

Press release

SEC-CBR Task Force Finalises recommendations for Corporate Tax Policy

Karachi, 18 March 2005: A joint Task Force of the Securities and Exchange Commission of Pakistan (SEC) and the Central Board of Revenue (CBR) has finalized its recommendations regarding a comprehensive Corporate Tax Policy for Pakistan.

A two-day meeting of the Task Force was concluded in Karachi on Friday. Justice (retd) Saleem Akhtar chaired the meeting, which was also attended by the Chairman SEC Dr. Tariq Hassan, Chairman CBR Mr. Abdullah Yusaf and members of the Task Force.

The Task Force had earlier obtained detailed input from the stakeholders including trade and commerce chambers, income tax bars and professional organizations besides the Karachi Stock Exchange.

Important recommendations of the Task Force were: -

- ✓ The policy is to be aimed at, firstly, increased corporatization of the hitherto non-corporatized sector and, secondly, development of the corporate sector generally so that the companies are encouraged to progressively transform from lower forms of businesses to corporate entities moving on to higher forms of corporate entities.
- ✓ It is recognized that SME sector, which is the main instrument of job creation and has a great potential to contribute a bigger share in the GDP, has been neglected in the past. There is need to give a package to the SME sector for a real boost enabling this sector to move in a massive manner.
- ✓ There is no reason why SMEs should not show growth, which matches to the development of the large scale manufacturing sector in Pakistan. Environment conducive to the growth of SME sector has to be created by the Government for this purpose as a prerequisite to provide a fillip to growth of investment.
- ✓ It is observed that higher levels of Governmental interventions and controls at the operational level create difficulties and harassment to businessmen, which must be avoided.
- ✓ Government has progressively reduced the customs duties. It may now focus on reducing direct tax burden on companies.

Addressing the first day meeting, Dr. Tariq Hassan and Mr. Abdullah Yusuf acknowledged the services of the Task Force saying that its recommendations will receive serious consideration of the Government while formulating the budget proposal, as part of the coming budget. They thanked members of the Task Force in particular Justice (retd) Saleem Akhtar, Chairman of the Task Force for helping to develop a viable

Corporate Tax Policy, which could serve both as a long term objectives besides the much needed immediate steps requisite for implementation of the policy.

Justice (retd) Saleem Akhtar said that the Task Force gave special consideration to boost the small and medium enterprises sector by providing tax incentives and concessions, besides removing administrative hindrances. He concluded that the Task Force has already finalized its recommendations and the Report would be submitted to the Government shortly.