

Following news published in The News, Karachi on April 13, 2018

SBP bars remittances in forex accounts of non-filers

KARACHI: The central bank on Thursday directed banks not to receive remittances into the foreign currency accounts of non-filers of returns under a new law unveiled early this week to nail tax evaders. "A foreign currency account of a citizen of Pakistan resident in Pakistan can be fed with cash foreign currency if the accountholder is a filer as defined in Income Tax Ordinance 2001," the State Bank of Pakistan (SBP) said in a statement.

"Foreign currency accounts can be fed by remittances received from abroad, travellers cheques issued outside Pakistan (whether in the name of account holder or in the name of any other person) and foreign exchange generated by encashment of securities issued by the government of Pakistan."

The decision was taken in line with the Protection of Economic Reforms (Amendment) Ordinance 2018, promulgated on Monday.

President Mamnoon Hussain promulgated Foreign Assets Declaration and Repatriation Ordinance 2018, Pakistan Economic Reforms Protection Act Amendment Ordinance 2018, the Voluntary Declaration of Domestic Assets Ordinance 2018 and Income Tax Amendment Ordinance 2018 to make effective tax amnesty scheme unveiled on April 5.

Foreign remittances account for a major portion of capital inflows from abroad. The annual remittances of around \$20 billion are just little less than the country's exports.

The government is targeting holders of foreign assets or remittance recipients to boost one of the region's weakest tax-to- GDP ratio of 10 percent. Number of tax return filers stood at around 1.2 million and of that, only 700,000 paid taxes during the last year.

SBP Clarification issued on April 13, 2018 to The News for publication:

Apropos to the news item 'SBP bars remittances in forex accounts of non-filers' published in your newspaper today wherein it has been reported that 'The central bank on Thursday directed banks not to receive remittances into the foreign currency accounts of non-filers of returns under a new law...'

In this regard, it is rebutted that any such directions have been given by State Bank of Pakistan. It has been clearly mentioned in our EPD Circular Letter No.5 issued on April 12, 2018 that 'Foreign currency accounts can be fed by remittances received from abroad, travellers cheques issued outside Pakistan (whether in the name of account holder or in the name of any other person) and foreign exchange generated by encashment of securities issued by the Government of Pakistan. A foreign currency account of a citizen of Pakistan resident in Pakistan can also be fed with cash foreign currency only if the account holder is a filer as defined in Income Tax Ordinance, 2001'.