

Curbs on dividend: companies having pact with government exempted from Section 5A

The Federal Board of Revenue (FBR) has granted exemption from applicability of Section 5A (tax on undistributed reserves) of the Income Tax Ordinance, 2001 to companies where a restriction has been imposed on distribution of dividend on account of an agreement with the government of Pakistan. The FBR has issued SRO 234(I)/2018 here on Tuesday to grant exemption from applicability of section 5A of the Income Tax Ordinance, 2001 to companies with special agreement with government of Pakistan.

According to the notification, the provisions of section 5A shall not apply to a company where a restriction has been imposed on distribution of dividend on account of an agreement with the government of Pakistan. Following is the text of the SRO issued here on Tuesday: SRO 234(1)/2018.- In exercise of the powers conferred by sub-section (2) of section 53 of the Income Tax Ordinance, 2001 (XLIX of 2001), the Board with the approval of federal minister-in-charge is pleased to direct that the following further amendment shall be made in the Second Schedule to the said Ordinance, namely:-

In the aforesaid schedule, in Part-IV, after clause (103), the following new clause shall be added, namely:-

"(104) the provisions of section 5A shall not apply to a company where a restriction has been imposed on distribution of dividend on account of an agreement with the government of Pakistan.

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