

Reproduced hereunder letter dated January 13, 2012 received from **SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**, for information of Members of the Exchange. (Copy of the same is also available on our Website [www.kse.com.pk](http://www.kse.com.pk)).



Muhammad Ali  
Chairman

**SECURITIES AND EXCHANGE COMMISSION  
OF PAKISTAN**

NIC Building, 63-Jinnah Avenue, Islamabad

January 13, 2011

Mr. Salman Siddique  
Chairman  
Federal Board of Revenue  
Government of Pakistan  
Islamabad

Re: Capital Gain Taxation (CGT) on Securities Trading

Dear Sir,

This is in continuation of earlier discussions between Securities and Exchange Commission of Pakistan (SECP) and Federal Board of Revenue (FBR) on the captioned subject. During these deliberations there was a general consensus that maintaining status quo on Capital Gain Tax (CGT) is not in the interest of the economy as it has adversely impacted tax revenue collection as well as trading volume at Capital Markets (CM). Besides these, CGT has adversely affected investors' sentiment, capital formation and overall functioning of the CM.

2. SECP has objectively analyzed the situation by looking at the global trends, impact of CGT on the CM, and issues with present CGT regime and is pleased to share its proposal to revamp CGT regime in a manner which not only addresses issues highlighted above but also meets overall objectives of FBR, SECP and CM.

Global Trends on CGT

Table-I

3. The CGT regime is in place in many developed jurisdictions, like Australia, Canada, Brazil, China, France, and Germany, however it encompasses all asset classes such as; securities, immovable properties, collectibles, and other personal assets. While in developing jurisdictions CGT applicability varies from jurisdiction to jurisdiction as reflected in Table-I.

Country	CGT Coverage and Rate in Developing Countries
Singapore	Exempt on securities as well as all other assets
Malaysia	Exempt on securities while taxed @ 5% on property
Sri Lanka	Exempt on securities as well as all other assets
India	Long term investments -- securities are exempt while other assets are taxed @ 20% Short term investments -- securities are taxed @ 15% and other assets @ 10%
Indonesia	Securities @ 1% of the transaction value and property @ 5% (final tax)

4. CGT regimes across the globe have evolved differently as per each country's political, fiscal and economic environment. Securities are usually brought under CGT regime after a country has achieved certain level of capital market depth, investor outreach, and adequate capital formation and documentation.