

Press Release

SEC, CBR Constitute Joint Task Force on Transfer Pricing

Islamabad, September 27, 2005: The Securities and Exchange Commission of Pakistan (SEC) and the Central Board of Revenue (CBR) have constituted a joint task force on transfer pricing to study pertinent issues concerning the accounting, measurement, reporting, and allied matters on related party transactions and transfer pricing requirements and provide appropriate recommendations in this regard.

The task force is headed by Mr. Riaz Malik, former Chairman of CBR and comprises of Mr. Mujahid Eshai, Mr. Moin Fudda, Mr. Ikramul Haq, Mr. Kamran Mirza, Mr. Khalid Yaqoob and Mr. Shabbar Zaidi from the private sector; Mr. Salman Nabi from CBR and Ms. Jaweria Ather from SEC are also members of the task force. The taskforce may co-opt other members as necessary. Syed Fayyaz Mahmud, Director SEC will be the secretary to the task force.

The task force will analyse the following issues and make suitable recommendations thereon:

- Which stakeholders are affected by transfer pricing?
- What are the differences between transfer pricing provisions contained in the corporate law (including listing regulations) and those in the tax law? How does one support the other?
- Which requirements of listing regulations and Fourth Schedule to the Companies Ordinance, 1984 pertaining to the related party transactions and transfer pricing, extend beyond IAS 24?
- Whether the information that is required beyond IAS 24 can be provided by corporate managements and is there a verifiable basis for providing such information?
- Whether the auditors have the capacity to review and provide an opinion on the disclosures and procedures required by IAS 24, listing regulations and Fourth Schedule?
- Whether additional disclosures beyond IAS 24 and auditor's certificate are required in other jurisdictions?
- If so, are such disclosures covered in the corporate legislation or the tax legislation or both in other jurisdictions?
- Any other matter relating to transfer pricing which the Task Force may like to comment on.

The task force will submit its report before 31 December 2005.

Disclosure and measurement requirements with regard to transfer pricing have been the focus of corporate entities and the regulators for some time now. Divergent views on this subject have been voiced by different stakeholders. Therefore, it has become necessary to resolve the issue in a pragmatic manner with input from the stakeholders, in both the private and public sectors.

The task force will welcome any suggestion from stakeholders and the public on the issues concerning transfer pricing, which may be sent to Syed Fayyaz Mahmud, Director at the SEC's head office in Islamabad or e-mailed at fayyaz.mahmud@secp.gov.pk by 15 October 2005.