

September 09, 1999 Securities and Exchange Commission of Pakistan today issued Circular 16/99 with the objective of facilitating compliance of leasing companies with the revised International Accounting Standards-12.

Securities and Exchange Commission of Pakistan today issued Circular 16 of 1999 with the objective of facilitating compliance of leasing companies with the revised International Accounting Standards-12. The IAS-12, requires the companies to raise full provision for deferred tax on pro-rata basis or some other reasonable basis by June 30, 2002. This date has already been extended to June 30, 2003 by the Institute of Chartered Accountants of Pakistan. It has been decided by the Commission that the compliance of IAS-12 shall be deemed to have been achieved if leasing companies shall provide deferred tax liability arising in that year together with a further amount equal to one fifth of the un-provided deferred tax liabilities at the beginning of the financial year ended June, 30, 1999. The Leasing companies may during each of five years beginning June 1, 1998 and ending June 30, 2003, consistently transfer to a Capital Reserve the amount equal to the aggregate amount determined aforesaid as reduced with an amount of any existing provision for deferred taxation. This capital reserves will be available only for providing deferred tax liability.

The circular provides that any un-provided deferred tax liability at each year end will continue to be disclosed in financial statements along with other pertinent information. SECP may relax or modify the requirements of the circular if it is satisfied about a leasing company's inability to fully comply with the requirements of the circular.

The circular has been issued pursuant to a decision of the Committee constituted under the Chairmanship of Mr. M. Khalil Mian, Chairman, SECP Policy Board which considered the implications of IAS-12 on Leasing Sector. It was felt by the Committee that in view of the present recession, compliance to IAS-12 in strict terms may result in un-necessary distortion of their operating results as in case of leasing companies, if fresh leases are equal to the leases expiring, practically there is no deferred tax liability till a company ceases to be a going concern.