

# PAKISTAN STOCK BROKERS ASSOCIATION

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

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Ref: PSBA/N0123-01

January 17, 2023

**MR. MUHAMMAD LUKMAN**  
Chief Executive Officer  
National Clearing Company of Pakistan Ltd  
Karachi.

Subject: **DISCUSSION ON VARIOUS MATTERS**

Dear Sir,

This refers to our meeting held on November 16, 2022, at the Pakistan Stock Brokers Association (PSBA) Office in continuation with our letter PSBA/N1122-01 dated November 3, 2022, regarding the matters that have been taken up by PSBA and required a mutual consensus to conclude in the best interest of market participants. We are writing this to formalize our discussion as follows:

## 1. IMPOSITION OF PENALTIES AND COMPUTATION CHARGES ON COLLECTION OF CAPITAL GAIN TAX (CGT):

This matter has been under discussion for a long which was first raised by the PSBA on July 30, 2021, through its letter PSBA/N0721-01 where the National Clearing Company of Pakistan Limited (NCCPL) was requested to revisit its Regulations as the NCCPL has been entrusted under the Income Tax Ordinance 2001 by the Federal Board of Revenue (FBR) for the collection of CGT, hence, all the fees and/or charges incidental thereto, by whatever name called, should also be borne by the FBR, and not our members only being a facilitator. In addition to that, being a Withholding Agent where NCCPL has been entrusted to collect CGT as discussed above, it cannot and should not penalize the members who make their efforts on behalf of NCCPL for a smooth collection process. In the matter, we had a healthy discussion and reached the following conclusion:

- a) After due deliberation, it was agreed that NCCPL shall adjust flat rates of CGT in a manner that cumulative charges to be collected from securities brokers for trades executed by them is restricted to Rs. 100 million. PSBA had initially demanded 50% reduction in all slab rates. However, participants, after due deliberations and scenarios building, agreed to revise the CGT tariff as follows:

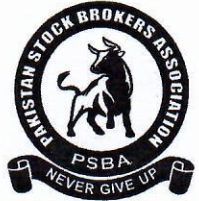
Investors with Annual Trading Values	Existing Rates	Proposed Rates
<100,000	0	0
>100,000 <5 million	200	200
>5 million <10 million	300	300
>10 million <50 million	800	1,000
>50 million <100 million	2,500	
>100 million <500 million	7,000	8,000
>500 million < 1 billion	30,000	
>1 billion <5 billion	40,000	42,500
>5 billion and above	60,000	

Both PSBA and NCCPL will take this to their boards for necessary approvals.

- b) The NCCPL will revisit its Regulations on the penalty clause to remove the same as currently in case of default by the investors in depositing the CGT amount, the stockbroker is being penalized. These amendments were to be carried out by end of December 2022 as informed by the NCCPL team.

## 2. PROPOSED AMENDMENTS TO CKO REGULATIONS 2017 AND NCCPL REGULATIONS 2015:

NCCPL has recently proposed a few amendments to its Regulations and also conducted a brief session for the market participants where the PSBA received a few concerns from its members and were taken up timely which also came under discussion in the above meeting. This is regarding the mobile-based or other application to be provided by NCCPL for the One Time Biometric Verification by the incoming customer where PSBA after a detailed discussion sought time to internally discuss and get back to NCCPL. After discussing it with its members, PSBA is of the view that this service should be introduced as OPTIONAL as communicated through our email dated November 24, 2022.



**3. PROPOSED AMENDMENTS TO INCOME TAX RULES 2002 THROUGH S.R.O. 1768(I)/ 2022 DATED SEPTEMBER 27, 2022:**

The NCCPL team confirmed that the amendments proposed through the aforesaid S.R.O have been made in Income Tax Rules, 2002, whereby, the NCCPL shall adjust the CGT liability based on the status of the investor as filer or non-filer as per the Active Tax Payer List (ATL) at the end of the tax year. The PSBA reminded that it was opposed and the comments were submitted to the authorities through its letter PSBA/G1022-01 dated October 11, 2022, accordingly. Thereafter, the meeting was also called by FBR Officials where Chief Inland Revenue FBR confirmed that considering the views of representative bodies, these amendments shall be held in abeyance. Therefore, the PSBA team informed that the matter will be discussed with the Executive Committee for further course of action.

Lastly, we would like to thank you for accepting our invitation and to have a fruitful discussion for timely conclusions.

Best Regards,

**BILAL FAROOQ ZARDI**  
Secretary General

Cc: Mr. Imran Ahmed Khan – Chief Operating Officer – NCCPL.