



National Clearing Company of Pakistan Limited

8th Floor, Karachi Stock Exchange Building, Stock Exchange Road, Karachi

NCCPL/CM/December-12/08

December 24, 2012

Procedures for Computation, Determination and Collection of Capital Gain Tax (“CGT”)

Dear Clearing Members,

This is with reference to the implementation of CGT System by NCCPL in accordance with the Income Tax Ordinance, 2001 (“Ordinance”), Income Tax Rules, 2002 (“Rules”) and NCCPL Regulations. In this respect, following Procedures, applied on CGT System, are reproducing hereunder in order to provide better understanding of the CGT System to the Clearing Members:

1. Following reports/downloads are updated in CGT System on daily basis containing details of computation of CGT upto last settlement day(s). Clearing Members will be required to collect or withhold requisite amount in advance from their respective clients:
 - i. CGT Gain/Loss Details;
 - ii. Slab-wise Inventory Balance;
 - iii. Date-wise Inventory Detail;
 - iv. Inventory Balance Detail;
 - v. CGT Consolidated Summary;
 - vi. CGT Gain/Loss Non-Inventory; and
 - vii. CGT Gain/Loss Summary Report
2. The net amount of CGT for the month shall be reported to Clearing Members on the working day following the last Settlement Date of the reporting month. Accordingly, CGT shall be collected by the Company on monthly basis for transactions settled in a month, after refund/adjustment of losses of the previous month or months of the same financial year.
3. For collection of tax on capital gains, the Company shall provide an exclusive set of information of “net amount of CGT collection at each UIN level” and “net refund amount of CGT at each UIN level” to respective Settling Banks of the Clearing Members on **7th Settlement Date** of each month through NCSS Pay & Collect for the amount of tax determined for previous month or months.
4. The short collection or non-collection of CGT in any month during the financial year shall continue to appear in the CGT liability of coming month or months during the same financial year. In such case, the Company shall serve a Notice to defaulted clients



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- under intimation to respective Clearing Members to pay the required amount of CGT within **7-working days**. In case of non-payment within the above mentioned stipulated time, such defaulting UIN(s) may be restricted from taking new positions in all Markets till the recovery of amount of CGT. However, squaring-up of open Position(s) may be allowed for such restricted UIN(s).
5. The amount of CGT collected from the investors/persons by the Company shall be deposited in a separate bank account with the National Bank of Pakistan till the end of financial year. Accordingly, amount collected till 30-June shall be paid to the Federal Board of Revenue (“FBR”) along with interest accrued thereon on yearly basis by July 31st of the following financial year.
 6. The Company in respect of computation, determination, collection and deposit of capital gain tax shall, in accordance with the provisions of the Ordinance and Rules made there-under, issue/file following certificate/statement:
 - I. **Annual Certificate** showing computation/determination of capital gains or loss and CGT thereon, if any, and payment thereof to each client/ investor through Clearing Member within thirty days from the end of the financial year.
 - II. **Quarterly Statement** of capital gains and tax thereon to FBR within thirty days from the end of each quarter.
 7. Any loss incurred during the financial year will be adjusted against the gains for the same financial year during which the securities were held for a period of less than a year. Any loss incurred on securities trading that were held for a period exceeding 12 months will not be allowed to be adjusted against the gains.
 8. Brokerage account of the persons/investors shall not be closed until and unless such persons/investors obtain a clearance certificate from the Company confirming discharge of all CGT liability.
 9. Since, first-in-first-out (“FIFO”) inventory accounting method is used in CGT System based on CDS account level, where trades/transactions are settled, Clearing Members are required to properly manage their portfolio i.e. in case of Investor Account and multiple CDS sub-accounts under same UIN, Securities should be properly transferred to the CDS account from where trades are executed and going to be settled.



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For any further queries or concerns, please feel free to contact the Customer Support Services of your respective locations.

City	Telephone Number	Fax Number	Email
Karachi	021-32460811-19	021-32460827	helpdesk@nccpl.pk
Lahore	042-36280815-7	042-36280818	helpdesk@nccpl.pk
Islamabad	051-2895460-62	051-2895463	helpdesk@nccpl.pk

Regards,

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Badiuddin Akber
Chief Operating Officer

Cc:

1. Director (PRDD) Securities and Exchange Commission of Pakistan - Islamabad
2. Director (MSCID) Securities and Exchange Commission of Pakistan - Islamabad
3. Managing Director - The Karachi Stock Exchange Limited
4. Managing Director - The Lahore Stock Exchange Limited
5. Managing Director - The Islamabad Stock Exchange Limited
6. Chief Executive Officer - Central Depository Company of Pakistan Limited