



PIPFA

**Pakistan Institute of
Public Finance Accountants**

*A professional accounting body established by ICAP
ICMAP & Auditor General of Pakistan
Associate Member of International Federation of Accountants (IFAC)*

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NEWS LETTER

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Federal Budget 2004

Federal Finance Minister, Mr. Shoukat Aziz presented the Federal Budget 2004 on June 12, 2004. Following are the salient features of the budget:

Income Tax

Application of reduced rate to senior citizens income threshold raised to Rs.300,000 from Rs.200,000.

Withholding tax @ 10% on income from Bahbood Saving Certificates/Accounts withdrawn.

Basic threshold of exempt income raised from Rs. 80,000 to Rs.100,000.

Mandatory payment of 15% of disputed tax for filing first appeal withdrawn

Advance tax payment to be made on last assessed tax basis and provisions made for filling estimation of income for the current year

Withholding tax on import of DAP Phosphate reduced from 6% to 1%.

Withholding tax on import of agricultural tractor in CBU condition reduced from 6% to 2%.

Withholding tax on import of machinery withdrawn.

Exemption to income from "capital gains" extended up to June 2007

Carry forward of unadjusted minimum tax on turnover allowed for adjustment against future tax liability upto five years.

Tax withheld at import of edible oil to be treated as final tax 1% tax to be paid on local purchases of edible oil.

Exemption to income from vocational, technical or poly-technical institutions setup between 1st day of July 2004 to 30th day of June 2008 for a period of 5 years.

Amalgamation facility to banking and non-banking financial institutions and insurance companies allowed.

Holding companies allowed to claim loss, for three years, of their subsidiary companies

Creation of reserve allowed out of 3% consumer loan profits on NBFCs and HBFC.

Retailers having annual turnover upto Rs.5 million may opt for payment of 0.75% of their declared turnover as final tax

Alternate Dispute Resolution Mechanism introduced.

Mandatory filing of wealth statement by individuals declaring income of Rs.500,000 and above.

One page, simple return form for individual and AOPs introduced.

Withholding tax on commission income of petroleum dealers at the rate of 10% to be treated as final tax

Withholding tax on commission of traveling agents and insurance agents at the rate of 10% to be treated as final tax.

Withholding tax on income from lotteries, winnings and prizes other than prize bonds to be raised to 20% from 10%.

5% withholding tax levied on advertisement payments made to TV satellite channels operating from abroad.

Sales Tax

Registered person allowed zero-rating on imports and supply of Plant, Machinery, Equipment and ginned cotton.

Exemption on imports of tractors, bulldozers, combined harvesters and agricultural implements.

Fixation of deemed price of DAP Fertilizer and Phosphoric Acid.

Further Tax and higher rate of sales tax of 20% abolished.

Registered Retailers and steel melters to come under simplified Tax Regime

Carry Forward period reduced to six months.

Activation Charge in respect of cellular phones reduced.

Turnover tax scheme abolished and exemption threshold raised to Rs. 5 million for both manufacturers and retailers.

Section 73 substituted and input on accrual basis allowed

New sales tax registration and returns forms introduced.

Payment in instalments allowed.

Customs

Customs duty on import of plant, machinery and equipment not manufactured locally reduced to 5%

Incentive package for agricultural sector introduced

Duty structure of auto sector rationalized.

Customs Dispute Resolution mechanism in the Customs Act, 1969 introduced.

The rate of penal surcharge of warehousing reduced from 2% to 1%

Incentive package for overseas Pakistanis

Central Excise

Central Excise Duty on paints & varnishes withdrawn.



Central Excise Duty on syrups, squashes & juices withdrawn.
 Price & duty adjustment on cigarettes and un-manufactured tobacco made.
 Alternate Dispute Resolution Mechanism Introduced.

Capital Value Tax

CVT at the rate of 0.1% of the purchase value of shares traded in stock exchange levied, proposed to be reduced to 0.01%.
 Adjustment of CVT against any wealth tax liability withdrawn

Corporate Sector

Contracts By Credit Rating Companies: Securities and Exchange Commission of Pakistan has issued instructions for Credit Rating Companies regarding the acceptance of new clients. Vide Circular 20 of 2004, SECP has directed the credit rating companies not to accept any assignment from clients which had previously engaged another credit rating company but terminated the contract prematurely. Following are the brief of the said circular:

- (i) Credit rating companies shall not accept a rating assignment where a client terminated a rating contract with another credit rating company, except with the prior approval of the Commission to be obtained by the client
- (ii) Credit rating companies shall communicate in writing with the outgoing company which had previously rated the client to ascertain professional reasons as to why the appointment should not be accepted.

Transmission of Quarterly Accounts By Listed Companies: Company Law Division of SECP has issued Circular No.19 of 2004 to

address longstanding issue of circulation of quarterly accounts by listed companies under section 245 of the Companies Ordinance 1984. In response to proposals received, SECP has granted permission to companies for the placement of their quarterly accounts on their websites, instead of sending the same by post to the members and the same will be treated as compliance with the provisions of the section 245 of the Ordinance. Following are main conditions to be fulfilled in this regards.

- (i) Prior approval of shareholders in a general meeting will be required.
- (ii) The companies shall be required to seek prior permission of the Commission.
- (iii) After obtaining the requisite permission, companies shall inform their shareholders through an advertisement in the Press that the subsequent quarterly accounts would be transmitted through the company website.

Financial Sector

Islamic Banking: The Shariah Board of the State Bank of Pakistan has approved the Essentials of Islamic Modes of Financing to ensure compliance with minimum Shariah standards by banks conducting Islamic banking in Pakistan. These essentials have been placed on SBP website www.sbp.org.pk as General Guidelines to be followed by banking institutions conducting Islamic banking in the country.

Essentials of Islamic Modes of Financing : SBP has issued guidelines/essentials for Islamic banking and it is proposed that the same be enforced as Prudential Regulations for Islamic banks in due course. The State Bank invites suggestions and views for enforcing them as part of Prudential Regulations from all concerned, particularly the Shariah Scholars, Academics, Bankers and the Business community

With dual objectives of facilitating the existing Islamic banking sector and the potential market players to develop Islamic banking products

in particular and to create awareness about Islamic banking products in general, Model Agreements for various modes, vetted by the Shariah Board, have also been placed on SBP website

Prudential Regulations for Corporate / Commercial Banking: Further to Prudential Regulations issued vide BPD Circular No.35 dated October 28, 2003, State Bank of Pakistan has issued following additional regulations applicable to DFIs only

- (i) **Creation and Building-up of Reserves:** Every DFI shall credit to its reserve fund an amount not less than 20% of its after tax profits till such time the reserve fund equals the amount of paid-up capital. Thereafter, not less than 5% of its after tax profit shall be credited to the said fund
- (ii) **Restrictions on Certain Types of Transactions:** No DFI shall hold, deal or trade in real estate except in use of the DFI itself

IFAC News

IFAC Revises Ethics Code on Audit Partner Rotation : The Ethics Committee of the International Federation of Accountants (IFAC) has revised its Code of Ethics for Professional Accountants to clarify guidance pertaining to rotation of lead partner for audit of listed companies. The Ethics Committee has made it clear that an individual who has completed a predefined period in the role of lead engagement partner for an audit of a listed entity should not participate in the assurance engagement until a further period, normally two years, has elapsed

Initially the Code specified that lead audit partners should be rotated after a pre-defined period, normally, no more than seven years, and after such rotation, should not resume the role of lead engagement partner until a further period of time.

This revision has been made by the Ethics Committee by recognizing that the existing guidance as worded might imply that the lead engagement partner would be able to assume the role of another partner on the engagement. This revision to the Code of Ethics may be downloaded from the IFAC website : www.ifac.org

IFAC Issues New Standard On Ongoing Education For Professionals: The International Federation of Accountants (IFAC) has issued a new International Education Standard (IES) requiring every professional accountant to develop and maintain competence relevant and appropriate for their work and professional responsibilities. New standard, IES 7, Continuing Professional Development (CPD): A Program of Lifelong Learning and Continuing Development of Professional Competence states "To meet the needs of those who rely on the profession's services and expertise, it is



critical that all professional accountants make a commitment to lifelong learning and maintaining competence throughout their careers."

The standard prescribes mandatory CPD for all members of the profession no matter in what capacity they are serving the society. This new standard will be effective from January 1, 2006. The standard has been developed as a result of two exposure drafts issued in July 2002,

and October 2003. It may be downloaded from the IFAC web site: www.ifac.org.

Graham Ward Named Deputy President of the IFAC : The Council of the International Federation of Accountants (IFAC) has named Graham Ward, MA, FCA, as its new Deputy President. Mr Ward will become President of IFAC in November 2004.

PIPFA Affairs

56th/1st Meeting of BOG: 56th/1st meeting of Board of Governors of PIPFA held on Saturday, April 24, 2004 at PIPFA Head Office. Mr Zulfikar Ali Kadri President of PIPFA chaired the meeting. In his welcome speech, Mr. Kadri emphasized the need of more recognition of PIPFA so that value of PIPFA certificate can be further enhanced. Following major decisions were taken at the said meeting:

1. Revival/Reactivation of branch committees.
2. Discontented Members' return to PIPFA's fold.
3. Recognition of PIPFA qualification from Higher Education Commission

PIPFA Participates in Educational Exhibition: PIPFA participated in the educational exhibition arranged by the World Learning Bureau in April at Expo Center Karachi and Pearl Continental hotel Lahore. A large number of visitors attended the exhibition and showed keen interest in PIPFA stalls. PIPFA has been participating in this exhibition for the last four years.

Pre-Budget Seminar: A Pre budget seminar was also arranged with the collaboration of city district government Karachi (CDGK). Mr Zulfikar Ali Kadri, president PIPFA was among the speakers. Mr Kadri emphasized the need of professionalism at district government levels and also offered various services that PIPFA can provide in that connection.

New Course of Studies: New course of studies of PIPFA which was to be effective from winter session 2004 has been postponed for the time being. There fore coming examinations will be held as per existing (old) syllabi till further notification.

Results of Summer Examination 2004: Results of summer examinations 2004 of PIPFA are expected in the first week of July 2004.

Annual Subscription: Members & students who have not paid yet their annual subscription for the year 2003-04 are reminded to pay the same at their earliest. Annual subscription for the year 2004-05 will also become due from 1st of July 2004.

Admission of New Members

Fellow

1. Mr. Shahid Ali Zuberi	Karachi	FPA-955
2. Mr. Shaiq Mohsin Khan	Karachi	FPA-1381
3. Mr. Shams-Ud-Din	Karachi	FPA-1462
4. S. Imran Hasan Zaidi	Karachi	FPA-1468
5. Mr. A. Sheikh	Jhelum	FPA-1488

Associate

1. Mr M. S. A. Ghaffar	Karachi	FPA-2997
2. Mr. M. Rabbani	Karachi	APA-2998
3. Mr. Zaman Sharif	Lahore	APA-2999
4. Mr. M. S. Habib	Karachi	APA-3000
5. Mr. Sohail Aziz	Karachi	APA-3001
6. Mr Amjad Ali	Lahore	APA-3002
7. Syed Munawar Iqbal	Karachi	APA-3003
8. Mr. Waqas A. Javed	Lahore	APA-3004
9. Mr. Zahid Masood	Islamabad	APA-3005
10. Mr M. Hadyat	Islamabad	APA-3006

11. Mr. Naveed Iqbal	Sialkot	APA-3007
12. Mr. A. R. Nutkani	Islamabad	APA-3008
13. Malik M. Azam Khan	Rawalpindi	APA-3009
14. Mr. M. Junaid	Karachi	APA-3010
15. Mr. Shamim A. Khan	Karachi	APA-3011
16. S. M. Rashid Shah	Islamabad	APA-3012
17. Mr. M. Mumtaz	Rawalpindi	APA-3013
18. Mr. Nazakat Hussain	Attock	APA-3014
19. Mr. Adeel Qamar	Lahore	APA-3015
20. Mr. Irfan Hamid	Lahore	APA-3016
21. Mr. Naresh Kumar	Karachi	APA-3017
22. Mr. A. Mehmood	Faisalabad	APA-3018
23. Mr. Tariq J. Siddiqui	Karachi	APA-3019
24. Mr. A. Fareed Khan	Islamabad	APA-3020
25. Mr. Usman Elahi	Islamabad	APA-3021
26. Mr. M. Faraz	Karachi	APA-3022
27. Mir Junaid Ahmad	Lahore	APA-3023
28. Mr. M.K. Aslam	Islamabad	APA-3024
29. Ms. Sanam Javed	Lahore	APA-3025
30. Mr. Murtaza Alwani	Karachi	APA-3026
31. Mr. M. Masood	Lahore	APA-3027
32. Mr. M.F. Mustafa	Rawalpindi	APA-3028
33. Mr. M. Khuram Aziz	Rawalpindi	APA-3029
34. Mr. Ali Akbar Sadiq	Islamabad	APA-3030
35. Mr. Sohail Iqbal	Rawalpindi	APA-3031
36. Mr. Safer Ahmed	Islamabad	APA-3032
37. Ms. Sarah Safdar	Lahore	APA-3033
38. Mr. Rashid Habib	Lahore	APA-3034
39. Mr. Saleem Ahmad	Islamabad	APA-3035
40. Mr. K. Mahmood	Lahore	APA-3036
41. Mr. M. Zishan	Lahore	APA-3037
42. Mr. K. Shahzad	Peshawar	APA-3038
43. Mr. M. Ashfaq	Karachi	APA-3039
44. S. Ahsan Aman	Karachi	APA-3040
45. Mr. S. Ahmad	Islamabad	APA-3041
46. Mr. Pervez Ismail	Karachi	APA-3042
47. Ms. Sumaira Rasool	Lahore	APA-3043
48. Mr. Raza Ali	Lahore	APA-3044
49. Mr. M.W. Din	Lahore	APA-3045
50. Ms. N. Jehan Butt	Lahore	APA-3046
51. Mr. M. Liaquat Ali	Islamabad	APA-3047
52. Mr. Zia Kamal	Karachi	APA-3048
53. Mr. Farhan Karim	Karachi	APA-3049
54. S. Zafar Ahmad	Karachi	APA-3050
55. Mr. Sohail Zafar	Rawalpindi	APA-3051
56. Mr. M.Z. Akram	Rawalpindi	APA-3052
57. Mr. Asim Javed	Rawalpindi	APA-3053
58. Mr. M. Hassan	Rawalpindi	APA-3054
59. H. M. U. Ullah Haroon	Karachi	APA-3055
60. Mr. N. Sarwar	Karachi	APA-3056
61. Ms. Rozina	Karachi	APA-3057
62. Mr. N.A. Shahzad	Islamabad	APA-3058
63. Mr. M. I. Jahangir	Islamabad	APA-3059
64. Mr. Maqbool A.	Karachi	APA-3060
65. Mr. Samiullah M	Hyderabad	APA-3061
66. S.M. Asim	Karachi	APA-3062



67. Mr. Bashir Ahmed	Sialkot	APA-3063	103. Ms. Sobia Aziz	Lahore	APA-3099
68. Mr. M. Amin	Karachi	APA-3064	104. Mr. Tanveer A.Alvi	Lahore	APA-3100
69. Mr. M.Anwar Butt	Karachi	APA-3065	105. Mr. Atif Saleem	Islamabad	APA-3101
70. Ms.K.Bakht Aliya	Peshawar	APA-3066	106. Mr. M. Ali Qader	Rawalpind	APA-3102
71. Mr. M. N. Akhtar	Rawalpindi	APA-3067	107. Mr. Jamil Ahmed	Wah Cantt	APA-3103
72. Mr.A.C.Williams	Peshawar	APA-3068	108. Mr. Abdul Wahab	Karachi	APA-3104
73. Mr. Ali Akbar	Karachi	APA-3069	109. Mr. S.Mahmood	A Kashmir	APA-3105
74. Mr.Asad Hasan K.	Karachi	APA-3070	110. Mr. M.K Tajammul	Faisalabad	APA-3106
75. Mr.M.P.Akbar	Islamabad	APA-3071	111. S. Murtaza Hlussain	Islamabad	APA-3107
76. Mr.Abdul Majid	Rawalpindi	APA-3072	112. Mr.M. Asad	Karachi	APA-3108
77. Mr. Tahir M.	Kharian	APA-3073	113. Mr. M. Ashfaq	Lahore	APA-3109
78. Mr.Shahid Iqbal	Rawalpindi	APA-3074	114. Mr. S.A. Usmani	Karachi	APA-3110
79. Mr.M.Hassan	Islamabad	APA-3075	115. Mr. M.Amer Javaid	Islamabad	APA-3111
80. Mr.Umer Farooq	Islamabad	APA-3076	116. Mr. Khalid Rizwan	Wah Cantt	APA-3112
81. Mr.Faisal Haroon	Rawalpindi	APA-3077	117. Mr.Mustajab Ahmad	Lahore	APA-3113
82. Mr.Furrukh Adeel	Lahore	APA-3078	118. Mr. Tariq Ali Mir	Lahore	APA-3114
83. Mr. M. Shahid	Lahore	APA-3079	119. Mr. H. B.Mana	Karachi	APA-3115
84. Mr.Faisal Qayyum	Sialkot	APA-3080	120. Ms.R.Saher Naseem	Karachi	APA-3116
85. Mr Imran Khan	Karachi	APA-3081	121. Mr. Ahsan Mukhtar	Karachi	APA-3117
86. Mr.M.S. Pervaiz	Lahore	APA-3082	122. Ms. Nargis Amin	Lahore	APA-3118
87. Mr.Wali M.Khan	Karachi	APA-3083	123. Mr. M. Tarique	Karachi	APA-3119
88. Mr. Azhar Arfan	Mansehra	APA-3084	124. Mr.Baquee B.Hanif	Lahore	APA-3120
89. Mr M.A.Rehman	Islamabad	APA-3085	125. Mr. Nazir Hussain	Lahore	APA-3121
90. Mr Asif Jamil	Wah Cantt	APA-3086	126. Mr. M.Shahid	Faisalabad	APA-3122
91. Mr.Khurram Nazir	Islamabad	APA-3087			
92. Mr.M.Mehtab Khan	Karachi	APA-3088			
93. Mr.M.Shiraz Hasan	Islamabad	APA-3089			
94. Mr.Mansoor Ahmad	Rawalpindi	APA-3090			
95. Mr. Usman Khalid	Karachi	APA-3091			
96. Mr.Fayyaz A.Ansari	Mianwali	APA-3092			
97. Mr. Bashir A.Shad	Islamabad	APA-3093			
98. Mr. M.Amjad Qadeer	Karachi	APA-3094			
99. Mr. Imran Khan	Karachi	APA-3095			
100. Ms. Farah Sumcha	Karachi	APA-3096			
101. Ms. Saira Aslam	Lahore	APA-3097			
102. Shaikh F. Abbas	Karachi	APA-3098			

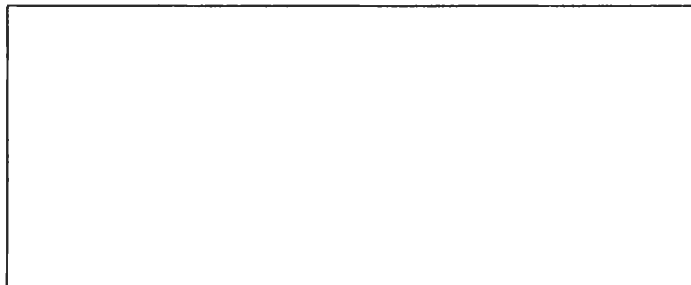
Names Missed in Last News Letter Due to Printing Mistake

1. Mr. Z.Waseem Ramay	Rawalpindi	APA-2957
2. Mr. Farrukh Hussain	Karachi	APA-2958
3. Mr. Zahid Hussain	Lahore	APA-2959
4. Mr. Ajmal Shafi	Lahore	APA-2960
5. Mr. Sagheer Ahmad	Karachi	APA-2961
6. Mr.Atiqur-Rehman	Karachi	APA-2962
7. Mr. Nasir Ahmad	Lahore	APA-2963
8. Mr.Kassim H.Moosa	Karachi	APA-2964
9. Mr. Javed Iqbal	Karachi	APA-2965

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