Gift arrangements: FBR cell intensifies efforts to finalise cases of money laundering

The Anti-Money Laundering Cell of the Directorate General of Intelligence and Investigation Islamabad has intensified efforts to finalise cases of money laundering committed through gift arrangements by 2,785 individuals. It is learnt that the Anti-Money Laundering Cell has begun investigating cases of money laundering committed in the name of gifts by various affluent individuals.

It is observed that due to absence of gift tax in the country a large number of taxpayers are laundering their tax-evaded money through gifts received from their parents, siblings and spouses who are either out of tax net or have no known sources of income. During the routine scrutiny of bigwigs, the Anti- Money Laundering Cell of the Intelligence & Investigation - Inland Revenue observed that in many tax returns, declared incomes and taxes paid on these incomes are very nominal. However, the accompanying wealth statements of these individuals, which have been made compulsory to file by the FBR, show the net assets running into hundreds of millions of rupees and even higher. Trend has been observed that, in many cases the net assets are gradually increased in wealth statements over the period of only few years, without any taxable income behind the accretion. In such cases, usually the reconciliation of net assets from previous years is made by claims of hefty gifts without disclosing any details of how and from where such gifts were obtained. This practice raised suspicion whether this was just another method to avoid payment of taxes through misreporting source of income. The agency also red-flagged these cases to analyse if the scheme of gift arrangement is being employed to launder the tax-evaded incomes, which is already causing irreparable loss to the national exchequer each year.

The amount of gifts claimed by these individuals is in tens of millions of rupees. In few cases, the gifts amounting to rupees one billion and higher have also been declared by individuals.

The data gathered by the Anti-Money Laundering Cell relating to tax year 2016 revealed that 2,785 individuals declared having received gifts in their wealth statements, aggregating over rupees 102 billion in tax year 2016 alone. The search criteria covered the cases where minimum amount of gift received is ten million rupees or above. In three of these cases, individuals declared gifts of over rupees one billion, with the highest amount of the gift was rupees 1.7 billion. Eight individuals declared gifts amounting between rupees 500 million to one billion, 49 individuals declared gifts worth between Rs 200 million to 500 million. Likewise, 97 individuals declared having received gifts varying between Rs 100 million to 200 million rupees. 280 individuals declared gifts amounting between Rs 50 million to 100 million. While, the numbers of individuals who reported gifts worth between Rs 10 million to 50 million were 2348.

The data collected so far is being further scrutinised by the Anti-Money Laundering Cell and detailed investigations began on Friday at the Islamabad Directorate of I&I-IR. It is pertinent to mention that not all such cases analysed so far were found to be sham. In many cases, gifts were found genuine having been reported by those who donated and mostly came from affluent individuals to members of their family after paying taxes.

The AML Cell is now scrutinising rest of these cases to see whether the lofty gifts declared before the tax authorities on which taxes were not paid by the receivers came from legitimate sources, ie duly reported and taxed incomes of those who gave these gifts, and even, if the "sources" wherefore the gifts are coming actually exist or is it just another sham to trick the tax authorities.

The Directorate General of Intelligence & Investigation - Inland Revenue is FBR's criminal investigations' wing having exclusive jurisdiction to try cases of tax evasion and tax fraud. Tax evasion is a predicate offence under the Anti-Money Laundering Act 2010, and the Government of Pakistan has recently empowered the Directorate General to investigate and prosecute cases of money laundering where predicate offence is tax evasion or tax fraud.

During the under reference investigations, cases where it is found that such gift arrangement is employed with an intent to commit tax evasion, the assets of such individuals will be confiscated as per law, under the Anti-Money Laundering Act 2010. Moreover, criminal references will be filed in the Special Court of Customs & Taxation. Such gift arrangements are liable to punishment with rigorous imprisonment for a term up to ten years, along with heavy fines as well as forfeiture of property involved in money laundering or property of corresponding value. On the directions of Director General I&I-IR, Khwaja Tanveer Ahmed, the exercise has been initially started at the AML Cell Islamabad.