

Dear Valued Client,

This letter is to inform you that the Federal Government, through Finance Act 2017, has announced various amendments in the Income Tax Ordinance, 2001 (Ordinance) w.e.f July 01, 2016. Only relevant amendments pertaining to you are mentioned below.

1. Definition of 'Filers' and 'Non-filers'

The Finance Act 2014 has introduced enhanced rates for withholding / collection of income tax for '**non-filers**' under various heads. For this purpose, new definitions of '**filer**' and '**non-filer**' have been inserted in section 2 of the Ordinance.

A '**Filer**' has been defined as a taxpayer whose name appears on the 'active taxpayers' list issued by the Board from time to time or is a holder of taxpayer's card, whereas all other persons are to be treated as '**Non-filers**'.

From practical perspective, a mechanism is to be placed to ascertain the status of a person as being a non-filer at the time of withholding of income tax.

2. Tax on Dividends (other than from Mutual Funds)

Tax rates for Dividend income is proposed to be as;

S. No.	Dividend By	Rate (Filer)	Rate (Non-filer)
(a)	In the case of dividends declared or distributed by purchaser of a power project privatized by WAPDA or on shares of a company set up for power generation or on shares of a company, supplying coal exclusively to power generation projects	7.5%	7.5%
(b)	in all other cases including dividend in specie	12.5%	20%

Further, proviso is proposed to be amended to take Dividend received by a person from Development of REIT Scheme in tax rates, Division I, Part III of 1st Schedule as;

	Dividend received by a (Individual, Company & AOP) from a stock fund	10% for Stock fund	12.5% for tax year 2016 and onwards, if dividend receipts are less than capital gains	
	Dividend received by Money market fund, income fund or REIT scheme or any other fund	Persons	Filer	Non-filer
		Individual	10%	15%
		Company	25%	25%
		AOP	10%	15%

3. Profit on Debt:

Sr.	Particulars	Rate
1.	Profit exceeds 25 million	10%
2.	Profit exceeds 25 million but does not exceed 50 Million	2,500,000+ 12.5 % of the amount exceeding Rs. 25,000,000
3.	Profit Exceeds 50 Million	5,625,000+ 15 of the amount exceeding 50,000,000

4. Capital Gains:

Capital gain income derived on immovable property (land) if it is derived within two years is liable to be taxed under this sub-section [(1A) of section 37] shall be as follows:

S. No.	Period	Rate of tax
1	Where holding period of Immovable property is up to five years	10%
3	Where holding period of Immovable property is More than five years	0%

5. Capital Gains on Disposal of Securities:

The rate of tax to be paid under section 37A shall be as follows:

Sr.	Holding Period	Tax Rates	
		Filer	Non-filer
1	Where holding period of a security is less than twelve months.	15 %	18%
2	Where holding period of a security is twelve months or more but less than twenty-four months.	12.5 %	16%
3	Where holding period of a security is twenty-four months or more but security was acquired on or after 1 st July, 2012.	7.5 %	11%
4	Where the security was acquired before 1 st July, 2012	0%	0%
5.	Future commodity contracts entered into by the members of Pakistan Mercantile Exchange	5%	5%

A mutual fund or a collective investment scheme or a REIT scheme shall deduct Capital Gains Tax and on redemption of securities, capital gain tax shall be deducted as specified below-

Category	Filer	Non-filer
Individual and association of persons	10% for stock funds	17.5%
Individual and association of persons	10% for others	
Company	10% for stock funds	25%
Company	25% for others	

Provided further that in case of a stock fund if dividend receipts of the fund are less than capital gains, then the rate of tax deduction shall be **12.5%**

6. Bonus shares

Through the Finance Act 2014, the issuance of bonus shares has now been made taxable under Final Tax Regime (FTR) in the hands of shareholders.

- A company which is quoted on the Stock Exchange and issues bonus shares to its shareholders is required not to issue bonus shares equal to 5% of the number of bonus shares to be issued to shareholders.
- Bonus shares will be issued by a company to a shareholder only after collecting tax equal to 5% of the value of the bonus shares to be issued to the shareholder (including 5% bonus shares withheld as above) within a prescribed time.
- For purpose of determining value of bonus shares, the 'day-end price on the first day of closure of books' is prescribed to be used.
- The above referred tax is to be collected by the company within 15 days from the first day of closure of books.
- In case the shareholder fails to make payment of 5% tax within 15 days or the company fails to collect the tax within 15 days, the 5% bonus shares withheld by the company will be deposited by the company with the Central Depository Company of Pakistan Limited or any other entity prescribed by FBR.

7. Sindh Sales Tax (SST)

Pursuant to the Sindh Finance Act, the rate of SST has been reduced from 13%.

If you require any further information, please feel free to contact your trader / Customer Support for assistance.

Thanks & Regards,

Khadim Ali Shah Bukhari Securities (Pvt) Ltd.

