

Amnesty scheme

The federal cabinet approved the much-awaited amnesty scheme – ‘Asset Declaration Scheme’ – and the government legislated it through issuance of a presidential ordinance. There is no doubt that this was raised as an issue by the International Monetary Fund (IMF) staff and later withdrawn during the recent successfully concluded staff-level agreement as the primary objective of the scheme was explained by Pakistani authorities.

The amnesty scheme was necessary for three reasons. First, and the most compelling reason is that while the PML-N government passed two relevant legislations – passage of amendment to the 2010 Anti-Money Laundering Act in February 2016 and the Benami Transactions Act in March 2016 – yet during the next two years neither the Nawaz Sharif nor the Shahid Khaqan Abbasi administrations passed the required rules to make the two acts effective. It was in January this year that the Federal Board of Revenue (FBR) issued the Benami Transactions (Prohibition) Rules 2019 through a statutory regulatory order to implement the law which aimed to improve documentation of the economy, permit the FBR to seize property, assets, vehicles or bank accounts registered under fictitious individuals. However, while FBR indicated it has completed all formalities to implement the Benami laws, yet till 31 March this year the government had not established federal appellate tribunals to hear appeals against the orders of the adjudication authority under Section 28 of the Benami Act. Thus the government must proceed with establishing these tribunals so that the benami rules may be followed.

Secondly, the amnesty scheme announced by the Shahid Khaqan Abbasi administration in April 2018 was by an outgoing government and hence generated little comfort level. Additionally, there was concern that the Supreme Court may declare the scheme null and void and by the time the court declared that it would not interfere in the implementation of the amnesty scheme five or so weeks had passed and the time remaining to avail the scheme was limited. And finally, Imran Khan’s reaction to the scheme that “first they steal money then introduce tax amnesty schemes,” deterred many from availing it as his party was most likely to form a government by that time. The 2018 amnesty scheme led to repatriation of 64 million dollars and 123 billion rupees in taxes (77 billion rupees domestically and the remaining from foreign sources).

And finally, this was probably presented to the Fund team as a scheme that would generate tax revenue which would reduce the existing unsustainable budget deficit while any amount remitted would raise the foreign exchange reserves of the country.

There is one element of the scheme that was not contained in previous schemes and which is fully supported by Business Recorder: whatever assets are declared have to be shown upfront or in other words, cash would have to be deposited in a bank and a bank statement submitted as proof to ensure that there is no whitening of future black money earnings. The scheme also makes it mandatory on anyone availing it to then begin to file returns on an annual basis.

The scheme, in contrast to previous such schemes, is much more comprehensive as it also provides specific opportunity to businesses to clean their balance sheets, regularize any irregularities in

payment of due indirect taxes and also allows the taxpayers who have been charged for evading due taxes through unscrupulous methods (such as fake accounts) and are facing tax recovery/criminal proceedings in courts or departmental for a, but the legal process has not attained finality (in other words, an order of the Supreme Court) to avail this scheme. This is a huge concession and if it is aggressively presented to the taxpayers it can result in cleaning of the proverbial Augean stables of litigation.

To conclude, the government must publicize this scheme vigorously because there are many who may not be aware of the penalties associated with not availing the scheme, including confiscation and imprisonment, and that this is the very last chance to avail of it.

Editorial