

Govt warns offshore tax evaders of fine, imprisonment

KARACHI: The government on Tuesday warned individuals who fail to declare offshore assets and evade taxes of at least Rs100,000 fine and imprisonment after it gave them an opportunity to document concealed foreign wealth under an amnesty scheme.

“Penalty has been introduced under Section 182 of the ordinance where an offshore tax evader is involved in offshore tax evasion in the course of any proceedings under the Income Tax Ordinance, 2001 before any income tax authority or the appellate tribunal, such person shall pay a penalty of Rs100,000 or an amount equal to 200 percent of the tax sought to be evaded, whichever is higher,” the Federal Board of Revenue (FBR) said in a statement.

“The prosecution for concealment of an offshore asset has been made part of the statute through introduction of new section 192B, under which any person who fails to declare an offshore asset to the Commissioner Inland Revenue or provides inaccurate particulars of an offshore asset and the revenue impact of such concealment or furnishing of inaccurate particulars is Rs10 million or more shall commit an offence punishable on conviction with imprisonment up to three years or with a fine up to Rs500,000, or both.”

The FBR further said the commissioner has been empowered to freeze any domestic asset of an individual on the basis of information received from an offshore jurisdiction.

The government received very dismal response from people owning foreign assets to its tax amnesty scheme that expired in June as it attracted only \$60 million in shape of taxes for whitening of overseas assets / incomes. Comparatively, the tax amnesty scheme, which was introduced by the previous government in 2018, fetched \$436 million from people who declared their foreign wealth.

The latest amnesty scheme obtained 125,000 declarations from locals who, in rupees term, deposited tax amount of Rs57.6 billion. The number of declarations was 137,000 in the previous amnesty program whose deadline was extended to four months from initially three months.

An official told The News that the amnesty scheme was a success as more new people had joined the tax net. The main purpose of the scheme was to promote documentation of the economy where number of filers of tax returns is less than two million.

The FBR explained penalties for tax evasion on offshore assets introduced through amendments into the Income Tax Ordinance 2001 via the Finance Act 2019. The FBR said offshore assets include any movable or immovable asset held, any gain, profit or income derived, or any expenditure incurred outside Pakistan, under the Finance Act 2019. An offshore evader is an individual who owns, possesses, controls, or is the beneficial owner of an offshore asset and does not declare, or under declares or provides inaccurate particulars of such assets.

The revenue body also explained the definition of offshore enabler, which includes any individual who enables, assists or advises any individual to plan, design or manage a transaction or declaration relating to an offshore asset, which has resulted or may result in tax evasion.

The penalty for offshore enabler has also been introduced in the Finance Act 2019. “Such person shall pay a penalty of Rs300,000 or an amount equal to 200 percent of the tax which was sought to be evaded, whichever is higher,” the FBR said.

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