



## Press Release

### **SECP-CBR Task Force on Transfer Pricing Furnishes Recommendations**

**Islamabad, January 4, 2006.** A joint task force, constituted by the Securities and Exchange Commission of Pakistan (SECP) and the Central Board of Revenue (CBR) on the matters of transfer pricing has completed its deliberations on accounting, measurement, reporting and allied matters on related party transactions and finalised a detailed set of recommendations.

The task force has concluded that issue of transfer pricing extends across the corporate sector and is not limited to any class of companies. It has, therefore, recommended that the application of International Accounting Standard (IAS) 24 should extend to all companies registered under the Companies Ordinance, 1984, other than small companies.

The task force has also recommended that all companies shall place before the Board of Directors and the Audit Committee of the company all the transactions with the related parties for review and approval. The related party transactions which are not executed at arm's length price will also be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board and before the Audit Committee of the company. The Board shall approve the pricing methods for related party transactions that were made on terms equivalent to those that prevail in arm's length transaction only if such terms can be substantiated. In this regard, every company shall maintain a party-wise record of transactions, in each financial year, entered into with related parties in that year.

The Task Force has further recommended that emphasis must be placed on achieving better compliance with IAS-24. The requirements in the Fourth Schedule to the Companies Ordinance, relating to transfer pricing may therefore be done away with. It is recommended that SECP should not grant any exemption from the proposed requirements to any company or class or group of companies except small companies as defined in the Income Tax Ordinance 2001.

The Task Force was set up jointly by the SECP and CBR. It was headed by Mr. Riaz Malik, while Mr. Kamran Mirza, (Abbott Laboratories (Pakistan) Limited); Mr. Khalid Yaqoob (Packages Limited); Mr. Mujahid Eshai, FCA; Syed Mohammad Shabbar Zaidi, FCA; Mr. Moin M. Fudda (CIPE); Dr. Ikramul Haq (Advocate); Mr. Salman Nabi (CBR); and Ms. Jaweria Ather (SECP) were members of the task force. Syed Fayyaz Mahmud (Director, SECP) acted as Secretary to the task force.

The detailed report of the Task Force is available on the SECP's website, [www.secp.gov.pk](http://www.secp.gov.pk)