

Member	Meetings Attended	Member	Meetings Attended
Amjad Waheed - Chairman	2 of 2	Muhammad Murtaza Ali	1 of 2
Imran Azim - Vice Chairman	2 of 2	Noman Soomro	0 of 2
M. Habib-ur-Rahman	1 of 2	Saqib Matin	2 of 2
Khawar Iqbal	1 of 2	Syed Zain Raza	2 of 2
Mashmooma Z. Majeed	2 of 2	Umair Ahmed	2 of 2
Muhammad Irshad Iqbal	1 of 2		

ACTIVITIES' REPORT

1. Federal Budget Proposals for the year 2014-2015

The committee prepared the draft taxation proposals along with the Technical Committee Retirement Schemes for the fiscal year 2014-2015. These proposals were discussed and agreed with the SECP in the meeting held with them on March 6, 2014.

Following two proposals were submitted to the SECP for onward submission to FBR.

- a. Amendment in S. No. 8 Column 1 of Table II of First Schedule to the Federal Excise Act, 2005 and Table 98.13 (Services rendered by Asset Management Companies should be removed from the S. No. 8 of Table II of First Schedule to the Federal Excise Act, 2005 and corresponding Table 98.13)
- b. Reinstatement of S. No. 8 in Table II of Third Schedule of Federal Excise Act 2005 (The S. No. 8 from Table –II of Third Schedule of Federal Excise Act 2005, which was deleted through the Finance Act 2013 proposed to be reinstated)

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 proposals for Federal and Provincial Budgets;
- Drafting of a long term tax policy of Mutual Fund Industry;
- Examining and resolving any tax related issues; and
- Any other matter connected with Audit, Accounts and Taxation.

The Constitution (Eighteen Amendment) Act, 2010 (Act X of 2010) has excluded sales tax on services from Federal Legislative List as specified in the Fourth Schedule of the Constitution of Islamic Republic of Pakistan. After this amendment, sales tax on services has become provincial subject and Provinces of Pakistan are now empowered to levy and collect sales tax on services within their respective territorial jurisdiction. FED on services is no different than sales tax on services since the taxable event is the same i.e. sales tax and FED on services are the identical tax. Therefore FED is leading to double taxation that affects the investors in mutual funds and pension funds hence MUFAP's proposal was to remove FED.

2. Bonus Distribution Issue

Towards the end of the financial year, the industry faced an issue when funds received notices from FBR regarding taxability on funds income due to non-compliance of mandatory 90 percent distribution based on FBR's erroneous interpretation that bonus issue did not contribute towards the said mandatory distribution. Initially the matter was brought to the light of the committee and the committee recommended meetings with SECP, FBR and the Finance Ministry for resolution of the issue. Later, due to urgency of nature, the matter was directly taken up by the Board, whereby Chairman of Board along with some of the Board of Directors held various meetings with SECP, FBR and Finance Minister and eventually MUFAP filed a case against these notices in Sindh High Court, through attorney Mr. Ijaz Ahmed and managed to obtain stay order on the case and also went into appeal at FBR. Recently the appeals filed at the department have been turned in Mutual Funds favor by the Commissioner (Appeals), indicating clearly that Mutual Funds stance on the matter from the very first day is correct in every term i.e. legal and technical.

3. Accounting Treatment of FED charged by the Funds

The committee discussed accounting treatment of FED charged by the funds on Management Fee and suggested that uniform practice should be adopted industry-wide. The committee recommended the treatment that FED is charged on management fee in the books of the funds and kept as liability in its books as the case is sub-judice.