DAWN

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FBR to go after evaders using offshore accounts, properties to avoid taxes

ISLAMABAD: The government has proposed several amendments to the income tax laws to tighten the noose around offshore tax evaders.

Under the proposed amendments, tax evasion via offshore accounts will be deemed as a punishable crime and those found guilty will either have to pay hefty fines or face jail time of up to seven years.

The amendments are in line with the Financial Action Task Force recommendations and will be made part of the Finance Act 2019 after approval from the parliament.

The amendments introduce various changes to the legal framework governing tax evaders, absconders, abettors, officials and individuals involved in malpractices and real estate transactions.

The bill, presented by the government on Tuesday, empowers commissioners to freeze domestic assets of individuals who are deemed a flight risk or are likely to dispose their assets to avoid penalties.

The bill also includes three other sections: 192B, 195A and 195B to deal with concealment of offshore assets and individuals working as an accessory to concealment of assets through offshore accounts or companies.

The government has also proposed to deem concealment of offshore assets worth more than Rs100,000 as an offence punishable with imprisonment up to seven years or a fine of up to 200 per cent of the amount of tax evaded or both.

Additionally, it has also been proposed that names of those individuals — who have evaded offshore tax equal to Rs2.5m — will also be published in the country's print and electronic media. Furthermore, a penalty of two years of jail time or a fine of up to 2pc of the total offshore asset's worth — not declared under the statement of foreign assets under Section 116A — will also be imposed upon the guilty individuals.

Regarding those aiding and abetting in guiding or advising the offender to design, arrange or manage transactions or declarations in a manner that results in tax evasion can also face jail time of up to seven years or a fine of Rs5m or both. The names of these enablers will also be published in the print and electronic media.

The Finance Bill 2019 has also empowered commissioners to raid premises where there is reliable information of availability of undeclared gold, bearer securities or foreign currency to confiscate these assets by enforcing the provisions of the ordinance.

On the other hand, in order to ensure maximum declaration of assets under the Assets Declaration Act 2019, the government has also barred proceedings in cases of declarations made under the act.

The government has also introduced a scheme whereby every individuals deriving business income — even below the taxability threshold — will be mandated to register with themselves with the Federal Board of Revenue (FBR) through the National Database and Registration Authority's (NADRA) e-sahulat centres.

At present, only taxpayers are required to register with the FBR whereas those individuals deriving business income — who are not required to file their returns as they fall below the taxability threshold — are not required to register at all.

The scheme would help government generate a database to identify new tax payers in the future.

Moreover, in order to quickly process refund claims, the government has also proposed to setup FBR Refunds Settlement Company for payment of refunds under Income Tax Ordinance through bonds similar to the Refund Settlement Company under Sales Tax Act.

The characteristics of proposed bonds will also be similar to those of the Sales Tax Bonds.

The bill also proposes initiation of criminal proceedings against those officers and taxpayers who indulge in financial malpractices. Furthermore, in order to minimise personal interaction between taxpayers and officials, the FBR has also been empowered to design Automated Impersonal Tax Regime.

In order to ensure documentation of real estate transactions and to ascertain actual value of a transaction to purchase an asset, individuals purchasing immovable property of fair market value greater than Rs5m and Rs1m or more in the case of any other asset would now be required to make payments for the said purchase through a crossed banking instrument so that transaction can be clearly identified from one bank account to another.

In case of non-compliance, the deductions under the depreciation and amortization in respect of such assets shall not be allowed.

Moreover, the amount of purchase shall not be treated as cost for calculation of any gain on sale of such asset and a penalty at the rate of 5pc of FBR's value for the asset will be imposed on individuals who fail to comply with this requirement.

The FBR has also been empowered to announce special tax regime for certain persons/sectors including small businesses, construction businesses, medical practitioners, hospitals, educational institutions, and any other sector specified.

The bill proposes to provide for establishment of Directorates General of Special Initiative and Valuation.

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