Government of Pakistan
(Revenue Division)
Federal Board of Revenue
*****

Islamabad, the 20 July, 2011

NOTIFICATION
Income Tax

S.R.O. 715 (I)/2011. – The draft of following 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, as required under sub-section (3) of the said section, for the information of all persons likely to be affected thereby and notice is hereby given that the draft will be taken into consideration after fifteen days of its publication in the official gazette.

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

DRAFT AMMENDMENTS

In the aforesaid Rules,-

(a) in rule 13E, after sub-rule(5), the following shall be added:-

"(6) Profit made on sale of borrowed shares shall be treated as capital gain when such shares are acquired for their return to Authorized Intermediary. Period intervening between acquisition and disposal of such borrowed shares shall determine the holding period in which the capital gain or loss falls. Specific Identification Method shall be used to determine the acquisition cost and consideration for disposal of such securities. The difference between cost of acquisition and consideration received against disposal (net off all borrowing costs) of such shares shall be treated as capital gain or loss. This rule shall be applicable to the securities borrowed in accordance with the Securities Lending and Borrowing Scheme approved by Securities and Exchange Commission of Pakistan.

(7) Profit made on disposal of shares acquired under Margin Finance Scheme, Margin Trading Scheme or other Financing or Leverage schemes approved by Securities and Exchange Commission of Pakistan shall be treated as capital gain. The difference between cost of acquisition (inclusive of borrowing cost) and consideration received against disposal of such shares shall determine the quantum of capital gain or loss.";

(b) in rule 13F, in sub-rule (1), for clause (a), the following shall be substituted, namely:-

"(a) Wash Sales where capital loss realized on sale of specific security by an investor is preceded or followed in one month's period by purchase of the same securities by the same investor whereby the transaction falls within one month between same two parties or their related parties where one was seller and other

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