



National Clearing Company of Pakistan Limited

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

APPROVED AMENDMENTS IN NCCPL REGULATIONS

“Capital Gain Tax (“CGT”)

CHAPTER 28

REGULATIONS FOR COMPUTATION, DETERMINATION, COLLECTION AND DEPOSIT OF CAPITAL GAIN TAX ON DISPOSAL OF LISTED SECURITIES AND OTHER RELATED MATTERS (CGT REGULATIONS)

Whereas, the National Clearing Company of Pakistan Limited (“Company”) has been entrusted under the Income Tax Ordinance, 2001 (“the Ordinance”), for the computation, determination, collection and payment of Capital Gain Tax into the Government Treasury arising from the disposal of listed securities’ transactions as provided under the Ordinance and the Rules made there under.

And whereas, the Company has established a capital gain tax system (“CGT System”) under the NCCPL Regulations;

And whereas, the Company made and notified the NCCPL Regulations pertaining to CGT System for computation, determination, collection of CGT, to all its Clearing Members;

And whereas, Regulation 22.1 of the National Clearing Company of Pakistan Limited Regulations 2003, permits the Company to make amendments to, including additions to or deletions from such Regulations, and Memorandum of Association of the Company permits the Company to make any new, amended or additional Regulations;

And whereas, the Company, through its CGT System, shall compute and determine capital gain or loss, as the case may be, on market based and non-market based trades/transactions of listed securities.



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28.1. Definitions

When used in this Chapter of these Regulations and, where applicable, in the Procedures, the following expressions shall, unless the context requires otherwise, have the meanings herein specified below:

Annexure

means the Annexure of the Rules relating to Eighth Schedule of the Ordinance

Capital Gain Tax (“CGT”)

means the Tax on capital gains on disposal of securities as provided under the Ordinance;

Capital Gain Tax (“CGT”) System

means an automated system developed by the Company for computation and determination of Capital Gains and collection and deposit of CGT in accordance with the Ordinance and Rules made there under;

Client

means the client of the Clearing Member;

Commissioner

means the Commissioner Inland Revenue, Federal Board of Revenue;



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FBR

means the Federal Board of Revenue established under section 3 of the Federal Board of Revenue Act, 2007.

Foreign Institutional Investors

means the foreign investor investing in the Stock Exchanges through international broker dealer/global custodians and whose incorporation/ registration number is issued by the relevant authority in the country of incorporation or the registration and has been assigned a UIN by the Company.

Instrument of Redeemable Capital

means as defined under Clause (30A) of Section 2 of the Companies Ordinance, 1984.

Leveraged Market

means as defined in the Securities (Leveraged Markets and Pledging) Rules, 2011;

Listed Securities

means securities listed on any stock exchange and declared NCSS Eligible Securities by the Company;

PRAL

means Pakistan Revenue Automation Limited, a company incorporated under the Companies Ordinance, 1984 (XLVII of 1984).



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Rules

means the rules related to Special Procedures for Computation of Capital Gains and Collection of Tax under the Eight Schedule and other related matters as provided under the Income Tax Rules, 2002; and

Ordinance

means the Income Tax Ordinance, 2001.

28.2 Eligible Person for CGT System

28.2.1. The Company shall compute, determine capital gains and loss on disposal of listed securities and collect tax thereon (if any), from the investor(s) or any person(s) involved in the investing activities in the listed securities on behalf of FBR, other than the following:-

- (a) persons or classes of persons as laid down in sub-section (2) of Section 100B of the Ordinance; and
- (b) any eligible person/investor who opt-out irrevocably from the provisions relating to Capital Gain Tax in accordance with the Rule (5) of the Schedule and file an undertaking to the Company in the prescribed form to that effect.

28.2.2 The capital gain tax computed, determined and collected in accordance with Regulations 28.2.1, shall be deposited by the company on behalf of Investor(s) in the manner prescribed in the schedule.

28.3 Data Requirement for CGT Computation, Determination and Collection

28.3.1 For the performance of the functions entrusted to the Company by the FBR in terms of the Ordinance and the Rules made there under, the Company shall obtain requisite information from Stock Exchanges, CDC and from any other entity, as per the agreed transmission/communication mechanism, that may be required by the Company from time to time.



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28.4. CGT Determination, Computation and Collection

- 28.4.1 The Company, through its CGT System, shall compute and determine capital gain or loss, as the case may be, on trades/transactions of listed securities as reported to or provided to or extracted from the systems or procedures in place with the Company, Stock Exchanges and CDC. Accordingly, tax thereon shall be collected and deposited in accordance with the Ordinance and Rules made there under. The amount of tax on capital gains from Clearing Member's clients/investors shall be collected by the Company from or through the respective Clearing Members.
- 28.4.2 For collection of tax on capital gains, the Company shall provide an exclusive set of collection information to respective Settling Banks of Clearing Members by 7th Settlement Date of each month through NCSS Pay & Collect for the amount of tax determined for previous month or months. Provided that such 7th Settlement Date shall be considered from the date of which the net CGT amount for previous month or months has been computed in CGT System and client/investor level reports of CGT have been made available to Clearing Members.
- 28.4.3 The Company shall provide necessary report or reports, from time to time, to Clearing Members so as to enable them to collect or withhold amount in advance from their clients.
- 28.4.4 The amount of tax on capital gains from Clearing Member's clients/investors shall be collected by the Company from or through the respective Clearing Members. However, in case a client/investor maintains multiple trading accounts/CDS accounts with different Clearing Members, the amount of tax on capital gains shall be collected in proportion to the trade/transactions executed through respective Clearing Members.

28.5. Clearing Member's Warranties and Indemnities

- 28.5.1. A Clearing Member supplying any information to the Company in pursuance of any obligation of the Clearing Member under these Regulations shall:
- (a) be deemed to have warranted to the Company that the information supplied is complete, true and correct and nothing has been cancelled or omitted which will make such information inaccurate, incorrect or misleading; and



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- (b) indemnify the Company from all types of losses, damages, costs or expenses (if any) suffered or incurred by the Company as a result of any inaccuracy, mistakes, contained in or omission from the information supplied by the Clearing Member or such information being misleading.

28.6 Functions of the Company

- 28.6.1 The Company, under the Ordinance, has been entrusted for the function of computation, determination, collection and payment of CGT into the Government Treasury arising from the disposal of listed securities' transactions as provided under the Ordinance and the Rules made there under.

28.7 Liability of Company

- 28.7.1 The information provided to the Company in accordance with Regulation 28.3.1 of CGT Regulations, shall be used by the Company exclusively for the purpose of the functions entrusted by FBR to the Company for the computation, determination, collection and deposit of CGT as provided under the Ordinance and the Rules made there under.

28.7.2 The only obligation of the Company with regard to the computation, determination collection and deposit of CGT shall be to facilitate the Clearing Member in the computation and determination of CGT based on the trades and transactions executed between the Clearing Members for their own or on behalf of their clients, as the case may be, on the trading systems or NCC Systems or in CDS in accordance with the relevant regulations and procedures. Each Clearing Member acknowledges and confirms that the Company shall not be responsible for:

- (a) the title, ownership, genuineness, regularity or validity of any security or any other documents or instrument transmitted/communicated through the NCC System;
- (b) the execution, genuineness, validity, enforceability or sufficiency of any agreement or any other document relating thereto;
- (c) the collectability and recovery of amounts from Clearing Member's clients/investors payable in respect of CGT;
- (d) the financial condition of any Clearing Member and its client;



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- (e) the performance and observance by Clearing Member of their obligations under the Ordinance and the Rules made there under ; or
- (f) the accuracy of any statements (whether written or oral) made by or transmitted/communicated by a Clearing Member in connection with any agreement or documents in respect of computation, determination, collection of CGT of any of their clients/investors.

28.8. Liability of the Clearing Members

- 28.8.1 Each Clearing Member confirms to the Company that it has made its own independent investigation and assessment of the financial condition and affairs of the concerned client/investor in connection with its obligation of payment of due CGT and has not relied on any information provided to it by the Company in connection with CGT;
- 28.8.2 A Clearing Member shall not close the client code(s) created under the Unique Identification Number until and unless a clearance certificate issued by the Company for closer of such client(s) code.
- 28.8.3. In case of the closure of client account by a Clearing Member without taking clearance certificate from the Company, the Company may restrict the UIN mapping facility of such Clearing Member till the submission of such Clearance Certificate to the Company by such Clearing Member.
- 28.8.4 All outstanding amount of CGT, as computed and determined by the Company, shall be binding upon the Clearing Member until settled in accordance with the Ordinance and the Rules made there under.

28.9 Transaction Costs

- 28.9.1 All Clearing Members shall pay prevailing costs to the Company in accordance with Fees, Charges and Security Deposit Schedule in respect of services provided for computation, determination, collection and deposit of CGT by the Company in the manner prescribed by the FBR from time to time.

28.10 Actions in the Event of Non or Short payment of CGT by the Clearing Member to the Company

- 28.10.1 Where a Clearing Member fails to deposit an amount in respect of CGT of its own and its clients, as the case may be, such Clearing Member shall be required to identify the defaulted UIN(s) by next day of the date of default.
- 28.10.2 The Company shall immediately suspend such UIN(s) to take further position in any Market and serve a Notice at the day end to such Clearing Member so as to give an opportunity to deposit the required amount of CGT by the end of next working day and fulfill the requisite demand of CGT. In case Clearing Member is not able to deposit or collect an amount of CGT for its own behalf or from the defaulted client



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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).

28.10.3 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. After the end of the financial year the Company shall have right to refer the case to FBR with all relevant details.

28.10.4 The Company shall refer such matter to the FBR. However, the Company shall also take necessary action so as to reasonably ensure the compliance of the Ordinance and the Rules made there-under.

28.10.5 Relevant Clearing Member shall also be liable to pay penalty for such deposits in the following manner:

First default by the client or proprietary in a financial year	Penalty @ 2% of the defaulted amount of such UIN(s) including proprietary UIN.
second default by the same client or any other client or proprietary in a financial year	Penalty @ 4% of the defaulted amount of such UIN(s) including proprietary UIN
on any subsequent default by any UIN or proprietary	Penalty @ 10% of the defaulted amount of such UIN(s) including proprietary UIN.

28.11 Payment of CGT Collected by the Company to the FBR

The net amount of CGT collected from the investors/persons by the company on behalf of the FBR computed/determined in the accordance with the provision of the Ordinance and Rules made there-under, shall be deposited in a separate bank account with National Bank of Pakistan and the said amount shall be paid to the FBR along with interest accrued thereon yearly basis by July 31st next following the financial year in which the amount was collected.



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28.12 Issuance of Certificate/Statement by the Company

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:

28.12.1 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.

28.12.2 Quarterly statement of capital gains and tax thereon to FBR within thirty days from the end of each quarter in the prescribed manner and form; and

28.12.3 Any other certificate or statement to be issued or provided, as required from the FBR from time to time in accordance with the Ordinance and Rules made there under,

28.13 Audit of CGT System, Procedures and Implementation of recommendations.

28.13.1 Under clause 6 of Eight Schedule, PRAL or any authority or any person appointed by the FBR shall conduct regular system and procedural audits of the Company related to computation/determination of Capital Gains or Loss on disposal of listed securities, collection and deposit of tax thereon on quarterly basis to verify the implementation of the provisions relating to Capital Gain Tax under the Ordinance and Rules made there-under and suggest recommendations, if any in this regards.

28.13.2. The Company shall implement the recommendations, if any, of the audit report under 28.13.1, as approved by the Commissioner, and make adjustments for short or excessive deductions. However, no penal action shall be taken against the Company on account of any error, omission or mistake that has occurred from application of the system as audited under Regulation 28.13.1 of the CGT Regulations.



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APPROVED AMENDMENT IN FEE, CHARGES AND SECURITY DEPOSIT SCHEDULE

NOTIFICATION

Karachi, April 22, 2015

In exercise of the powers conferred by Regulation No. 3.6 of NCC Regulations, the National Clearing Company of Pakistan Limited has made with the prior approval of the Securities and Exchange Commission of Pakistan, the following amendments(s) in Fee, Charges and Security Deposits Schedule which shall come into force on approval by the Commission.

The following changes shall be made in the Fee, Charges and Security Deposit Schedule, Accordingly, the amendments shall be Incorporated in the Fee, Charges and Security Deposit Schedule.

SCHEDULE OF FEE						
S. No.	NAME	RATE	BASIS	LEVIED ON	COLLECTION	
					TIME	MODE
22.	Fixed Annual CGT Fee for different categories of investors according to values of trades and transactions used for computation and determination of CGT as follows: If traded values are less than Rs.100, 000	Rate of CGT in Rupees 0		Clearing Member	Half Yearly	Through NCSS Pay & Collect



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If traded values are between Rs. 100,000 to Rs. 5 Million	240				
If traded values are between Rs. 5 Million to Rs. 10 Million	360				
If traded values are between Rs. 10 Million to Rs. 50 Million	600				
If traded values are between Rs. 50 Million to Rs. 100 Million	1,800				
If traded values are between Rs. 100 Million to Rs. 500 Million	5,000				
If traded values are between Rs. 500 Million to Rs. 1.0 Billion	20,000				
If traded values are between Rs. 1.0 Billion to Rs. 5.0 Billion					



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	If traded values over Rs. 5.0 billions	30,000				
		50,000				
22a	<p>Fixed Annual CGT Fee for different categories of Foreign Institutional Investors (FIIs) according to values of trades and transactions used for computation and determination of CGT as follows:</p> <p>If traded values are less than Rs.10 Million</p> <p>If traded values are between Rs. 10 Million to Rs. 100 Million</p> <p>If traded values are between Rs. 100 Million to Rs. 500</p>	<p>Rate of CGT in Rupees</p> <p>5,000</p> <p>10,000</p>		Clearing Member	Half Yearly	Through NCSS Pay & Collect



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	Million	50,000				
	If traded values are between Rs. 500 Million to Rs. 1 Billion	100,000				
	If traded values are over Rs. 1 Billion	200,000				