

# Raiding ‘benamidars’

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**THE recent raid by the tax authorities on an auto showroom business in Karachi might sound like an interesting development on the face of it, but such tactics will be insufficient given the scale of the matter the authorities are trying to address. The issue in this case was the practice of having benami accounts, or conducting official business through bank accounts opened in the name of low-ranking employees. The practice is ubiquitous and one would be hard-pressed to find an example from the business community where such practices are not being employed. Their primary purpose is to conceal a large portion of the business from the tax authorities, so that the official accounts opened in the name of the business are shared with the FBR while the cash part of the transactions is carried out through these benami accounts. Some anecdotal evidence indicates that businesses can adopt this unethical practice to conceal up to half of their turnover in some cases.**

There can be no doubt that the practice needs to be stamped out. Apart from the massive cheating and tax losses that it enables, benami accounts also open the door to severe misuse of the financial system and make the task of policing ill-gotten gains and terror financing that much more difficult. Stamping out benami accounts is an important part of the commitments the government has to give to the Financial Action Task Force as well. So it is crucial that the effort to address the challenge go beyond simple raids designed to show a few results more than anything else. Taking on the elaborate architecture of tax evasion that is, unfortunately, such an integral part of the culture of doing business in Pakistan is serious business, and if the government indeed wants to achieve its purpose, then it must follow up the raids with concrete policy actions. These policy steps should be designed to create incentives for businesses to abandon the practice of doing benami transactions, while attaching sharp disincentives to continuing with it. Raids and other high-visibility actions are fine, but only when they are pursued in the context of a larger policy framework. Until we see that happening, it will be difficult to look upon this or some other raid as anything more than a cosmetic action, designed to produce a temporary effect to satisfy an immediate requirement. Let us hope that the government sees the challenge in holistic terms.

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