



**TRANSPARENCY
INTERNATIONAL-PAKISTAN**

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TL15/2311/11A

Mr. Ishaq Dar,
Minister of Finance,
Islamabad

Sub: TAX AMNESTY FOR FOREIGN ILLEGAL ASSETS CREATED OUT OF
UNTAXED MONEY - PROPOSAL UNDER ISHAQ DAR MINISTRY WILL BE
ANOTHER FINANCIAL N.R.O FOR FAT CATS / INFLUENTIAL TAX
EVADERS OF PAKISTAN

Dear Sir,

1. Transparency International Pakistan refers to the news report published in Business Recorder of 21st November 2015, disclosing that for the Black money held abroad, FBR has agreed to amend forex rules. **Annex-A.**

2. The news report has revealed that;

A. Federal Board of Revenue (FBR) has agreed in principal to a proposal of the Tax Reform Commission (TRC) for amendment to foreign exchange rules against black money held abroad for taxation of undeclared properties owned by Pakistanis in foreign countries.

B. Specific provision proposed to be inserted in respect of the class of taxpayers who owns property outside Pakistan for which valid declaration has not been made in the Wealth statement by the taxpayer such taxpayers shall be subject to taxation at the rate of 15 percent tax under the Income tax Ordinance 2001 on the amount of the property owned by them outside Pakistan, the TRC proposal added.

C. Responding to the proposal, the FBR's comments on the said amendment are "Agreed". The combined recommendation of FBR and TRC is to implement the proposal under medium term period. The short-term period is (immediate to 6 months) (ii) medium-term is (6 months to two years) (iii) long-term (over two years) for implementation of the TRC recommendations.

3. In 2012, such effort was also made by previous government preferring short-cuts to extend a major relief to the elite ahead of the general election, the PPP-led coalition government introduced the controversial Tax Amnesty Bill in the National Assembly to whiten black money and assets at home and abroad within three months against a nominal one-time charge. But the Tax Amnesty Scheme was not approved by the Parliament when it was opposed by civil society and specially by TIP, and the matter of the Tax Amnesty Scheme was taken up with Chief Justice Supreme Court of Pakistan on 20 December 2012. **Annex-B.**

Following were salient features of the Tax Amnesty Scheme 2012;

1. That as per the proposed bill, the schemes allow a tax evader to pay Rs40,000 to legitimise assets worth up to Rs5 million in the first month. Those availing the offer in the second month will have to pay Rs50,000 and Rs70,000 in the third month.



2. That as per the Income Tax Ordinance, a tax of Rs40,000 is collected on the income or assets worth Rs500,000 approximately. The proposed amnesty suggests this amount of tax to be collected on income or assets of Rs5 million.
 3. That if the amount of un-declared income, assets and expenditures exceeds Rs5 million, a tax evader will pay an investment tax at three different slabs. A tax evader will have to pay one per cent of the hidden assets with unlimited value to legitimize those assets in the first month of availing the facility, those availing the offer in second month will have to pay 1.25 per cent and 1.50 per cent in the third month.
 4. That FBR spokesman Asrar Rauf said the FBR expected to raise Rs120 billion to Rs150 bn from the amnesty schemes(i.e. Rs 15,000 Billion corrupt money accumulated between the two Amnesty Schemes in 4 years will whitened). Tax experts say such schemes in the past have brought paltry sums of revenue to the national exchequer while legalizing enormous tax-evaded money.
 5. That the bill also proposes a penalty for those who did not avail the schemes. The penalty include cancellation of CNIC, placement of tax evader's name on the exit control list, freezing of his/her bank accounts and blocking of his mobile phone SIM.
 6. That the tax official said the declarers would themselves evaluate their assets and tax authorities would not be able to challenge that value either now or in future under the proposed guaranteed legal covers.
4. Pakistan at presently is in War against Terrorism and Corruption (**Financial Corruption/Tax Evasion at large scale**) and any such scheme to help Tax Evaders under instructions of Minister of Finance, Secretary Finance, by FBR through its handpicked members of TRC, amounts to sabotaging the Pakistan Armed Forces efforts to counter Terrorism and Corruption.
5. Even the intention of making any scheme to legalize illegal assets is an act of Corruption and Corrupt practice under Section 9 of National Accountability Bureau Ordinance 1999:

(vi) if he misuses his authority so as to gain any benefit or favour for himself or any other person, or renders or attempts to render or willfully fails to exercise his authority to prevent the grant, or rendition of any undue benefit or favour which he could have prevented by exercising his authority];

The view point has also been confirmed by the Hon'ble Supreme Court of Pakistan:

2014 SCMR 585 - Supreme Court of Pakistan

S. 9(a)(vi)-~~2~~ corruption and corrupt practices --- Common intention/abetment by public servant---Scope---Section 9(a)(vi) of National Accountability Ordinance, 1999 covered crimes committed with common intention as well as abetment--- Public servants who abetted the commission of corruption by allowing acts which it was their duty to stop should be proceeded against under S.9(a)(vi) of National Accountability Ordinance, 1999.



6. Another very crucial aspects of proposed amnesty scheme is that the author/creator of the scheme is treating the other organs of the state like NAB, FIA, Anti Corruption, Money laundering (State Bank of Pakistan) as impotent like the functionaries of FBR and the most important and vigilant organs of the state have been turned toothless tigers under the garb of proposed amnesty scheme.

7.. Without any shadow of doubt, the proposed amnesty scheme would further aggravate and destroy the current failed taxation system, because it would send the wrong signals to honest taxpayers.

8. Transparency International Pakistan strongly requests the Minster not to process this Tax Amnesty Scheme which will amount to another Financial NRO for Tax Evaders .

9.. The Minister is also requested to clarify why the Minister who himself is facing a Court Case against his alleged Assets abroad, and why he initiated the Tax Amnesty at a time when His Lordship Mr. Justice Khalid Mehmood Khan of Hon'ble Lahore High Court on 3 November 2015 has asked Attorney General of Pakistan to submit his replies in declaration of foreign assets of the following persons filed by Barrister Iqbal Jaffery. **Annex-C**

Prime Minister Nawaz Sharif, Pakistan Tehreek-e-Insaf (PTI) chief Imran Khan, Punjab Chief Minister Shahbaz Sharif, former president General (r) Pervez Musharraf, PML-Q chief Chaudhry Shujaat Hussain, Awami Muslim League (AML) chief Sheikh Rashid Ahmad, Interior Minister Chaudhry Nisar Ali Khan, Governor Sindh Dr Ishrat-ul-Ibad, PPP chief Bilawal Bhutto Zardari, PTI leader Javed Hashmi, Speaker National Assembly Sardar Ayaz Sadiq, Finance Minister Ishaq Dar, Former Speaker NA Fehmida Mirza, Jamiat Ulma-e-Islam-Fazl (JUI-F) chief Maulana Fazlur Rehman, Shah Mahmood Qureshi, Malik Riaz Hussain of Bahria Town, former Chief Justices of LHC Khwaja Muhammad Sharif and Iftikhar Hussain Chaudhry, former presidents of SCBA Hamid Khan, Asma Jahangir, Barrister Aitzaz Ahsan and his wife Bushra Aitzaz and others.

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

With Regards,


SOHAIL MUZAFFAR
Chairman

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad.
3. Chairman, Prime Minister's Inspection Commission, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad
5. DG, NAB, Karachi.

