

## **Tax amnesty expected to fetch Rs300 bln in revenue**

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KARACHI: Tax amnesty may earn the government two to three billion dollars in revenue, while \$25 billion of liquid and noncash assets would be added to Pakistan's economy, analysts said.

Samiullah Tariq, director research at Arif Habib Limited said the amnesty scheme appears to be successful "as lot of queries (is) coming from Pakistanis living overseas and government took right step to harness good amount from the undocumented economy".

Tariq said the estimated tax income from declared assets could reach up to Rs200 billion to help plug revenue shortfalls and broadening the tax base.

In April, the previous government announced amnesty scheme to provide individuals with one-off tax benefits between two to five percent in case of declaration of local and foreign assets. The scheme is expiring on June 30.

Another analyst said apparently not much in foreign exchange is possible through the amnesty scheme till the deadline, as the procedures are too cumbersome. The consent on the scheme from the Supreme Court arrived a bit late, while Eid holidays also consumed more than four days and time for the declaration got shortened.

Analyst said presidential ordinance can be issued to extend the timeline.

Hamad Aslam, director of Research at Elixir Securities expected total asset declarations of around two trillion rupees.

"Bulk of these would likely be under domestic asset declaration at the rate of five percent," Aslam added. "Under the head of foreign asset declarations, we expect only modest inflows of around \$500 million (at the rate of 2 percent) as most of the people are likely to avail the amnesty whereby they pay a meager penalty/tax of 3 or 5 percent and keep their assets abroad."

The analyst, however, said the amnesty scheme is unlikely to materially improve the balance of payment situation. "We feel foreign inflows would have been much higher, had there been a significant gap between the tax/penalty on funds repatriated versus those that would just be declared and not repatriated."

Analysts said domestic assets amnesty is likely to be 'extremely' successful, as a number of small business owners, particularly in trade and services, are rushing to avail the scheme.

This can resultantly increase the size of documented economy, augmenting the GDP growth by 0.5 percent. Similarly, formal liquidity in the system will also get a boost as

some liquidity gets diverted from prize bonds and cash in lockers to banking channels, capital markets and mutual funds.

Topline Securities said Indonesia launched an ambitious tax amnesty scheme in July 2016 that continued for nine months. Around \$360 billion in assets were declared, while repatriated foreign assets amounted to \$11 billion.

Indonesian government earned around \$8.5 billion in tax revenues. Indonesian economy is, however, three times Pakistan's economy, constituting around \$900 billion.

The brokerage said the scheme could possibly lead to asset declarations of two to three trillion, equivalent to \$15 to 25 billion.

"This is expected to result in tax revenues of over Rs100 billion (0.3 percent of GDP) and would help to some extent in bridging the widening fiscal deficit of the country, reported at 6.1 percent of GDP during Jul May," it added.

The Federal Board of Revenue (FBR) is expecting inflows of \$3 to 4 billion. The amnesty scheme will help in alleviating some pressure on foreign exchange reserves, which fell to \$10.3 billion as of June 14.

Topline Securities' previous estimates Rs300 billion of tax revenue (one percent of GDP), "was based on announcement of the scheme in early April but lack of clarity from Supreme Court and short time is restricting people from participating in the scheme."