

# *Finance Bill 2024*

## **Proposed amendments relating to Tax on Capital Gains & allied matters**

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June 15, 2024

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# Capital Gains on Immovable Properties

- Tax on capital gains on immovable properties was introduced in 2012 by way of section 37(1A) in the Income Tax Ordinance, 2001
- Rate of tax has been linked with holding period of properties
- Various amendments have been made since 2012 and as per current law, rates are prescribed from 2.5% to 15%
- Separate rates and holding periods are prescribed for ‘Open Plots’, ‘Construction Property’ and ‘Flats’
- The aforesaid properties if held beyond certain prescribed threshold have zero rated capital gains on their disposal
- It is now proposed to have a flat rate of 15% on capital gains of all immovable properties irrespective of holding period or type of property for **properties acquired on or after July 1, 2024 for persons appearing on ATL on the date of disposal**

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# Capital Gains on Immovable Properties

- Individuals and AOPs not on ATL on the date of disposal at applicable slab rates subject to the minimum tax rate being 15%
- For non ATL companies on the date of disposal, gains will be taxed at applicable corporate tax rate
- **For properties acquired before July 1, 2024, old rates, holding period and classification remain unchanged**

## Advance Tax on immovable properties (Sections 236C, 236K & Tenth Schedule)

- A new concept of 'late filers' has been introduced for the persons whose name is in ATL but they filed returns after the due date or extended date by the Commissioner.
- For late filers, enhanced advance tax rates are prescribed for transactions in immovable properties as under

Sr No.	Fair Market Value / Gross consideration received	ATL persons		Late filers		Non ATL persons	
		Purchase	Sale	Purchase	Sale	Purchase	Sale
1.	Upto Rs 50 million	3%	3%	6%	6%	12%	10% of gross consideration received
2.	Over Rs 50 million to Rs 100 million	3.5%	3.5%	7%	7%	16%	
3.	Exceeding Rs 100 million	4%	4%	8%	8%	20%	

# Capital Gains on Listed Securities

- Tax on capital gains on listed shares was introduced in 2010 by way of section 37A
- NCCPL regime introduced in 2012 through section 100B read with Eighth Schedule
- Securities acquired before July 1, 2013 are zero rated
- Securities acquired between July 1, 2013 to June 30, 2022 subject to 12.5%
- For securities acquired from July 1, 2022, holding period wise rates were prescribed with maximum rate of 15% (for holding period less than a year) and 0% for six years or more
- It is now proposed to have a flat rate of 15% on capital gains of listed securities irrespective of holding period for **securities acquired on or after July 1, 2024 for persons appearing on ATL on the date of acquisition & disposal**
- Individuals and AOPs not on ATL on the date of acquisition and disposal at applicable slab rates subject to the minimum tax rate being 15%. For non ATL companies on the date of acquisition & disposal, gains will be taxed at applicable corporate tax rate
- **No change for securities acquired before July 1, 2024**

# Mutual Funds

- Rates of withholding tax on capital gains from mutual funds or REIT scheme is proposed to be enhanced as under

Category	Existing Rate	Proposed Rate
Individual & AOP	10% for stock funds	15% for stock funds
	10% for other funds	15% for other funds
Company	10% for stock funds	15% for stock funds
	25% for other funds	25% for other funds

- In case of Stock funds, if dividend receipts are less than capital gains, the existing rate of 12.5% is proposed to be enhanced to 20%
- Currently no capital gains tax is to be deducted if the holding period of mutual funds etc, is more than 6 years. This facility is now proposed to be restricted to acquisitions before July 1, 2024.
- Tax rate and withholding in case of dividend from mutual funds deriving 50% or more income from 'profit on debt' is proposed to be increased to 25% as against the existing rate of 15%.

# Shares of unlisted companies, etc.

- The concept of withholding tax on acquisition of unlisted shares was introduced through Finance (Supplementary) Act, 2023 dated February 23, 2023 by way of insertion of sub-sections (6) to (10) in section 37 of the Ordinance
- The rate of tax prescribed as 10% of the 'fair market value' of such shares applicable at the time of payment for shares and tax to be deposited within 15 days of such payment
- For determination of FMV, Rule 19H was amended by SRO 776 dated June 27, 2023
- The scope of provisions was subsequently extended to shares of listed companies transacted other than through NCCPL mechanism and through IPO process except where details are submitted to NCCPL for payment of tax
- In case of shares registered with State Bank of Pakistan (i.e. held by non-residents on repatriation basis), there is a precondition for the seller to provide a certificate of payment of tax before such registration or transfer of registration
- The above advance income tax is now proposed to be made applicable **at earlier of time of payment or registration of shares by SECP or SBP**, as the case may be. In case of failure, penalty equal to 50% of the amount of tax involved has been proposed.



*Thank you*