



KARACHI: Chief Commissioner, Large Taxpayers Unit (LTU) Karachi, has suggested that time restrictions dictated by the laws on taxing undisclosed money should be amended, report sources in the Federal Board of Revenue (FBR). It is argued that doing so will facilitate the recovery of liabilities on untaxed money deposited by Pakistanis in foreign banks, official sources said on Tuesday.

The FBR has been informed that proposed amendments will enable the department to retrieve the revenue payable on money transferred or deposited in Swiss banks or any other bank in the world at any time in the past.

The chief commissioner, LTU Karachi previously informed the FBR that a number of people, both NTN holders as well as non-NTN holders, have been stashing undeclared money in foreign bank accounts for a long time. Therefore, the unit proposed that information should be obtained from the Swiss Federation under Article 25 of the treaty between Pakistan and Switzerland, regarding bank accounts maintained in Swiss banks, which would serve as a starting point for bringing such money into the tax net.

In the recent proposals, the sources said, the LTU Karachi noted that the Federal Board of Revenue is likely to face an obstacle in terms of the expiry of period of limitation with reference to cases where the money has been kept in Swiss accounts for a period in excess of the stipulated limit. It is therefore proposed that this obstacle should be removed through amendments in the law.

Section 111 of Income Tax Ordinance, 2001, deals with unexplained income or assets and the authorities are empowered to recover revenue from those persons who fail to explain source of income or expenditure.

However, under the law the tax authorities are able to get information about the transactions of the past five years.

To remove the obstacle, the Large Taxpayers Unit Karachi sought amendments in sub section 2 and 3 of Section 111 of Income Tax Ordinance, 2001.

The proposed amendments are:

(2) The amount referred to in Sub-Section (1) [undisclosed income] shall be included in the person's income in the tax year, immediately preceding the income year in which such un-explained amount is discovered.

(3) Where the declared cost of any investment or valuable article or the declared amount of expenditure of a person is less than reasonable cost of the investment or the valuable article, or the reasonable amount of the expenditure, the Commissioner may, having regard to all the circumstances, include the difference in the person's income chargeable to tax under the head income from other sources in the tax year immediately preceding the financial year in which the difference is discovered.

Federal Board of Revenue sources said that in case these amendments are endorsed by the Parliament, authorities can apply the laws simultaneously on foreign and local banks to recover tax on unexplained income.

Recent proposals submitted by the LTU Karachi are related to previous ones submitted in April 2013 wherein the FBR had been informed that the Swiss Parliament had passed a historical bill Return of Illicit Assets

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Act, 2010 on October 01, 2010 that would enable developing countries such as Pakistan to recover the billions of dollars of black money transferred by unscrupulous individuals to that country.

The FBR has been informed that after the enactment of the Act, it is possible to retrieve the money from Switzerland under article 25(1) of the Avoidance of Double Taxation Treaty between Pakistan and Switzerland, which clearly makes it obligatory on Switzerland to provide information regarding Pakistanis who are maintaining accounts in Switzerland.

Large Taxpayers Unit Karachi further suggested that the Federal Board of Revenue should obtain all information under the avoidance of double taxation treaty between Pakistan and Switzerland.

Courtesy: The News