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### PSX HOLDS PRE-BUDGET MEDIA BRIEFING

(Karachi, May 26, 2016): Pakistan Stock Exchange (PSX), today, held a pre-budget media briefing to discuss the contribution of Equity Market to the economy. PSX represents tax payers who are fully documented and are contributing over PKR 670 billion, i.e. over 20 percent of FBR revenues. A number of taxes are collected from the Stock Exchange namely, Corporate Tax, Super Tax, Dividend Tax, Capital Gains Tax, Capital Value Tax and Sales Tax.

Chairman of the PSX explained that the International investors across the globe have started to take keen interest due to substantially improved economic profile of the country in the last 3 years. As Government emphasis shifts towards growth of the economy, capital market should also be ready to respond positively. To achieve rapid GDP growth, Capital Market requires some tax measures in the forthcoming budget 2016/17. The Chairman informed that the Government remains the biggest beneficiary of the Stock Market's performance citing that in addition to tax contributions of over PKR 670 billion, the Government since 2003 has raised PKR 453 billion and PKR 170 billion over the last two years through privatization deals. In addition to above, the Government also received PKR 14 billion in investment profits from NIT in FY14.

Keeping in view the importance of the Capital Market as a revenue generator for the Government, the PSX has presented a number of proposals to the Government which if accepted will further bolster the Stock Market's performance and will not impact the Government's revenue collection. Additionally, it will help in achieving higher value of listed shares comparable to regional countries with possible increase of PKR 1.8 trillion in Market Capitalization resulting in increase in value of Government's shareholding in listed companies by PKR 340 billion as the Government holds 20% of the Market.

The package, if approved in the budget, will help in raising equities of approximately PKR 250 billion for privatization, CPEC projects and expansions. This will also help in rapid growth of GDP by making available necessary financial resources for investments in the economy by providing job opportunities to its people and higher revenues with lower tax rates for the Government as the size of economy increases.

Giving background on the preparation of budget proposals by the PSX it was mentioned that rationalization of taxes like Bonus Tax, Capital Gains Tax, Capital Value Tax, exclusion taxes on REITs and Listing Tax incentives having a combined revenue impact of 0.4 percent of the PSX's total tax have been taken up amounting to a mere PKR 3 billion of the total PKR 670 billion.

It was proposed that tax on issue of bonus shares be removed since it has no significant impact as it is only an accounting entry and has discouraged companies from issuing bonus shares since its introduction. Rationalization of Capital Gains Tax (CGT) was also proposed as at the time of introduction the Government



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had communicated that it will abolish Capital Value Tax and CGT the rate will be determined after mutual agreement, however that is currently not the case.

A tax rebate of 20% for one year on the listing of new companies was also introduced during the last budget. The PSX has proposed this rebate be extended for five years to encourage more companies to list. Lastly, it was proposed to reintroduce the incentives that were available to REITs last year which were withdrawn shortly after the launch of South Asia's first REIT.

It has been observed that there have been frequent changes in the Capital Market Tax regime which is detrimental in attraction investors, both local and foreign. It is therefore recommended that taxation policy should be for a medium to long term.

The PSX is confident that the Government will take its proposals under advisement and pave way for further investment in the country and documentation of the economy.

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