. The commission formed by the PML-N government is not the first one.