

Government of Pakistan
Revenue Division
Federal Board of Revenue

Notification

Islamabad, the 24th October, 2022.

S.R.O. 1956(I)/2022. - 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.1768(I)/2022, dated the 27th day of September, 2022, as required by sub-section (3) of section 237 of the said Ordinance, namely: –

In the aforesaid Rules, –

- (1) in rule 13L, in sub-rule (1), in clause (d), –
 - (a) for sub-clause (i), the following shall be substituted, namely: –
 - “(i) in case of right share, means the discounted price at which the right shares are issued to a shareholder by the issuer including the cost of acquisition of letter of rights;”;
 - and
 - (b) in sub-clause (iii), for paragraph (iii), the following shall be substituted, namely: –
 - “(iii) shall be zero, in any other case.”;
- (2) in rule 13N, –
 - (a) in sub-rule (5A), for full stop at the end, a colon shall be substituted and thereafter the following new proviso shall be added, namely: –

“Provided that NCCPL shall adjust the capital gain tax liability based on status of investor as filer or non-filer as per Active Taxpayers’ List at the end of tax year.”; and

- (b) in sub-rules (15) and (16), for the word “thirty”, the words “forty-five” shall be substituted respectively;
- (3) in rule 13P,—
- (a) in clause (q), for sub-clauses (ii) and (iii), the following shall be substituted, namely:—

“(ii) **Tax Treatment.**—

Bonus Share Entitlement prior to the 1st July, 2014 or from 1st July, 2018 onwards:—

Where bonus share entitlement is prior to the first day of July, 2014 or from the first day of July, 2018 onwards, the cost of such shares shall be computed by spreading the cost of old shares over the old shares plus the bonus shares taken together. This cost of a share shall be the same for the old shares and the new shares. Subsequently, when such bonus shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon. Similarly, the cost of old shares shall be taken the same as for bonus shares, and when the old shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon, even if these are sold prior to the crediting of bonus shares in the shareholder’s account, but after the date of entitlement of bonus shares.

Example. – A, being a client of a broker, acquired 400 shares of company B in his account. He acquired these shares on 01-01-2019 at Rs. 30 per share. On the same day i.e. 01-01-2019, the company declared bonus shares @ 25%, and date of entitlement of the shares was declared as 1-04-2019 and the shares were to be credited in the account of A on 15-5-2019. He disposed off 300 shares on the 15-06-2019 at Rs. 35 per share.

NCCPL shall compute capital gains as per following example:-

| Date | Purchases /Acquisitions | | | Disposal | |
|----------|-------------------------|-------|--------|-----------|-------|
| | No. of shares | Price | Cost | 15-Jun-19 | Total |
| 1-Jan-19 | 400 | 30 | 12,000 | 300 | 300 |

| | | | | | |
|-------------------------|------------------------------|----|-------|--------|-----|
| 1-Jan-19 | Bonus shares issued @ 25% | | | | |
| After entitlement | | | | | |
| 1-Jan-19 | 400 | 24 | 9,600 | | |
| 15-May-19 (Bonus) | 100 | 24 | 2,400 | | |
| | | | | 300 | 300 |
| Selling price per share | | | | 35 | |
| Sale proceed | | | | 10,500 | |
| Less: Cost | | | | 7,200 | |
| Capital Gain | | | | 3,300 | |

Bonus Share Entitlement during the 1st July, 2014 till the 30th June, 2018:-

From the first day of July, 2014 till the thirtieth day of June, 2018 for computation of capital gain tax, the cost of bonus shares shall be the price prevailing on first day of book closure (ex-bonus price). Subsequently, when such bonus shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon. Similarly, the cost of old shares shall remain same before and after bonus shares are issued, and when the old shares are disposed of, such cost shall be taken for computation of capital gain and tax thereon, even if these are sold prior to the crediting of bonus shares in the shareholder's account, but after the date of entitlement of bonus shares.

Example. – A, being a client of a broker, has 400 shares of company B in his account. He acquired these shares on the 1st January, 2015 at Rs.20 per share. On the same day i.e. 01-01-2015, the company declared bonus shares @ 50%, and date of entitlement of the shares was declared as 1-04-2015 and the shares were to be credited in the account of A on 15-5-2015. The market value (ex-bonus price) of these shares on 31-03-2015 is Rs.25 per share. He disposed of 500 shares on the May 20, 2015 at Rs.30 per share.

NCCPL shall compute capital gains as per following example:-

| Purchases /Acquisitions | | | | Disposal | |
|-------------------------|---------------|-------|------|-----------|-------|
| Date | No. of shares | Price | Cost | 20-May-15 | Total |

| | | | | | |
|-------------------------|---------------------------|----|------|-------------|-----|
| 1-Jan-15 | 400 | 20 | 8000 | 500 | 500 |
| 1-Jan-15 | Bonus shares issued @ 50% | | | | |
| 1-Apr-15 | 400 | 20 | 8000 | | |
| 15-May-15 (Bonus) | 200 | 25 | 5000 | | |
| | | | | 500 | 500 |
| Selling price per share | | | | 30 | |
| Sale proceed | | | | 15,000 | |
| Less: Cost | | | | 10,500 | |
| Capital Gain | | | | 4,500"; and | |

(b) in clause (r),—

(i) for sub-clause (ii), the following shall be substituted, namely:-

“(ii) **Tax treatment.**—

The sale proceeds of letter of rights (LoR) or rights shares shall be the market price of the LoRs or rights shares as received by the investor.

Cost of acquisition of LoRs shall be the price paid, if any, by the investor to acquire such LoRs.

Cost of acquisition of the right shares shall be the price paid by the investor to acquire those right shares, including price paid for acquisition of LoRs:

Provided that where right shares are not credited on or before 45 days from date of delisting of LoRs by CDC, these LoRs shall be deemed as disposed of at zero price.

Capital gain or loss on disposal of LoRs or rights shares shall be computed as difference of consideration received from disposal and the cost of acquisition.”; and

(ii) after sub-clause (ii), substituted as aforesaid, the following new sub-clause shall be added, namely:-

“(iii) **Example.**—

Particulars

LoR Allotment Price

0

| | |
|-------------------------------------|-------|
| LoR Price - Purchased from Market | 5.00 |
| LoR Price - Sold in Market | 12.00 |
| Right Share subscription price | 25.00 |
| Right Shares Price - Sold in Market | 40.00 |

Case A: Investor A is allotted 100 LoRs. He disposes of 12 LoRs, subscribes 70 LoRs, does not exercise remaining 18 LoRs and sells 10 right shares.

Case B: Investor B purchases 100 LoRs. He disposes of 12 LoRs, subscribes 70 LoRs, does not exercise remaining 18 LoRs and sells 10 right shares.

| Particulars | Case A | Case B |
|---|----------|----------|
| Cost of acquisition of 100 LoRs | - | 500.00 |
| Capital Gain on disposal of 12 LoRs | 144.00 | 84.00 |
| Cost of acquisition of 70 Right shares | 1,750.00 | 2,100.00 |
| Capital loss on not exercising 18 LoRs | - | (90.00) |
| Capital Gain on disposal of 10 Right shares | 150.00 | 100.00". |

[F.No. 1(113)R&S/2020]



(Bilal Hassan)
Secretary (Rules & SROs)