

GOVERNMENT OF PAKISTAN
Revenue Division
(Federal Board of Revenue)

Islamabad, the 27th December, 2016.

NOTIFICATION

S.R.O. 1173(I)/2016.- 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 shall 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 AMENDMENTS

In the aforesaid Rules, after Rule 231G, the following new rule shall be added, namely:-

"231H. Reduced rate of tax for Shari'ah compliant companies in terms of Sub-Clause (a) of clause (18B) of Part-II of the Second Schedule to the Ordinance.

To avail reduced rate of tax in terms of sub-clause (a) of clause (18B) of Part-II of the Second Schedule to the Ordinance the Shari'ah compliant criteria for a company, whose shares are traded on a stock exchange, shall be as follows:-

- (i) The business of the company should be Halal i.e. it shall not include processing or manufacturing of pork, liquor, non-Halal products, pornographic material or any other activity not permitted by Shari'ah.
- (ii) There should be Riba free financing on the balance sheet of the company, however the company may be leveraged through Islamic modes of financing obtained from licensed Islamic financial institutions.
- (iii) All the investments made by the company should be one hundred percent Shari'ah compliant, therefore, it would not be permissible for the company to acquire non-Shari'ah compliant instruments/securities which yield interest or income that is not Halal.
- (iv) The company would be obliged to maintain free float of the company at 30% of the outstanding shares."

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(Reema Masud)
Secretary (IT-Budget)