



# TRANSPARENCY INTERNATIONAL-PAKISTAN

26<sup>th</sup> December, 2015

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His Excellency Muhammad Nawaz Sharif,  
Hon'ble Prime Minister of Pakistan,  
Prime Minister Secretariat,  
Islamabad.

SUB: ANOTHER FINANCIAL NRO (TAX AMNESTY) FOR TAX DODGERS TO  
LEGALIZE UNTAXED MONEY REQUEST TO INTERVENE IN THE NAME  
OF RULE OF LAW:

Respected Sir,

Transparency International Pakistan refers to the news report published in NATION of 19<sup>th</sup> December 2015, disclosing that Government to offer tax amnesty to non filers **Annex-A**. The news report has revealed:

“Unregistered traders are to be offered an official tax amnesty if they declare their assets, business leaders said Friday.

Under the scheme, full tax liability on up to Rs50 million earnings will be waived in favour of a one per cent payment. They will also be exempted from auditing their businesses for three years.

Prime Minister Nawaz Sharif is expected to announce the concession in Islamabad later this month as part of the government's plan to bring more businesses into the tax net”.

Earlier in the year 2012, such effort was also made by previous government preferring short-cuts to extend a major relief to the elite ahead of the General Elections; the **PPP-led coalition Government** introduced a 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 strongly opposed by Civil Society and specially by **TIP** and the matter of the Tax Amnesty Scheme was taken up with the Chief Justice Supreme Court of Pakistan

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)--- 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*



**2012 SCMR 1757 - Supreme Court of Pakistan**

*"...In the light of the above we are disposing of the grounds on the basis of which leave to appeal was granted, in the following manner.*

(i) *We find the appellant guilty of misconduct for his role in a transaction which may be considered private, but was executed with a mala fide intention to defraud a person and therefore was unbecoming of a Judicial Officer.*

(ii) *It is prima facie clear that the appellant had been misusing his judicial office to help and assist his brothers and nephews in acquiring or disposing of properties profits and gains of which were shared by him and this tantamounts to abuse of judicial powers.*

*"...that it was prima facie clear that Judicial Officer had been misusing his Judicial Office to help and assist his brothers and nephews in acquiring or disposing of properties, profits and gains of which were shared by him, which tantamounted to abuse of judicial powers---Appeal was dismissed, in circumstances.*

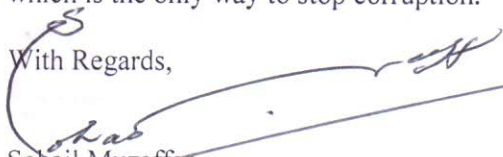
*M.A. Rahman v. Federation of Pakistan and others 1988 SCMR 691; Inspector-General (Prisons) N.-W.F.P. v. Syed Jaffar Shah, Ex-Assistant Superintendent Jail and others 2006 SCMR 815; Auditor-General of Pakistan and another v. Ikramullah Khan 2002 SCMR 584 and Auditor-General of Pakistan and others v. Muhammad Ali and others 2006 SCMR 60 ref.*

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.

Transparency International Pakistan strongly requests the Hon'ble Prime Minister of Pakistan not to process this proposed Tax Amnesty Scheme which will amount to Financial N.R.O with Tax Evaders and big tax dodgers. At the same time it will also discourage the honest, loyal and fully compliant taxpayer citizen of this poor nation. Similarly National Exchequer shall also suffer huge loss in tax collection when untaxed money upto Rs.50 Million is offered to be cleared by paying pennies i.e., 1% while as per law said untaxed, ill-gotten money may be taxed at 35% with 100% penalty.

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. Registrar, Supreme Court of Pakistan, Islamabad
2. Chairman, NAB, Islamabad.
3. Federal Tax Ombudsman, Islamabad.

Annex - A

## Amnesty package: Tax scheme to legalise hidden assets on the cards

By Shahbaz Rana

Published: December 17, 2015

ISLAMABAD: The government has finalised an asset regularisation scheme for non-filers of income tax returns, offering them to declare their hidden assets of up to Rs50 million by paying a nominal 1% of the declared amount in taxes.

Finance Minister Ishaq Dar announced the amnesty package for the non-filers after holding a meeting with the representatives of the traders but refused to divulge its details. Dar said that the package will be formally revealed after seeking approval of Prime Minister Nawaz Sharif.

However, the government will also have to seek the input of the International Monetary Fund that is generally opposed to any such scheme, terming it a source of discouragement for the taxpayers.

This puts the government in a quandary – without an option to whiten their hidden assets, traders are not willing to come in the tax net, but if the government labels the new scheme as an amnesty, the IMF will create problems.

The details of amnesty on assets hidden by filers of income tax returns could not be finalised.

Sources said that the non-filers have been offered to legalize up to Rs50 million of working capital by paying 1% of the value of the asset. For the future, the government has offered them to pay a very nominal rate of about 0.2% of the total sales, as their full and final income tax liability. This arrangement is aimed at addressing the traders concerns about high tax rates once they come in the tax net.

The package for non-filers will end the fear of the Federal Board of Revenue in the minds of those people who are not willing to come in the tax net on grounds that taxmen will harass them, said Dar while speaking to the media after holding a meeting with traders.

In July this year, the government had imposed 0.6% withholding tax on all types of banking transactions carried out by the non-filers of the income tax returns. However, after countrywide protests by the traders, the government lowered the rate to 0.3% and announced it would negotiate with them.

The non-filers, particularly traders, wanted an amnesty on assets that they have accumulated so far and a reduced tax rate in future on the grounds that their profit margins were very thin. The traders have a share of 18% in the national economy, but pay little in taxes.

In Pakistan less than one million people file their income tax returns, although about 45 million pay taxes, mainly withholding taxes, starting from mobile phone bills to almost every kind of consumer good.

