

GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE

Islamabad, the 16th June, 2015.

NOTIFICATION
(Income Tax)

S.R.O. 482(I)/2015.- The following draft of certain further amendments in the Income Tax Rules, 2002, which the Federal Board of Revenue proposes to make in exercise of the powers conferred by sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), is hereby published for the information of all persons likely to be affected thereby as required by sub-section (3) of said section and notice is hereby given that the draft will be taken into consideration by the Federal Board of Revenue after seven days of its publication in the official Gazette.

Any objection or suggestion, which may be received from any person in respect of the said draft before the expiry of the aforesaid period shall be considered by the Federal Board of Revenue.

DRAFT AMENDMENT

In the aforesaid Rules, after rule 228, the following new rule shall be inserted, namely:-

'228A.- Mode and manner of disposal of bonus shares.-(1) This rule shall apply for the purposes of sub-section (5) of section 236M which provides for the mode and manner of disposal of bonus shares.

(2) In this rule,-

(a) "portfolio of securities" means the total holdings of securities belonging to the Board ;

(b) "portfolio manager" means any person who pursuant to a contract or agreement with the Board for disposal of securities, undertakes on behalf of the Board the management or administration of a portfolio of securities of the Board.

(3) The Board on being satisfied that a person fulfils the requirements specified in sub-rule (4), shall appoint the person as portfolio manager:

Provided that till the appointment of portfolio manager, National Investment Trust (NIT), shall act as portfolio manager of the Board to manage and administer portfolio of securities for the purpose of their disposal.

(4) The Board shall not appoint any person as a portfolio manager unless such person,-

(a) is a company;

(b) has the necessary infrastructure and the manpower to effectively discharge the activities of a portfolio manager; and

(c) has an experience of at least ten years in related activities in the securities market including activities in portfolio management or stock broking or investment management or fund management.

(5) Central Depository Company of Pakistan Limited maintaining an account of the Board shall transfer bonus shares credited into the said account, to the portfolio manager within seven days of such crediting:

Provided that Central Depository Company of Pakistan Limited shall only transfer the shares after being communicated by the Board regarding name of the portfolio manager appointed and the period of contract.

(6) In case physical bonus shares are to be transferred to the account of the Board in Central Depository Company of Pakistan Limited under sub-section (4) of section 236M, every company shall transfer such bonus shares directly to Central Depository Company of Pakistan Limited and there shall be no requirement for the CDC Participant or IAS to initiate deposit request in CDS and to send physical share certificate, relevant verified transfer deed and Securities Deposit Form.

(7) The proceeds or consideration received from the disposal of securities shall be paid to the Commissioner by way of credit to the Federal Government within seven days of the disposal of securities.

(8) The portfolio manager shall endeavour for disposal of securities within three months of crediting of securities into the account of the Board maintained with the Central Depository Company of Pakistan Limited:

Provided that portfolio manager shall endeavour to dispose of the securities earlier or later than the said period of three months if directed by the Board or in pursuance to the contract or agreement with the Board for disposal of any security or securities:

Provided further that for the securities held by the Board on the date of commencement of this rule, the period of limitation shall start from the coming into force of this rule instead of the date when securities were credited into the account of the Board maintained with the Central Depository Company of Pakistan Limited.

(9) The agreement between the portfolio manager and the Board shall, *inter alia*, contain,-

(a) the quantum and manner of payment of an agreed fee from the Board for rendering portfolio management services, provided that the fee shall not be more than the fee charged by the portfolio manager from its other clients and investors for rendering similar portfolio management services;

(b) period within which the securities are to be disposed of from the date when each security is credited into the account of the Board maintained with the Central Depository Company of Pakistan Limited;

(c) period of the contract and provision of early termination, if any;

(d) mode and manner of furnishing of information, if any, required by the Board; and

(e) the limitations, if any, placed by the Board, in respect of management of portfolio of securities.

(10) The portfolio manager shall abide by the Code of Conduct issued by Securities and Exchange Commission of Pakistan, from time to time and in particular, Circular No. 32 of 2009, dated the 9th October, 2009.

(11) The portfolio manager shall act in a fiduciary capacity with regard to the Board's portfolio.

(12) The portfolio manager shall not derive any direct or indirect benefit out of Board's securities and shall not borrow funds or securities on behalf of the Board or lend securities of the Board to a third person.

(13) No transaction of sale shall be made between the portfolio manager and the Board in respect of Board's portfolio of securities.

(14) Notwithstanding anything contained in sub-rule (5) or the contract or agreement as referred to in clause (b) of sub-rule (2), the Board may direct the Central Depository Company of Pakistan Limited, not to transfer securities to the portfolio manager.

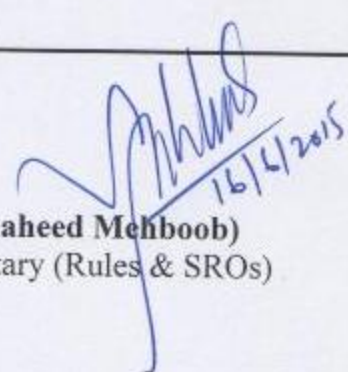
(15) Central Depository Company of Pakistan Limited shall not transfer further securities to the portfolio manager from the date of communication as referred to in sub-rule (14).

(16) The portfolio manager shall furnish after every three months or as and when required by the Board, a report containing the following details, namely:-

- (a) transactions of sales of portfolio of securities undertaken during last three months including date of transactions;
- (b) description, number and value of securities held on the reporting date; and
- (c) dividend, bonus shares, rights shares or any other beneficial interest received in respect of the portfolio of securities.

(17) On termination, either under the contract or by the Board, the portfolio manager shall provide a statement of accounts to the Board and settle the account with the Board as agreed in the contract.”.

[F.No. 4(12) R&S/2015]


(Shaheed Mehboob)
Secretary (Rules & SROs)