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Switzerland never offered to return even a single dollar

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The Federal Board of Revenue (FBR) has clarified that Switzerland never, at any time, offered to return even a single dollar of Pakistanis deposited in Swiss accounts and Avoidance of Double Taxation Agreement (ADTA) between Pakistan and Switzerland is not meant for retrieval of assets.

According to an announcement of the FBR here on Thursday, Switzerland never offered to return Pakistanis'' assets stashed in its banks. In order to allay the misconceptions regarding Switzerland offering to return $200 billion, in 2014, under the Avoidance of Double Taxation Agreement (ADTA) with Pakistan, it is clarified that as per record available with FBR, Switzerland never, at any time, offered to return even a single dollar of Pakistanis deposited in Swiss accounts.

The FBR has further clarified that ADTAs are not meant for retrieval of assets. The primary purpose of ADTAs is elimination of double taxation and exchange of information on request. The questions have been raised regarding sending of junior officers for negotiations with the Pakistani delegation. In this regard, the FBR has clarified that the composition of the delegation was strictly in accordance with the delegations sent for negotiating ADTAs and the then Chairman Tariq Bajwa could not accompany for administrative reasons and the fact that the officer leading the delegation from the Swiss side was also of lower rank.

Lastly, the impression that non-implementation of the draft initialed in 2014 has caused a loss to Pakistan as otherwise Pakistan would have been able to access the benefits thereof immediately is totally misconceived since ADTAs are not for retrieval of dollars or assets, the FBR added.

When contacted, a senior FBR official said that the Switzerland is yet to ratify the revised convention and Pakistani side has completed all its processes and formalities for ratification of the agreement. The exchange of information between Pakistan and Switzerland was due to start from January 2018 under convention on Avoidance of Double Taxation between two countries. So far the exchange of information has yet not been started between the two countries, as Swiss government has not ratified the agreement.

Pakistan has completed internal procedures for ratification of the Agreement and the provisions of the new Article 26 (exchange of information) of the convention on Avoidance of Double Taxation between Pakistan and Switzerland were due to be implemented from January 2018, the official added.

Briefly, the new Article 26 of the OECD Model Tax Convention provides that the Contracting States shall exchange information and no state shall decline to provide information merely for the reason that such information is of no interest to it, or because the information is held by a bank or other financial institution. According to the new version of the Article, the Contracting States shall exchange such information on request as is foreseeably relevant for carrying out provisions of the ADTA or to the administration or enforcement of the domestic tax laws of the requesting state.

The revised ADTA with Switzerland, inter alia, contains the article on exchange of information on request for tax purposes. This article has been renegotiated and updated with Switzerland on the basis of the latest OECD/UN Models.

In June 2016, the second round of negotiations was held and the agreement was finalized with Switzerland which included the article on exchange of information without giving away anything by Pakistan.

In March 2017, the initialed ADTA was signed in Pakistan with the Ambassador of Switzerland in Pakistan. In May 2017, the Federal Cabinet ratified the revised ADTA and accordingly the internal procedure was completed in Pakistan. A tax expert explained that Pakistan and Switzerland have already signed the revised Agreement on Avoidance of Double Taxation with respect to taxes on income. The revised Avoidance of Double Taxation Agreement between Pakistan and Switzerland will open new vistas for cooperation, especially in the areas of exchange of information for tax purposes. It contains improvements with regard to the taxation of service fees and capital gains resulting from the sale of qualifying participants. These rules promote economic exchange in bilateral relations. The agreement also contains an arbitration clause, which guarantees the avoidance of double taxation.

One of the highlights of the renegotiated treaty is the replacement of the article on "Exchange of Information" with the new one reflecting the internationally accepted standard which is based on the OECD Model. The new article on exchange of information will considerably expand the existing scope of information to be obtained on request basis for the enforcement of domestic tax laws. It will also provide access to bank information for tax purposes and such information shall not be refused solely because the information is held by a bank or other financial institution. For this purpose, the Requesting State will be providing information to the Requested State such as the identity of the person under investigation and period of time for which the information is requested.

The existing Avoidance of Double Taxation Agreement between Pakistan and Switzerland was signed in 2005, and enforced in 2008. However, subsequent to the Federal Cabinet approval in August 2013, Pakistan had approached Switzerland for incorporating the updated version of the Article on Exchange of Information based on the OECD Model. In August, 2014, Pakistan delegation visited Switzerland for re-negotiation of Pak-Swiss Treaty and initialed the draft agreement between the two countries. However, in order to safeguard national interests and to bring certain provisions of the initialed agreement in line with Pakistan''s tax policy, Switzerland was requested for a second round of negotiations which was finally agreed in May 2016 and held in Berne, Switzerland, in June 2016.