

### **Did PTI amnesty scheme work?**

The government has formally announced the provisional final results of the Asset Declaration Scheme 2019 that came to an end on July 3 instead of its original sunset date of June 30, 2019 that was approved by the parliament. It was announced on the day of extension that a presidential ordinance would provide legal cover to the additional days but is still awaited.

The prime minister was willing to extend the deadline further and indicated so on national television to the surprise of his economic managers. The International Monetary Fund (IMF) went public opposing the extension.

“The IMF is not in favour of tax amnesties. Cross country experience shows that tax amnesties usually have huge costs, such as undermining taxpayers’ morale and sense of fairness, that more than offsets potential short-term gains,” its country representative in Pakistan announced.

A new spin then followed. Federal Board of Revenue (FBR) chief Shabbar Zaidi said technically there was no extension but since the last day of the deadline fell on a holiday, the deadline was taken to the next working day. As the day after that (July 1) also happened to be a bank holiday, the actual deadline should have been July 2. The extension was granted till the end of working hours on July 3 to facilitate those already in the queue and choked by the system to complete the process.

Conspicuously, then the scheme’s closure was calibrated in a manner that it formally came to an end before the start of office hours on Wednesday (July 3) in Washington DC where the executive board of the IMF was due to approve Pakistan’s case for \$6 billion worth of the 39-month bailout programme.

A total of 137,000 people availed themselves of the scheme by offering Rs70bn (about \$432 million) in revenue and whitening Rs3 trillion worth of undisclosed assets whereas a year back the PML-N’s scheme fetched a little over Rs124bn (about \$1.05bn), brought 83,000 new taxpayers into the tax system and whitened about Rs2.5tr worth of assets

The extension in the deadline came only a day after Mr Zaidi issued the statement that no extension would be given. When reminded, he said “technically we are not giving an extension but helping those already in the queues to complete the process”.

According to the adviser on finance and revenue Dr Abdul Hafeez Shaikh, a total of 137,000 people availed the scheme by offering Rs70bn (about \$432 million) in revenue and whitening Rs3 trillion worth of undisclosed assets.

He did not reveal details of the declared assets at home and abroad or the revenue break up. It is also not yet clear how much of the collected funds would be treated against the accounts of fiscal year ending June 30, 2019 and the new fiscal year.

In comparison, a similar scheme announced by the PML-N government at the fag-end of its tenure a year back fetched little over Rs124bn (about \$1.05bn), brought 83,000 new taxpayers into the tax system and whitened about Rs2.5tr worth of assets.

That scheme faced two major deterrents. First, the scheme got stuck before the country’s top court for over a month that affected its momentum. Second, the apparent prime minister-in-waiting at the time Imran Khan threatened potential beneficiaries to stay away from the scheme otherwise those availing it and those facilitating it would be put behind bars.

The commoners preferred to stay away from the scheme because the general perception was that it is better to stay away from jail and out of the tax net rather than pay funds out of pocket.

‘First they steal money then introduce tax amnesty schemes,’ said Imran Khan last year, adding ‘Such schemes are created to benefit the corrupt. Only corrupt elements become the ultimate beneficiaries. This is to fool the honest people of the country and encourage corrupt elements to plunder and amass wealth, only to whitewash it later on’

“First they steal money then introduce tax amnesty schemes”, said Mr Khan at that time adding “such schemes are created to benefit the corrupt. Only corrupt elements become the ultimate beneficiaries. This is to fool the honest people of the country and encourage corrupt elements to plunder and amass wealth, only to whitewash it later on”.

Ten months down the road, he himself approved a similar scheme and made at least five dedicated addresses to the nation urging people to take benefit of the opportunity he offered.

“I don’t need to claim credit, numbers talk for themselves,” said former PML-N finance minister Dr Miftah Ismail. He said the scheme announced by the PTI government was ‘very similar’ to that of his government and not the one that Asad Umar had justified on the grounds that foreign liquid assets would be repatriated to Pakistan.

“I think our scheme was more successful because it generated almost double the revenue than the recent scheme”, he said adding that full details of the latest scheme and its breakdown are not yet available to make a fair comment. However, the number of those declaring assets now is higher than 2018, which needs to be analyzed.

Dr Shaikh did not respond to the question why the amnesty schemes in Pakistan always offer a limited time window giving the impression that these are meant only for the ruling elites of the time to avail their benefits.

The two schemes together added about 220,000 return filers and Rs5.5 trillion worth of assets into the system and generated roughly Rs194bn (\$1.48bn) in revenue. However, this is peanuts when one compares these schemes to the Indonesian scheme that Pakistan copied which brought in 900,000 people into the tax system and \$360bn worth of assets in the formal economy.

The latest scheme proves yet again that successive governments favour tax evaders more than law-abiding taxpayers. Since the early 1960s, successive governments have introduced 11 amnesty schemes, excluding special-purpose items like the regularisation of non-customs paid vehicles.

While many countries including those in the developed world — United States, Australia, Belgium, Canada, Germany, Greece, Indonesia, Italy, Malaysia, Portugal, Russia, South Africa and Spain — have offered similar limited-time initiatives, such avenues were never opened again.

Khaleeq Kiani