

1. AUDIT, ACCOUNTS & TAXATION COMMITTEE

(6 meetings held in the period October 1, 2011 - September 30, 2012)

<u>Member</u>	<u>Meetings Attended</u>	<u>Member</u>	<u>Meetings Attended</u>
M. Habib-ur-Rahman (<i>Chairman</i>)	6 of 6	Shakeel Musani*	1 of 2
Amjad Waheed	3 of 6	Shahid Ghaffar	5 of 6
Muhammad Irshad Iqbal	2 of 6	Zeeshan Quddus	1 of 6
Saqib Matin*	1 of 2		

(* Member since March 14, 2012)

TERMS OF REFERENCE

- Taking up any matter relating to accounts/audit with Auditors, ICAP and SECP or any other authority as and when they arise;
- Making of Proposals for Federal or provincial Budgets;
- Examining and resolving any tax related issues; and
- Any other matter connected with Audit, Accounts and Taxation.

ACTIVITIES' REPORT

1. Clarification sought from SECP on chargeability of Sales Tax to Fund:

The Committee obtained clarification from the Commission (SECP) that Sales Tax levied under Sindh Sales Tax on Services Act, 2011 on management fee receivable by asset management companies (for management of CISs) is a chargeable expense to CIS, as stipulated under Regulation 60 of Non – Banking Finance Companies and Notified Entities Regulations, 2008.

2. Income Tax Proposals relating to mutual funds and voluntary pension schemes (VPS):

The Committee in collaboration with the Voluntary Pension Schemes (VPS) Committee prepared the draft taxation proposals for the fiscal year 2012 – 2013 that were sent to the SECP for consideration and onwards submission to the Federal Board of Revenue (FBR). In addition to holding committee meetings, a few members of the Committee held several meetings with SECP and FBR officials. The proposals that were accepted are:

- Enhancing maximum limits of five hundred thousand rupees and fifteen percent of a person's taxable income for the year for availing tax credit on investment in new shares (including mutual fund units) under section 62 of ITO to one million rupees and twenty percent of taxable income whichever is lower. The holding period for such investment was reduced from three to two years. The tax credit will be added back if such investments are disposed off within twenty four months of acquisition thereof;
- Allowing exemption from withholding tax on withdrawal from approved pension fund (VPS) on amount originally transferred from provident fund;
- Allowing tax exemption on pension received from an income payment plan created out of the accumulated balance of an individual pension account under the VPS Rules, 2005, subject to the condition that the income payment plan is created for a minimum period of 10 years; and
- Subjecting bank's income from money market and income funds to standard rate of tax, instead of tax rate applicable on dividend, over a period of two years.

3. Capital Gains Tax:

The Committee reviewed proposed draft section 100B of Income Tax Ordinance, 2001 and Eight Schedule of Income Tax Ordinance, 2001 which deal with the levy and collection of capital gains tax on listed securities from investors, excluding mutual funds and VPS and submitted its comments to the SECP.

4. Federal Excise Duty (FED):

From June 2011, FBR started sending notices to asset management companies for payment of FED on asset management services from July 1, 2007. The AMC were of the view (based on legal advice) that FED was not applicable on asset management services. To remove doubts in this matter, an amendment was made in the Third Schedule of Federal Excise Act, 2005, through Finance Act, 2012 exempting asset management services from FED retrospectively from July 1, 2007.

5. Non Sahib e Nisab status for mutual funds and voluntary pension schemes

The members of the Committee held several meetings with the Zakat and Ushr Department of Ministry of Religious Affairs and proposed amendments in Zakat and Ushr Ordinance to be notified by the provinces to define mutual fund/pension funds as non-sahib-e-nisab, as these are collective investment schemes; the CIS have pass through status and investors in these funds are already subject to Zakat.