

## **Banks, FIs to provide non-residents’ information: FBR**

Chairman Federal Board of Revenue (FBR) Dr Muhammad Irshad Friday said the banks and financial institutions had agreed to provide information regarding non-resident persons to the board for automatic exchange of information under bilateral agreement or multilateral convention. Giving rationale behind the amendment in section 165B of the Income Tax Ordinance 2001 through Finance Bill 2017, Dr Muhammad Irshad said that information of local persons was not covered under the section 165B of the Income Tax Ordinance 2001.

Only information about the non-resident persons is required under bilateral agreement or multilateral convention as per section 165B of the Income Tax Ordinance 2001. He said it was a minor change after "non-resident" and FBR had clarified that the terms "reportable person" and "financial institution" shall have the meaning as provided in Chapter XIIA of the Income Tax Rules, 2002. As per international standards and norms, Pakistan is obliged to include the definitions under the primary law ie Income Tax Ordinance 2001.

He explained that banks and financial institutions had no issue in giving information regarding non-resident persons to the Board for automatic exchange of information under bilateral agreement or multilateral convention. Banks are happily giving this information under Foreign Account Tax Compliance Act (FATCA). Under section 65B (furnishing of information by financial institutions including banks), every financial institution shall make arrangements to provide information regarding non-resident persons to the Board in the prescribed form and manner for the purpose of automatic exchange of information under bilateral agreement or multilateral convention. All information received under this section shall be used only for tax and related purposes and will be kept confidential.

Chairman of the Finance Committee Senator Saleem Mandviwalla said the banks were opposing section 165A (access to banking information) of the Income Tax Ordinance 2001. "I think banks have taken stay from courts against the provisions of Section 165A of the Income Tax Ordinance 2001," he added.

The committee endorsed the proposal of the FBR that the facility available to non-resident taxpayers having permanent establishment seeking advance ruling from the Board has been reinstated. The proposal has been made part of the Finance Bill 2017 on the recommendations of Tax Reform Commission (TRC), Dr Muhammad Iqbal, FBR Member Tax Policy, said.

The finance committee disapproved the proposal of the Finance Bill 2017 to include Employees Old Age Benefit Institution (EOBI) in the list of organisations, which can have access to the income tax returns and statements under section 216 of the Income Tax Ordinance 2001. The FBR officials explained that the EOBI wanted the information of salaried persons for only verification of data. There are issues that certain individuals do not give accurate information to the EOBI. The EOBI wanted to have access to FBR information of salaried persons etc.

Under section 216 of the Income Tax Ordinance, taxpayers' personal information cannot be disclosed except notified agencies and organisations. The FBR had proposed to include EOBI in

the notified list of organisations. Under the proposed amendment, EOBI can access information regarding salaries in statements furnished under section 165 of the Income Tax Ordinance 2001.

The finance committee also disapproved another proposal of the Finance Bill to empower commissioners to prosecute persons, to whom notices were issued for filing of tax returns. During the committee proceedings, the chairman of the committee expressed serious concern over a recent case of money laundering framed by FBR against a famous businessman of Karachi. "We had been assured by the FBR that taxpayers would not be tried under the money laundering laws. If action has been taken under rules framed for anti-money laundering, how such provision could be introduced in rules," he said. The FBR has changed the anti-money laundering law by including all taxpayers within the purview of money laundering. "I am surprised how the FBR has changed the law by including all taxpayers under anti-money laundering regime," he said. Senate Standing Committee on Finance will take up the matter with the FBR, Senator Mandviwalla added.

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