

## ***Finance bill – some more clarity for stock investors....***

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As per newspaper reports, some clarification has come from government on issue of capital gains tax and imposition of uniform slab rate of 15% on securities at the passage of finance bill in National Assembly. Now as per newspapers, new slab will not apply on securities purchased before July 1, 2016. This may be bit better news for equity investors and capital market stability and also fair treatment for certain long term portfolio holders.

Also, tax rate decreased from 12.5% to 10% for dividend income up to Rs. 2.5mn from mutual fund investment, which we feel is a good news for small investors. Likewise, tax on services of PSX and PMEX is reduced from 8% to 2% and tax on listed derivatives decreased from 15% to 5% up to 3 years.

For listed companies' whose payout is less than 40%, then tax on surplus reserves could reduce from 10% to 7.5%. However, we expect many companies already paying better payout during last few years that are having piled up reserves. Few cement companies may have to increase payouts in order to ward off incidence of tax on surplus reserves.

Also there is some reprieve for fertilizer players as sales tax on feedstock gas decreased from 17% to 10% as main players could be beneficiary. Also feedstock driven from LNG could get reprieve from 17% to 5% under the head of sales tax. This may have a positive impact on certain fertilizer plants.

Finance bill has also envisaged decreasing sales return from 2% to 1% on supplies of five export-oriented sectors. Finance minister said that the exporters were given subsidy under Prime Minister's Export Package for the first six months as per volume of their export, Rs. 15.5 billion already been allocated in this regard. Some of them have already been paid subsidies while remaining will be given in next financial year.

Finance minister also informed that the agriculture loan for small farmers is being increased from Rs 50,000 to Rs 75,000 for one crop with the total volume of the two crops could be Rs. 150,000 which may have ramification on certain banks such as National Bank (NBP).

In order to promote Islamic banking tax has been exempted if investment reaches up to 2million as this may benefit listed entities such as MEBL.

Some populist measures included increasing minimum wage Rs 15,000 to Rs15,400. However, this may have miniscule impact on companies bottom line especially in textile sector.

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