

TAX AMNESTY- 2018

Government of Pakistan announced two tax amnesty schemes, namely, Foreign Assets (Declaration and Repatriation) Ordinance, 2018 for undisclosed foreign assets and Voluntary Declaration of Domestic Assets Ordinance, 2018 for undisclosed income and domestic assets. However as required by the Constitution, both Ordinances were placed before the Parliament and through Finance Act 2018, these became Voluntary Declaration of Domestic Assets Act, 2018 for undisclosed income and domestic assets and Foreign Assets (Declaration and Repatriation) Act, 2018 for undisclosed foreign assets. These Acts were further amended through Presidential Ordinances on June 30th, 2018.

The original closing date for filing declarations under the amnesty scheme was June 30th, 2018. It has been extended till July 31st, 2018 on account of representations from trade bodies, professional associations and general public due to short operational period after clearing legal and procedural challenges and problems faced by declarants in the payment of tax on foreign assets and repatriation of liquid assets. The Presidential Ordinances dated June 30th, 2018 amended the amnesty acts to extend the applicability date of the schemes and to include explanations on ambiguities such as exchange rate. The amendment Ordinances have also provided for revision of declarations.

Public response to the schemes has been positive. So far, 55,225 declarations have been filed in which declared value of foreign assets is around Rs. 577 billion and that of domestic assets is around Rs. 1,192 billion. Declarants have paid around Rs. 97 billion out of which around Rs. 36 billion have been collected on foreign assets and 61 billion on domestic assets. In addition, \$ 40 million has been repatriated. This response to the amnesty schemes has been unprecedented.

transfer. Government has issued **Government of Pakistan's US Dollar Denominated Amnesty Rules, 2018**, whereby SBP has been authorized to issue these bonds having a maturity period of five years and annual profit of 3% to be paid semi-annually. According to the rules, citizens of Pakistan can invest in these bonds out of remittances declared under the foreign amnesty or through encashment of foreign currency accounts held in Pakistan.

The low rates of the Amnesty Schemes ranging between 2% - 5% and is a major incentive for declaring undeclared assets and income. Pakistan has also become a signatory to the OECD Multilateral Convention which will provide access to information about offshore financial accounts of Pakistani residents from September 2018. This will enhance the capacity of FBR due to access to offshore financial accounts of Pakistani residents held in the signatory countries. Necessary amendments have also been made in the Protection of Economic Reform (PERA) Act, 1992, to regulate FX movements and bring it in line with Income Tax Ordinance, 2001. Moreover, amendments have been made in the Income Tax Ordinance, 2001, whereby FBR may inquire about the source of foreign remittance above Rs.10 million and limitation of five years to probe foreign assets and income has been removed.

Above all, revenues from the amnesty schemes will help in documentation of the economy as well as bring in onetime payment from non-declarant to officialise their assets. Equally critical is to support Pakistan in its endeavour, to reduce poverty and uplift its population which off-course depends on effective prioritization of development spending.