



# PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

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*Bilal Farooq Zardi*  
Secretary General

Ref: PSBA/G0621-01

June 14, 2021

**MR. ASIM AHMAD**  
Chairman  
Federal Board of Revenue  
Government of Pakistan  
Islamabad.

**CH. MUHAMMAD TARIQUE**  
Member (Inland Revenue - Policy)  
Federal Board of Revenue  
Government of Pakistan  
Islamabad.

Subject: **COMMENTS ON DRAFT AMENDMENTS IN THE INCOME TAX RULES, 2002**

Respected Sir(s),

This refers to the notification S.R.O. 639 (I)/2021 dated June 1, 2021, whereby, the Federal Board of Revenue (FBR) has proposed amendments in the Income Tax Rules, 2002. Further, suggestions/objections are also invited in respect to the said draft of the amendments in the said rules, for the kind consideration of FBR.

In this regard, we would like to submit our comments so that the amendments may result in the best interest of the Capital Market and its investors.

- A. Concerning the amendments proposed after sub-rule (7), wherein, a new sub-rule shall be added as (7A) (a), whereby, the setting off of eligible capital loss carried forward from previous tax years shall be made only in respect of a taxpayer whose name appears or appeared in the Active Tax Payers List (ATL) pertaining to the tax year. We would like to draw your kind attention to the First Proviso of Section 4 (3) of Finance Supplementary (Second Amendment) Act, 2019, whereby, the losses shall be set off against the gain of the person from the disposal of securities, and no class has been defined that the carry forward shall be allowed to the person whose name appears or appeared in the ATL. Therefore, we urge your authority that to encourage investment in the Stock Market, the status quo on this issue should be maintained, and the setting off shall also be allowed to the person whose name is not appearing in the ATL.
- B. The purpose of the matter to be taken up with the revenue authority was to request the adjustment on a monthly basis so that to avoid liquidity issues in the Stock Market. The proposed amendments after sub-rule (7), wherein, a new sub-rule shall be added as (7A) (a), states that the capital losses shall be made on monthly basis from the first month of updation of ATL for that tax year. It essentially means that no adjustments will be given in the first eight months starting from July to February as the latest list of ATL gets published in the month of March pertaining to the preceding year as per the prevailing practice. The ambiguity so arises by the proposed amendments will have liquidity issues, thus negative repercussions. Therefore, we propose that the concept of ATL should be removed in order to remove the ambiguities in the tax treatment of Capital Gains. The adjustments should be given from the very first month after the end of the year.
- C. Please refer to the last page of the subject document, wherein, the example has been quoted. In clause (ii) it seems that there is a typo and the word tax year 2019-20 should be replaced with the tax year 2018-19.



In pursuance to the above, we would also like to take this opportunity to meet with your good self to discuss the above reservations, as the Stock Market is a most documented and tax compliant industry of Pakistan. Therefore, should be given extra due care.

We thank you for your kind consideration and to accede on our request & accord your approval for a meeting as requested above at your convenient date and time so that the issues are timely discussed.

Yours sincerely,

Cc: **Dr. Najeebullah** - Chief (Income Tax Policy) - FBR.  
**Mr. Tariq Iqbal** - Secretary (Rules & SROs) - FBR.  
**Mr. Muhammad Lukman** - Chief Executive Officer - NCCPL.