GOVERNMENT OF PAKISTAN
REVENUE DIVISION
FEDERAL BOARD OF REVENUE
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Islamabad, the 27th July, 2016

NOTIFICATION
(Income Tax)

S.R.O. 498(I)/2016.- In exercise of the powers conferred by sub-section (1) of section 237 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Federal Board of Revenue is pleased to direct that the following further amendments shall be made in the Income Tax Rules, 2002, the same having been previously published *vide* Notification No. S.R.O. 194(I)/2016 dated the 8th March, 2016, as required by sub-section (3) of the said section, namely:-

In the aforesaid Rules,-

(1) in rule 13N,-

(a) in sub-rule (3), for full stop at the end, a colon shall be substituted and thereafter the following proviso shall be added, namely:-

"Provided that, where any discrepancy or error is pointed out or found in recording the date of acquisition of security, NCCPL may, with the prior approval of the Commissioner Inland Revenue, rectify such date based on the relevant information provided by CDC as obtained from concerned issuer or its share registrar and accordingly re-compute the capital gain tax liability in the financial year in which such security has been disposed of."; and

(b) in sub-rule (23), in clause (d), the word "and" at the end shall be omitted and thereafter the following new clause shall be inserted, namely:-

"(dd) where securities of unlisted company are converted into electronic form, the cost of acquisition of such securities shall be the face value at which the security is listed on the stock exchange and the date of acquisition shall be the date of acquisition as available with CDC; and";

(2) in rule 13O, in Part-I, for Sr No 6, 7 and 8, the following shall be substituted; namely:-

"6. Amount of capital gains for holding period:

(i)	Less than 12 months	Rupees________
(ii)	12 months or more but less than 24 months	Rupees________
(iii)	24 months or more but less than 48 months	Rupees________
(iv)	48 months or more	Rupees________

7. Amount of capital loss for holding period :

(i)	Less than 12 months	Rupees____(____)____
(ii)	12 months or more but less than 24 months	Rupees____(____)____
(iii)	24 months or more but less than 48 months	Rupees ____(____)____
(iv)	48 months or more	Rupees____(____)____

8. Amount of tax liability on capital gains:

(i)	Less than 12 months (15%)	Rupees________
(ii)	12 months or more but less than 24 months (12.5%)	Rupees________
(iii)	24 months or more but less than 48 months (7.5%)	Rupees________
(iv)	48 months or more (0%)	Rupee________
(v)	Adjustment of tax liability due to capital loss	Rupees________
(vi)	Total Liability (i+ii+iii+v) (______%)	Rupees________"; and

(3) in rule 13P, after clause (za), the following new clause shall be added, namely:-

"(zb) **Sales transactions of securities of private/public unlisted company after its conversion into listed company:-**

(i) **Detail of the transaction**

An investor, holding such securities, sells securities in a stock exchange. The transaction is settled by transferring the securities sold from his account maintained in Central Depository System to the investor buying the securities with credit of sale proceeds to the account of investor disposing of the securities.

(ii) **Tax treatment**

Disposal of security is to be taken as taxable event, at settlement date. Capital gain will be computed by applying FIFO method. Capital Gain shall be chargeable to tax as per section 37A read with rates specified in Division VII of Part I of the First Schedule of the Income Tax Ordinance, 2001.

(iii) **Example**

(a) A, being a client of a broker, has 1,000 shares of company ABC in his account. He acquired 1,000 shares on the 1st January, 2013 at Rs. 10 per share when the Company was private/public unlisted company having face value of share of Rs. 10 and transfers the same in electronic form with CDC on 1st February, 2013. ABC Company listed on stock exchange on 1st July, 2015 at a listing price of Rs. 20. He disposed of 500 shares on 1st January, 2016 at Rs. 25 per share and 500 shares on 8th February, 2017 at Rs. 30 per share.

(b) NCCPL shall compute capital gain and tax thereon, if any in the following manners:

(c) Date of acquisition will be based on CDS data while face value will be entered as cost of acquisition from ready board quotations:

Purchases / Acquisitions				Disposal		
Date	**No. of shares**	**Price**	**Cost***	**1st Jan, 2016**	**8th Feb, 2017**	**Total**
1-Jan-13	1,000	10	10,000	500	500	1,000

Selling price per share	25	30	
Sale proceed	12,500	15,000	27,500
Less: Cost	5,000	5,000	10,000
Difference	7,500	10,000	17,500
Less: 0.50% of sale proceeds as expense	62.50	75	137.5
Capital gain	7,437.5	9,925	17,362.5
Holding period in days	1,095	1,499	
Tax rate applicable	7.5%	0%	
Tax to be collected	**557.81**	-	”.

[F.No.4(90)ITP/2007-PT-1]

(QAZI HIFZUR REHMAN)
Secretary (IT-Budget)