



## PRESS RELEASE

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(Karachi: Wednesday, April 13, 2016): There have been Press reports regarding the FBR issuing notices to some TREC Holders (brokers) of the Pakistan Stock Exchange (PSX) with regard to payment of Federal Excise Duty (FED).

It is clarified that at the time of passing the 18<sup>th</sup> Amendment in the Constitution of Pakistan and the Budget for FY beginning July 01, 2011, the brokers of PSX (formerly Karachi Stock Exchange) paid FED in the sales tax mode to FBR with the understanding that the funds so collected would be transferred to the Province in line with the said Amendment.

The Sindh Revenue Board (SRB) was constituted in the year 2010 and the Government of Sindh promulgated the Sindh Sales Tax on Services Act, 2011 (the Act). The Act introduced tax on the "Stock Brokers Services" under PCT 9819.000.

The FBR official visited the Exchange and advised the TREC holders (brokers) that in future they should deposit the FED in sales tax mode to the Sindh Revenue Board (SRB) and the only change they would have to make in the registration was the addition of letter "S". Ever since, the TREC holders of the Exchange have been depositing the FED in this manner. After the lapse of four years the FBR issued notices of payment of arrears which is tantamount to double taxation to the tune of 33%.

It is pertinent to mention here that when the FBR first issued such notices, the affected brokers of PSX sought relief from the Honorable High Court Sindh and the Honorable High Court granted a stay order in this respect to stay the proceeding.

In spirit of the said "Amendment" and in view of the fact that FBR's demand for FED constitutes double taxation, PSX took up the matter with the FBR and the Ministry of Finance at the highest levels. All parties are generally agreed that FBR's demand for FED in effect constitutes double taxation and the Sindh Board of Revenue is also supportive of this stance of brokers and the PSX.

Despite this, some field officer of FBR again issued similar notice with regard to FED. The brokers took up the matter with FBR and it is understood that the said notice has now been withdrawn. As far as PSX is concerned this matter of the said FBR notice stands resolved.

This clarification is being issued to allay the confusion in the market which was created by some media outlet to sensationalize the matter which has negatively impacted investor confidence.