



Securities and Exchange Commission of Pakistan

Securities Market Division – Market Supervision & Registration Department

No. SMD/CIW/Misc./07/2014

October 24, 2014

Circular No.19/2014

Subject: DEDUCTION OF WITHHOLDING TAX ON THE AMOUNT OF DIVIDEND

The Government of Pakistan has made certain amendments in section 150 of the Income Tax Ordinance, 2001 through Finance Act, 2014, whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- (a) For filers of income tax returns: 10%
- (b) For non-filers of income tax returns: 15%

2. In this regard, all the listed companies are hereby directed under section 506B of the Companies Ordinance, 1984 (XLVII of 1984) read with section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) to check the status of their respective shareholders (**filer or non-filer**) from the Active Tax-payers List (ATL) available on the website of the Federal Board of Revenue (FBR) and database of the Central Depository Company of Pakistan Limited (CDC) before deduction of withholding tax on their dividend amount. Where the name of a shareholder exists in ATL, tax be deducted @ 10% instead of 15%. Please note that ATL is being updated on 15th of every month by FBR.

3. Further, in order to keep the shareholders informed, all the listed companies are advised to disseminate, in all their future notices for information of their respective shareholders (like notice of general meeting, notice for book closure etc.), the following information:

- (i) *“The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:*

- (a) *For filers of income tax returns: 10%*
- (b) *For non-filers of income tax returns: 15%*

To enable the company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend i.e. [the date for payment of dividend must be quoted] otherwise tax on their cash dividend will be deducted @15% instead @10%.

- (ii) *For any query/problem/information, the investors may contact the company and/or the Share Registrar at the following phone Numbers, email addressed (contact details of the relevant officers of the company and the Share Registrar must be quoted).*

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- (iii) *The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or its Share Registrar i.e. [name of the Share Registrar must be quoted]. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers."*

4. Moreover, the listed companies are also advised that in cases where tax has been deducted @ 15% in respect of the shareholders who are filers, they should be refunded the excess deduction, if not yet deposited in the national exchequer.



(Amir M. Khan Afridi)
Director (CI)

Distribution:

- i) All the listed companies.
 - ii) All the Share Registrars/Transfer Agents.
 - iii) The Managing Director, Karachi Stock Exchange Limited, Karachi.
 - iv) The Managing Director, Lahore Stock Exchange Limited, Lahore.
 - v) The Managing Director, Islamabad Stock Exchange Limited, Islamabad.
 - vi) The Chief Executive Officer, Central Depository Company of Pakistan Limited, Karachi.
 - vii) The Member (Tax Policy), Federal Board of Revenue, Islamabad.
 - viii) The Director/HoD, Enforcement Department, SECP, Islamabad.
- } *For circulation among all the listed companies.*