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Message from the Chairman

I am delighted to present the Monthly Technical Updates by TSPD for the month of December, 2020. This issue covers a variety of topics related to Taxation, Stock Market, Corporate Sector and especially the Anti Money Laundering (AML)/ Countering the Financing of Terrorism (CFT) requirements which are to be complied by the Cost and Management Accountants (CMAs). I believe that members will find it informative and helpful in discharging their professional assignments/ responsibilities. Moreover, Members are requested to frequently visit the website of the Institute to keep themselves abreast with the latest developments in the AML/ CFT regime.



I also want to request all members to share their valuable suggestions for further improvement in the Monthly Technical Update and identify topics of technical interest, which the Committee may consider for arranging seminars, workshops and training programs beneficial for the practicing members in terms of their capacity building and value addition.

Please do share your comments on tspd@icmap.com.pk.

Ghulam Mustafa Qazi, FCMA
Chairman TSPD Committee



Outreach Sessions for AML/CFT Reporting Entities in collaboration with UNODC

The United Nations Office on Drugs and Crime (UNODC) organized a series of outreach sessions in collaboration with the Institute of Cost & Management Accountants of Pakistan (ICMA Pakistan) to build awareness on the risks and controls against money laundering and terrorist financing in Karachi, Lahore, Peshawar and Quetta. In the planning and delivery of these outreach sessions, UNODC has worked closely with key governmental institutions of Pakistan that are central to the framework of AML and CFT of the country including Financial Monitoring Unit (FMU), Ministry of Foreign Affairs (MoFA), National Counter Terrorism Authority (NACTA), SECP and ICMA Pakistan.

The outreach sessions were aimed at providing expert information of the legal framework, institutional activities and international standards on AML/CFT with special emphasis on counter measures for Targeted Financial Sanctions (TFC), Proliferation Financing (PF) and Beneficial Ownership (BO) among other topics. Worthy members of Reporting Firms were invited to these events.

Mr. Aamir Ijaz Khan, Secretary AML Supervisory Board joined the sessions as Presenter on the "Supervisory Structure and Updates along with sectoral risk analysis and sanctions regime".



Movenpick Hotel, Karachi



Pearl Continental Hotel, Lahore



Pearl Continental Hotel, Peshawar

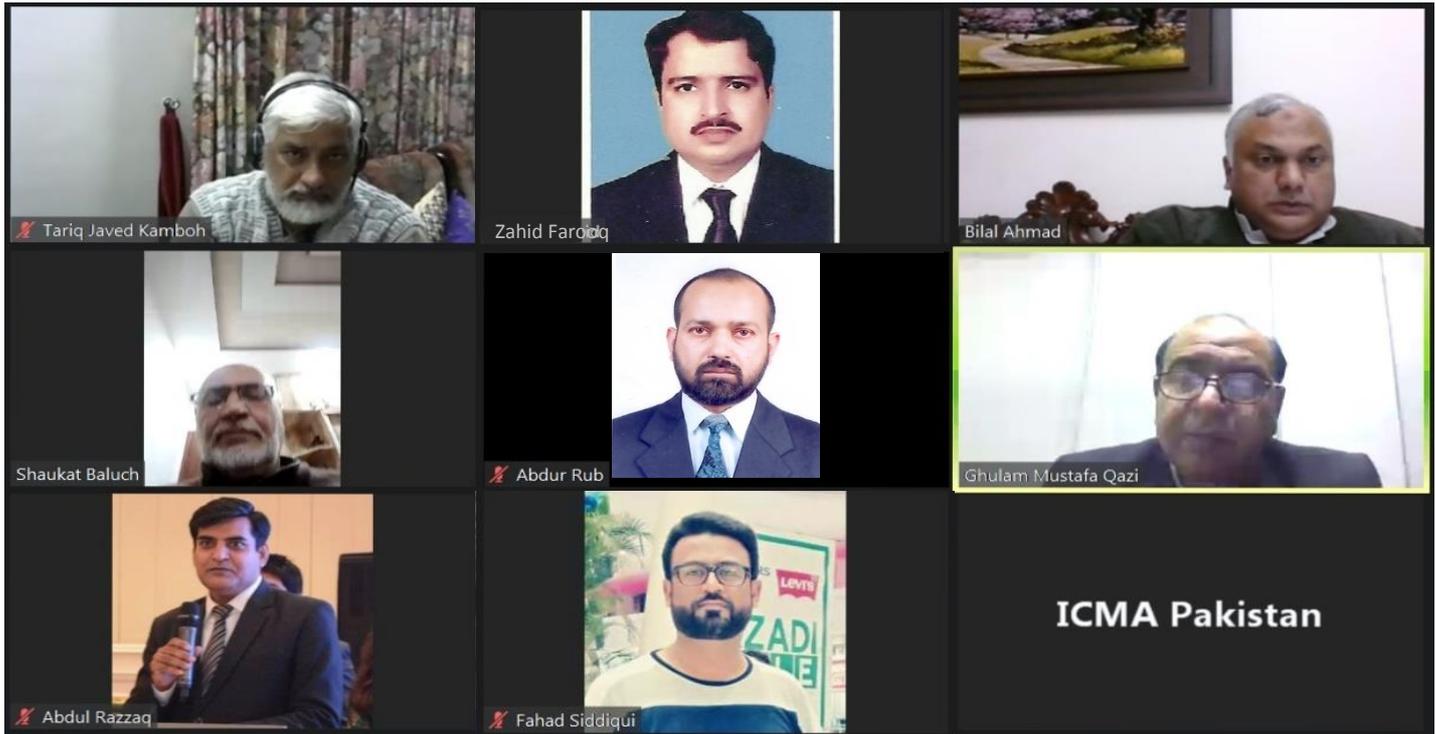


Serena Hotel, Quetta

Committee Activities

33rd Meeting of TSPD Committee

33rd meeting of TSPD Committee was held through ZOOM on December 11, 2020. Worthy Committee members participated in the meeting and had thread bare discussions on different matters especially those concerned with the CMAs. Members reviewed the previous activities and guided the way forward to the directorate on certain matters.



National Updates

Corporate

1. SECP APPROVES FRAMEWORK FOR DIGITAL ONBOARDING OF INVESTORS

Securities and Exchange Commission of Pakistan (SECP) vide a press release dated December 3, 2020 approved the framework for digital onboarding of investors. This ground-breaking initiative is aimed to enable all Pakistani resident and non-resident investors to open online accounts in the capital market.

This new regime is a part of SECP's digital transformation agenda which will allow investors to seamlessly open his or her account with a broker from anywhere in the country without requiring to submit any documents physically or visit a broker. The new hassle-free process shall enables investors to commence trading swiftly.

In order to ensure maximum investor protection, an alternate online Customer Verification process has been introduced for opening of online accounts. The online verification will be conducted independently by the Centralized KYC Organization. In addition, the account opening process has been made simpler by reducing the number of pages to be signed by the investors.

This new account opening system is aimed to enhance investor outreach, introducing digitization and ensure robust growth of the capital markets. It is expected that the new regime would

revolutionize Pakistan's capital markets and contribute significantly towards economic growth in the country by channeling investments and savings through the market.

For further details and to access the above mentioned Annexures, please visit the following link:-

<https://www.secp.gov.pk/>

2. FREQUENTLY ASKED QUESTIONS (FAQS) ON ULTIMATE BENEFICIAL OWNERSHIP

SECP on December 3, 2020 issued FAQs on Ultimate Beneficial Owner (UBO) explaining the requirement to maintain UBO information aimed at determining the true owners of a company who can only be natural persons.

The UBO information is necessary to detect and prevent tax evasion, corruption, money laundering, terrorist financing, and other illicit behavior involving one or more companies or legal persons. It also assists financial institutions in applying adequate customer verification procedures before commencement of the relationship with their customers.

The FAQs can be downloaded from the following link:-

<https://www.secp.gov.pk/document/faqs-on-ultimate-beneficial-ownership-2/?wpdmdl=40815>

Taxation

3. SIMPLIFIED INCOME TAX RETURN FOR MANUFACTURERS HAVING TURNOVER LESS THAN RS. 500 MILLIONS

Federal Board of Revenue (FBR) vide their S. R. O. 1316(I)/2020 dated December 9, 2020 introduced a Simplified Income Tax Return for manufacturers having turnover less than Rs. 500 millions. FBR made further amendments in the Income Tax Rules, 2002 as earlier published through S.R.O. 1261(I)/2020, dated November 26, 2020, by inserting a new Part-II-S in the Second Schedule of the aforesaid Rules as under:-

"Part II-S SIMPLIFIED RETURN OF INCOME FOR MANUFACTURERS HAVING TURNOVER LESS THAN RS. 50 MILLIONS (Individuals and AOPs Only)			Form A
NAME OF THE TAXPAYER			
STATUS			
NTN			
ADDRESS			
OWNERSHIP			
	Description		Total Amount
1	Gross Sales excluding ST/FE	3009	
2	Cost of Sales	3030	
3	Opening Stock	3039	
4	Purchases (Domestic / Imports)	3059	
5	Closing Stock	3099	
6	Other direct expenses	3083	
7	Gross Profit	3100	
	Profit & Loss Expenses	3180	
		3199	Calculated — Not visible to Taxpayer
	Total Income	9000	Calculated — Not visible to Taxpayer
	Inadmissible Tax Deductions		
	Admissible Tax Deductions		
	Deductible Allowance		
	Net Profit/Taxable income	9100	
11	Tax Chargeable	9200	
	Tax Credit		
13	Tax payable whichever is higher	9203	To be calculate by the system
14	Tax already Paid- elec-tel-other (add in description these codes / desc)	New Code	
	Electricity	64140101	235
	Telephone	64150001 + 64150002 + 64150003	
	Others	New Code	All other codes except above three categories
15	Net tax payable/refundable	9203	
		9210	
Verification	I Mr. _____ holding CNIC do solemnly declare that to the best of my knowledge and belief the information given in this Return is correct and complete in accordance with the provisions of the Scheme.		

WEALTH STATEMENT FOR THE MANUFACTURERS HAVING TURNOVER UPTO RS. 50 MILLIONS			
S.No.	CNIC/NTN	Tax Year	
	Name	Due Date	
1.	Immovable Assets		
2.	Manufacturing Unit		
3.	Moveable Assets		
4.	Business Capital		
5.	Investment/Advance		
6.	Cash in hand/ Bank		
7.	Investment/ Advance		
8.	Loan/liabilities		
9.	Net Assets		
10.	Reconciliation of Net Assets		
11.	Net Assets Current Year		
12.	Net Assets Previous Year		
13.	Increase/Decrease in Assets		
14.	Income as per Return		
15.	Other inflows (Gift, Loan, remittance etc)		
16.	Outflows (Gift, Loan etc)		
17.	Personal Expenses		
Verification	I Mr. _____ holding CNIC do solemnly declare that to the best of my knowledge and belief the information given in this Return is correct and complete in accordance with the provisions of the Scheme.		

Signature

Date

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For further details, please visit the following link:-

[https://download1.fbr.gov.pk/SROs/202012910124338318SRO1316\(I\)of2020.pdf](https://download1.fbr.gov.pk/SROs/202012910124338318SRO1316(I)of2020.pdf)

4. AMENDMENT IN CHAPTER XII FOR RULES 76 TO 76O OF THE INCOME TAX RULES, 2002

FBR vide their S. R. O. 1315(I)/2020 dated December 9, 2020 substituted Rules 76 to 76O in Chapter XII of the Income Tax Rules, 2002. The same were earlier published vide S. R. O. 1262(I)/2020 dated November 26, 2020.

Section 76 describes details procedures for appeal to the Commissioner IR (Appeals) on the web portal (IRIS). According to the SRO, an appeal under section 127 of the Income Tax Ordinance, 2001 shall be filed, as prescribed on Iris portal from 1st day of January, 2021. The date of filing of appeal shall be the date on which it was filed electronically. Following documents shall be electronically attached with the appeal:-

- The order appealed against
- Notice of demand; and
- Proof of payment of appeal fee including any other supporting document (s)

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/202012910124525960SRO.1315of2020.pdf>

5. NEW INSERTION CHAPTER XVIB IN THE INCOME TAX RULES, 2002 REGARDING REFUND RULES

FBR vide their S. R. O. 1314(I)/2020 dated December 9, 2020 further amended the Income Tax Rules, 2002 by inserting a new chapter regarding Refund Rules. This Chapter shall apply to all refund orders issued under sub-section (4) of section 170 of the Ordinance. According to the new Chapter, there shall be established a Centralized Income Tax Refund Office (CITRO) under the FBR for centralized payment of refund amount to such claimants and from such date as the Board may specify.

From such date to be notified by the Board, the Commissioner shall transmit an order under sub-section (4) of section 170 of the Ordinance through Iris to the treasury officer in CITRO under his digital signature, and retain a copy thereof for record. The treasury officer in CITRO and the co-signatory designated by the Board in this regard shall issue the cheque or a promissory note to the FBR Refund Settlement Company Limited, as the case may be, for the sanctioned amount as mentioned in the refund order or online transfer.

The in-charge of CITRO shall reconcile the refund cheques and payment advices issued during the month with the Bank scrolls received from the State Bank of Pakistan and record the outcome of such reconciliation in the system. Where any cheque is returned back by the State Bank of Pakistan due to any reason, the treasury officer shall cancel such cheque, if required, and attach such cancelled cheque with the respective counterfoil of the cheque-book."

For further details, please visit the following link:-

[https://download1.fbr.gov.pk/SROs/202012910124729758SRO1314\(I\)of2020.pdf](https://download1.fbr.gov.pk/SROs/202012910124729758SRO1314(I)of2020.pdf)

6. DRAFT AMENDMENTS IN INCOME TAX RULES, 2002 REGARDING TAXPAYER PROFILE

FBR vide their S.R.O. 1341(I)/2020 dated December 16, 2020 proposed further amendments in the Income Tax Rules, 2002, by

inserting a new rule "Taxpayer's profile".

According to the SRO, the proposed rule shall apply for the purposes of section 114A of the Income Tax Ordinance, 2001, which provides for the furnishing of a taxpayer's profile. A taxpayer's profile shall be filed electronically on the prescribed format and manner as provided on IRIS Web Portal. The taxpayer's profile shall be verified in the manner specified on IRIS Web Portal.

The draft SRO can be accessed through the following link:-

[https://download1.fbr.gov.pk/SROs/2020121616124711739DraftSR01341\(I\)of2020FileNo.1\(109\)R&Sof2020.pdf](https://download1.fbr.gov.pk/SROs/2020121616124711739DraftSR01341(I)of2020FileNo.1(109)R&Sof2020.pdf)

7. CHAPTER XIV-AB CASH BACK TO CUSTOMERS

FBR vide their S.R.O. 1339(I)/2020 dated December 16, 2020 made further amendments in the Sales Tax Rules, 2006 including insertion of a new Chapter XIV-AB "CASH BACK TO CUSTOMERS".

The provisions of this chapter shall apply to the customers of Tier-I retailers who have integrated their retail outlets with the Board's computerized system for real-time reporting of sales.

According to the new Chapter the "approved outlet" means a retail outlet duly integrated with the Board's computerized system in pursuance of the provisions of sub-section (9) of section 3 of the Sales Tax Act, 1990. "Eligible goods" means goods on which sales tax has been paid at the standard rate or at the reduced rate of 12% as per serial number 66 of Table-I of the Sixth Schedule to the Sales Tax Act, 1990. "Wallet account" means an account generated online for Tier-I retailer as well as for its customers.

All customers of Tier-1 retailers are entitled to redeem 5% of the sales tax paid as cashback on eligible goods of the tax amount as inscribed on the invoice issued by the Tier-1 retailers. To redeem under sub-rule (1) the cash online, the customer shall log on to the mobile application. Soon after log on under sub-rule (2), an independent FBR wallet account shall be created for each customer.

Approved outlet shall also create an independent FBR wallet account for each customer. An identical FBR wallet account shall be created for each point of sale by the approved outlet. The customer shall verify the electronically generated invoice through the mobile application. As soon as the electronically generated invoice is verified, the system shall automatically calculate the 5% amount of the tax paid on the invoice.

The customer shall transfer the amount determined under sub-rule (7) into his FBR wallet account. The customer may redeem the earned amount within one month of his purchases accumulated in his FBR wallet account on any approved outlet who shall refund the amount accumulated in the wallet account of the customer after ensuring that the earned amount is transferred from the customer's wallet account to the approved outlets wallet account. The approved outlet shall adjust the amount so refunded to the customer which shall be automatically uploaded from the approved outlet's wallet account to the sales tax return of the approved outlet for the relevant tax period by auto adjusting the output tax liability.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/202012161412302681SRO1339-2020.pdf>

8. AMENDMENT IN SALES TAX RULES, 2006 - PROCEDURE OF E-AUDIT

FBR vide their S.R.O. 1338(I)/2020 dated December 16, 2020 made further amendment in the Sales Tax Rules, 2006 by inserting a new chapter regarding "Procedure of E-Audit".

The provisions of this new chapter shall apply for the conduct of e-

audit proceedings under sub-section (2A) of section 25 of the Sales Tax Act, 1990.

According to SRO, where a case has been selected under section 25 or section 72B of the Act, as the case may be, and the competent authority issues directions to conduct e-audit, the following procedure shall be adopted:-

- (a) the concerned Commissioner Inland Revenue shall serve a notice under sub-section (1) of section 25 of the Act to the registered person specifying the reasons for selection of his case for audit;
- (b) the Commissioner Inland Revenue having jurisdiction shall assign the case to an Audit Officer to conduct e-audit;
- (c) a registered person shall produce the record as required to be maintained under section 22 of the Act through IRIS or an electronic data carrier as notified by the Board;
- (d) a registered person shall not be required to appear either personally or through authorized representative in connection with any proceedings under e-audit before the Audit Officer:
Provided that a registered person may request for an opportunity of personal hearing through IRIS and such hearings shall be conducted, exclusively through video links from personal computer system or any of the nearest Tax Facilitation Centre situated at the premises of field formations.
- (e) the Audit Officer after considering all the information, documents or evidence, if the Audit Officer finds no discrepancy and have no conclusive proof against registered person, he may close the audit in IRIS under intimation to the Commissioner Inland Revenue having jurisdiction;
- (f) after completion of audit, examination of record and obtaining registered person's explanation on all the issues raised, if the Audit Officer does not agree with the declared version, he shall prepare an audit report, containing audit observations and finding. The Audit Officer shall forward the report to the Commissioner Inland Revenue having jurisdiction and also send a copy of it to the registered person through IRIS;
- (g) the Commissioner Inland Revenue having jurisdiction shall assign the case to an Adjudicating Officer to make an order for assessment of tax under section 11, including imposition of penalty and default surcharge in accordance with section 33 and 34 of the Act;
- (h) on the basis of the audit report referred to in sub-rule (e), the Adjudicating Officer shall issue a show cause notice through IRIS to the registered person; and
- (i) the Adjudicating Officer may, if considered necessary, after obtaining the registered person's explanation on all the issues raised in the audit report, pass an order under section 11 of the Act.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2020121612124627984SRO1338OF2020DATED16.12.2020--PROCEDUREFORE-AUDIT--SECTION25.pdf>

9. EXCLUSION OF FERTILIZER MANUFACTURERS FROM THE PREVIEW OF SECTION 73(4) OF THE SALES TAX ACT, 1990

FBR vide their S.R.O. 1337(I)/2020 dated December 16, 2020 excluded fertilizer manufacturers from the preview of section 73(4) of the Sales Tax Act, 1990, as under:-

S. No.	Person	Conditions
(1)	(2)	(3)

	Registered persons engaged in manufacturing and supply of fertilizer	The registered persons shall provide following documents and details to the Board on or before the 15 th day of January, 2021:- (a) complete list of the dealers or distributors of their products including details of business name, address and NTN;s; (b) complete list of buyers, other than dealers and distributors, including details of their names, residential addresses and CNICs; (c) copies of relevant dealership or distribution agreements, as the case may be; (d) details of all business bank accounts of the dealers, distributors or buyers along-with names and addresses of the relevant bank branches; (e) dealer or distributor-wise figures of sales made by the registered persons during the period 01.07.2019 to 30.06.20 and 01.07.2020 till date; and (f) any other document specially required by the Board for compulsory registration of dealers, distributors or buyers.
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Failure to comply with any of the conditions specified in column (3) of the said Table by due date shall disentitle the registered person for the waiver being granted under this Notification and all provisions of Act shall apply accordingly. This Notification shall take effect from the 1st day of July, 2020.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2020121714125446875SRO1337-2020.pdf>

10. REMOVAL OF REGULATORY DUTY ON IMPORT OF COTTON YARN TILL JUNE 30, 2021

Federal Board of Revenue (FBR) vide their S.R.O. 1352(I)/2020 dated December 23, 2020 made further amendment in its Notification No. S.R.O. 680(1)/2019 dated June 28, 2019 by removing regulatory duty on import of cotton yarn till June 30, 2021.

In the aforesaid Notification, in the Table, in column (1), serial numbers 177, 178 and 179 and the entries relating thereto in columns (2), (3) and (4) shall stand omitted, till the 30th day of June 2021.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2020122315123044373sro1352-2020.pdf>

11. DRAFT ASSETS DECLARATION RULES, 2020

FBR vide their S.R.O. 1368(I)/2020 dated December 22, 2020 proposed further amendments in the Assets Declaration (Procedure and Conditions) Rules, 2019.

As per draft rules, no declaration shall be declared void unless definite information regarding misrepresentation or suppression of facts is available with the Commissioner Inland Revenue. The amount of asset, income or expenditure in a valid declaration shall not be included in the taxable income of the declarant for any tax year up to and including tax year 2018 under the Ordinance.

The rules state that no proceedings under any provision of the Ordinance shall be initiated on the basis of any information relating to an asset, income or expenditure as at June 30, 2018 or any prior period, provided the declarant files an irrevocable written statement along with plausible documentary evidence to the effect that source to that extent has been declared in the declaration irrespective of the form of the asset or jurisdiction at the date of filing the declaration.

The rules said that the nature and source of asset, income or expenditure shall not be treated as explained and the Commissioner Inland Revenue or his delegate shall be entitled to proceed under Section III of the Income Tax Ordinance, on the basis of definite information acquired from any source other than a valid declaration itself, in following cases: Where the value of asset, income or expenditure, as at June 30, 2018, as per the definite information is in excess of value as per declaration and where the source of asset, income or expenditure relates to a person other than the declarant.

The rules said where an action under Section 111 of the Ordinance as undertaken in accordance with sub-rule (2) results in invalidation of the declaration then such an action cannot be initiated without prior approval, for reasons to be recorded in writing, of the Chief Commissioner Inland Revenue as defined in clause (IIB) of section 2 of the Ordinance. About the declaration filed and the information under the Common Reporting Standard (CRS), the rules said where a foreign asset or income is reported to the Board under CRS, then prior to any action under any provision of the Ordinance, the Board shall ensure compliance of the conditions under the Protocol for CRS including exchange of information by the person whose information has been received.

The FBR will not initiate proceedings against the legally valid declarations of amnesty scheme of 2019 under Foreign Exchange Regulation Act, 1947, Protection of Economic Reforms Act, 1992 and Anti-Money Laundering Act, 2010 or any rules, notifications or orders made there under with respect to assets, income or expenditure declared under the Assets Declaration Act 2019.

The draft can be accessed through the following link:-

<https://download1.fbr.gov.pk/SROs/202012221512402SRO1368of2020.pdf>

12. CLARIFICATION REGARDING TAX RATE UNDER SECTION 151 OF THE INCOME TAX ORDINANCE, 2001

FBR vide their Circular No. 07 of 2020 made clarification regarding tax rate under section 151 of the Income Tax Ordinance, 2001.

The General rate of tax deduction on profit on debt under section 151 of the Income Tax Ordinance, 2001 is 15% of the profit. However, proviso to the Division 1A of the Part III of the First Schedule to the Income Tax Ordinance, 2001, provides that tax rate shall be 10% in cases where the taxpayer furnishes a certificate to the payer of the profit on debt that during the tax year, total yield or profit payable in his case shall remain at Rupees 500,000/- or less.

In this regard, FBR received queries regarding nature or format of the above referred certificate. FBR has clarified that the required certificate is to be furnished by the recipient of the profit on debt to the payer of such profit to the effect that total profit on debt received/receivable during the tax year from all investments in his case shall not exceed Rs. 500,000/-. FBR further clarified that the requisite certificate can be submitted on plain paper.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/Docs/2020122311123149129CircularNo.07of2020.pdf>

Monetary

13. SBP ISSUES REGULATORY FRAMEWORK TO FACILITATE BUSINESS TO CONSUMER (B2C) E-COMMERCE EXPORTS

State Bank of Pakistan (SBP) vide their notification dated December 2, 2020 issued regulatory framework to facilitate Business-to-Consumer (B2C) e-Commerce exports from Pakistan.

Under the new regulatory framework, the mandatory requirement of 'Export' (E) form has been done away with and now an exporter can export goods up to USD 5,000/- per consignment without the requirement of 'E' Form. This step will facilitate exports in small quantities directly to the consumers. This will also help small entrepreneurs and exporters who typically export varied goods in small quantities and find it cumbersome to fulfill the detailed requirements of E Form that is mainly designed for bulk exports.

In order to promote Business-to-Consumer (B2C) e-Commerce exports from Pakistan, SBP reviewed the aforementioned instructions to align these with the changing business dynamics of e-commerce exports. For this purpose, a separate Module to implement e-commerce exports has also been developed in WeBOC in collaboration with Pakistan Customs and other relevant stakeholders. Accordingly, a revised regulatory framework has been developed keeping in view the current business needs of e-commerce exports, which would replace the existing Para 39 Chapter 12 of FE Manual. The revised framework is given hereunder:-

39 – Business-to-Consumer (B2C) E-Commerce Exports

• Forms Prescribed for Declaring E-Commerce Exports

As per Federal Government Notification No. I(6)-ECS/48, dated the July 1, 1948, a declaration is required to be furnished by the exporter at the time of exports to the Collector of Customs that an amount representing the full export value of the goods has been or will be disposed of in a manner and within a period specified by the State Bank of Pakistan. In case of e-commerce exports, the declaration required to be furnished by the exporter shall be filed by the courier, in the prescribed format, on behalf of the exporter in the E-Commerce export module of the WeBOC. For exports other than through E-Commerce module of WeBOC, Form-E shall continue to be issued by Authorized Dealers at the request of the exporters as per the existing prescribed instructions.

• Registration/ Due Diligence of the E-Commerce Exporters in WeBOC by Authorized Dealer

Authorized Dealer, upon receipt of request along with an undertaking from the exporter as per Annexure-A, shall register the exporter in the B2C E-Commerce module in WeBOC after performing the due diligence of the customer, as per applicable instructions on managing ML/ FT risk.

Authorized Dealers handling the E-Commerce export related transactions are responsible to carry out customer's Risk Profiling and its periodical monitoring to ensure that any ML/ FT risk is timely and appropriately identified and managed in accordance with the risk management policy of the authorized dealer. The ADs may add a separate section for e-Commerce in their Risk Management Policy to manage ML/ FT risk.

• Shipment in WeBOC through Couriers registered by Pakistan Customs

The exporter shall submit their export consignment along with required details to any courier of their choice, registered with Pakistan Customs in WeBOC. The courier handling the export

shipment shall file the Goods Declaration to Pakistan Customs on behalf of the exporter. Each individual consignment shall be identified on the basis of unique House Airway Bill (HAWB) Number as per the format prescribed by Pakistan Customs. The value of each consignment should be based on the actual price of the product as per the invoice issued to customer and must not exceed USD 5,000. The detail of export shipments shall be accessible to the Authorized Dealer in the E-Commerce profile of the exporter in WeBOC after the shipment of goods from Pakistan.

• Method and Period for Realization of Export Proceeds

Full export value of goods exported from Pakistan and declared to the Customs authorities by courier companies on behalf of E-Commerce exporters, adjusted for any permissible discount as per sub-para vi below, should be received on the due date for payment or within 60 days from the date of shipment, whichever is earlier. The export proceeds should be received from abroad by an Authorized Dealer, through banking channel or international payment scheme/gateway, either in foreign currency, in which the Authorized Dealer maintains accounts, or in Pakistan Rupee from Non-Resident Rupee Account Repatriable or NRP Rupee Value Account.

• Monthly Reconciliation Statement of E-Commerce Exporters

Exporter shall be required to submit a monthly statement to the Authorized Dealers, in physical/electronic form, giving details of proceeds realized against the export shipments as per prescribed format given at Annexure-B along with the relevant invoices. The Authorized Dealer will use the data provided in the format to mark the realization of outstanding export shipments in WeBOC, as per procedure given in sub-para vii below. The statement shall be submitted by the exporters within five (5) working days from the end of month to which the statement pertains. Authorized Dealer would promptly follow up with the exporter if the statement is not submitted as per prescribed timeline.

• Remittance of Foreign Expenses and Retention in Exporters' Special Foreign Currency Account

Authorized Dealers are permitted to allow payment of commission/charges/discounts/bank charges due to foreign importers/agents/financial institutions by E-Commerce exporters in Pakistan up to 10% of the invoice value of goods. In cases where the exporter is not required to pay any of the above expense or pay an amount less than above mentioned maximum permissible limit such amounts of commission/discount etc. or differential, not exceeding the 10% limit, can be retained in exporter's foreign currency retention account with Authorized Dealers in Pakistan. The funds held in such foreign currency accounts can be used by the exporters for payment abroad on account of marketing /promotion and other services related to e-commerce exports. The account can also be used for settlement of overdue/ shortfall export proceeds, replacements etc., and other permissible purposes under the relevant regulations.

• Realization against E-Commerce Export Shipments

Authorized Dealer will record proceeds realization against each HAWB in E-Commerce Bankers' Credit Advice (BCA) module in WeBOC through the following options:-

- Settlement against 100% Realization.
- Settlement with discount/commission etc. (up to 10%).
- Settlement with Proceeds from Exporters Foreign Currency Retention Account including partial/ short realization.
- Settlement against Advance Payments.

e. Settlement against replacement/ repaired/ faulty goods.

• Handling of Overdue Cases

Authorized Dealers shall monitor the non-realization or delay in realization of export proceeds by E-Commerce exporters beyond the prescribed period of 60 days from the date of shipment of goods through WeBOC.

In case the outstanding export bills aggregating to USD 20,000/- or above are not realized within 60 days from the date of shipment (as per WeBOC data), as at the end of respective month, Authorized Dealer shall mark the exporter's status as 'Suspended' in the E-Commerce module of WeBOC. This 'Suspended' status shall be marked by 15th of the following month after taking into account the monthly statement of proceeds realization filed by the exporter, as per Para v above. This would debar the exporter from further exports through E-Commerce module.

The status of exporter may be restored by Authorized Dealer to 'Active' in the WeBOC at any time during the month subject to realization of outstanding export bills, unrealized for 60 days or more from the date of shipment, provide the aggregate amount of such

outstanding bills becomes less than USD 20,000/-.

In case of non-realization or delay in realization of export proceeds beyond 90 days from the date of shipment (as per WeBOC data), as of month end date, the same shall be reported as 'overdue' to SBP-Banking Services Corporation (Annexure C), as per guidelines prescribed in Para 33, Chapter 12 of FE Manual. However, the shipments overdue on month end and subsequently marked realized in the WeBOC, on the basis of monthly proceeds realization statement submitted by the exporter, should be excluded from such reporting.

For further details and to access the above mentioned Annexures, please visit the following link:-

<https://www.sbp.org.pk/>

<https://www.sbp.org.pk/press/2020/Pr-02-Dec-20.pdf>

International Updates

IASB PROPOSES AMENDMENT TO ITS LEASES STANDARD TO IMPROVE ACCOUNTING FOR SALE AND LEASEBACK TRANSACTIONS

The International Accounting Standards Board vide their notification dated November 27, 2020 proposed to amend IFRS-16 (Leases) by specifying how a company measures the lease liability in a sale and leaseback transaction.

Sale and leaseback transactions are transactions for which a company sells an asset and leases that same asset back from the new owner. IFRS 16 includes requirements for how to account for sale and leaseback transactions at the time the transaction takes place. However, it does not specify how to measure the lease liability when reporting after that date. The proposed amendment would improve the sale and leaseback requirements already in IFRS-16 by providing greater clarity for the company selling and leasing back an asset both at the date of transaction and subsequently. By doing so, the amendment would help ensure the Standard is applied consistently to such transactions. The proposed amendment would not change the accounting for leases other than those arising in a sale and leaseback transaction.

Exposure Draft Lease Liability in a Sale and Leaseback can be accessed through the following link:-

<https://cdn.ifrs.org/-/media/project/lease-liability/ed-lease-liability-in-a-sale-or-leaseback.pdf?la=en>

IASB has sought public suggestions on the above exposure draft. Worthy Members are requested to kindly review the draft and forward their valuable comments/ suggestions/ feedback to tspd@icmap.com.pk latest by March 15, 2021 for onward submission to IASB.

goAML Registration Process for DNFBPs -Accountants ICMA Pakistan Members

Under section 7(1) of Anti Money Laundering Act 2010 (AML Act 2010), every reporting entity shall **promptly** file Suspicious Transaction Report (STR) in a manner prescribed by Financial Monitoring Unit (FMU).

Similarly, under section 7(3) of the AML Act 2010, every reporting firm shall file Currency Transaction Report (CTR) in a manner prescribed by FMU **immediately but not later than seven working days**. In order to comply with the reporting requirements under AML Act 2010, Reporting Firms are requested to follow the below given one-time Reporting Firm registration process on goAML:

For Organization Registration on goAML:

1. Please follow goAML link => www.fmu.gov.pk/goaml
2. Please click on **"Register New Organization"** on homepage.
3. Please select registration type as **"Reporting Entity"**.
4. Please select your Organization Business Type **"Accountant ICMAP Members"**
5. Please provide your Reporting Firms details as advised in user guide (link provided below).
6. Please provide your goAML Admin User details. It is recommended that this person should be a Senior Management Officer preferably the AML Designated Partner of the Reporting Firm.
7. For further detail, please also refer the attached **Annexure-1**.

Once the request from your Reporting Firm is received, Institute of Cost and Management Accountants of Pakistan (ICMA Pakistan) will process the registration request which will subsequently be notified via email.

Worthy members of Reporting Firms are requested to complete the above Registration Process as early as possible.

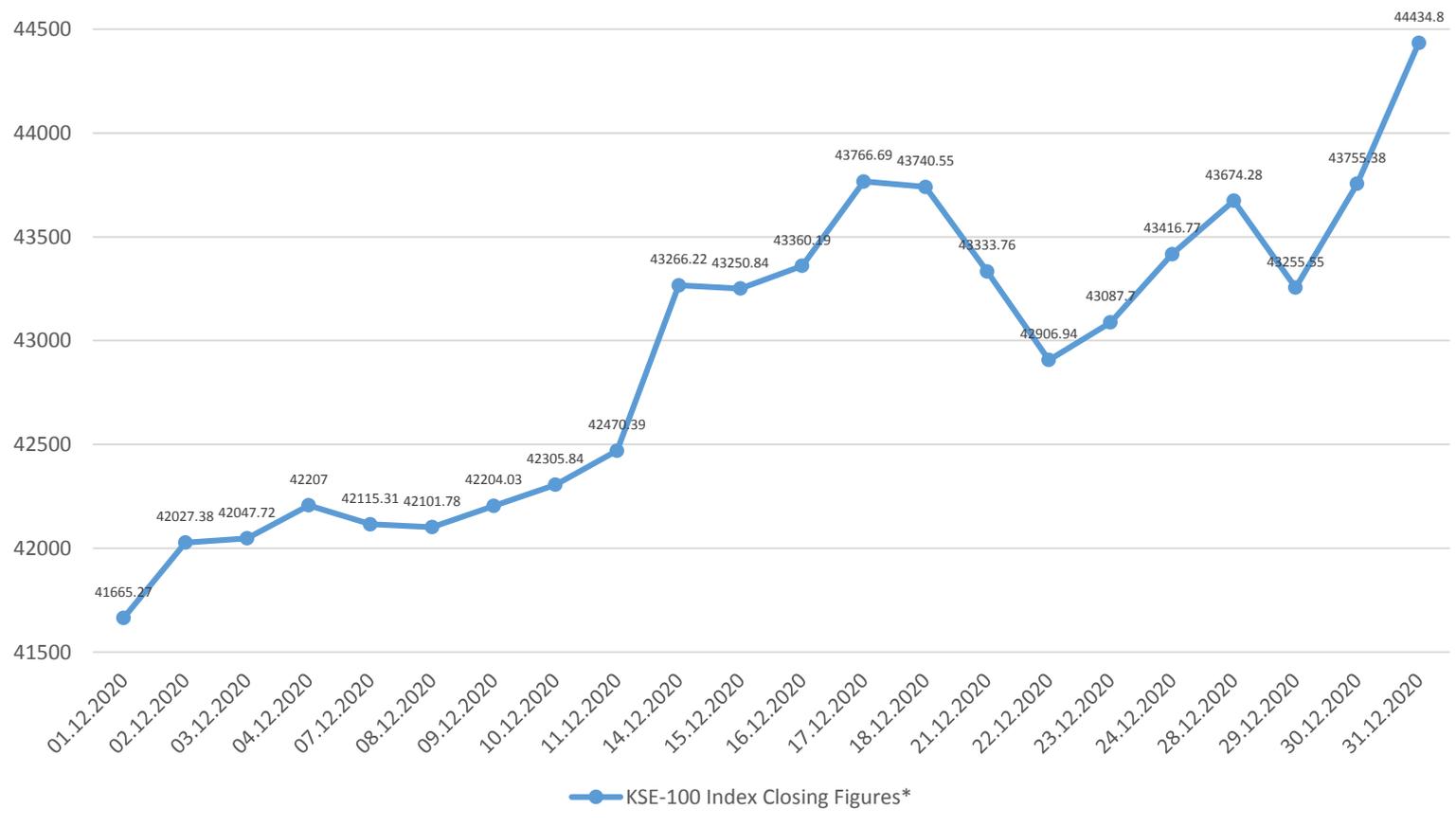
Pakistan Stock Market

Pakistan Stock Market – KSE-100 Index Fluctuations during November, 2020

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
01.12.2020	41665.27	10.12.2020	42305.84	21.12.2020	43333.76
02.12.2020	42027.38	11.12.2020	42470.39	22.12.2020	42906.94
03.12.2020	42047.72	14.12.2020	43266.22	23.12.2020	43087.70
04.12.2020	42207.00	15.12.2020	43250.84	24.12.2020	43416.77
07.12.2020	42115.31	16.12.2020	43360.19	28.12.2020	43674.28
08.12.2020	42101.78	17.12.2020	43766.69	29.12.2020	43255.55
09.12.2020	42204.03	18.12.2020	43740.55	30.12.2020	43755.38
				31.12.2020	44434.80

*As published in Daily Dawn

KSE-100 Index Closing Figures*

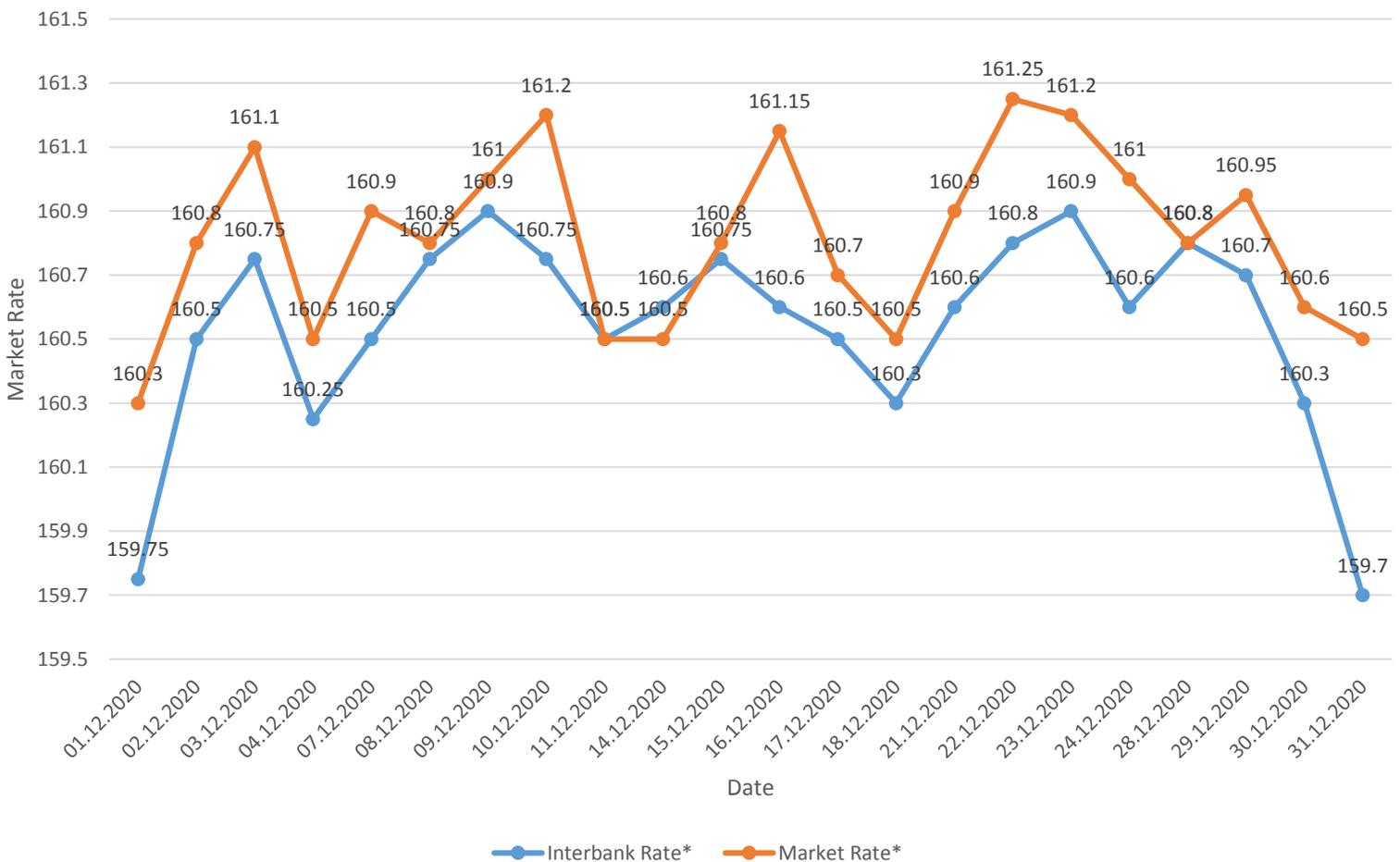


Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
01.12.2020	159.75	160.30	10.12.2020	160.75	161.20	21.12.2020	160.60	160.90
02.12.2020	160.50	160.80	11.12.2020	160.50	160.50	22.12.2020	160.80	161.25
03.12.2020	160.75	161.10	14.12.2020	160.60	160.50	23.12.2020	160.90	161.20
04.12.2020	160.25	160.50	15.12.2020	160.75	160.80	24.12.2020	160.60	161.00
07.12.2020	160.50	160.90	16.12.2020	160.60	161.15	28.12.2020	160.80	160.80
08.12.2020	160.75	160.80	17.12.2020	160.50	160.70	29.12.2020	160.70	160.95
09.12.2020	160.90	161.00	18.12.2020	160.30	160.50	30.12.2020	160.30	160.60
						31.12.2020	159.70	160.50

*forex.pk

Rupee-Dollar Parity during December, 2020



Guidelines on Targeted Financial Sanctions (TFS)

AML Supervisory Board

ICMA Pakistan Guidance on Sanctions Screening aims to aid Reporting Firms (RFs) to understand their obligations with respect to TFS. The guidance sets out sanctions screening as a control, the fundamentals of which are derived from legal / regulatory requirements and expectations, as well as international best practices.

Sanctions are prohibitions and restrictions put in place with the aim of maintaining or restoring international peace and security. They generally target specific individuals or entities, or particular sectors, industries or interests. They may be aimed at certain people and targets in a particular country or territory, or some organization or element within them.

LEGAL OBLIGATION

Pakistan is under legal obligation to implement the UNSCR 1373, on account of being a responsible member of the United Nations.

In order to combat terrorist financing and fulfill its obligations under UNSCR, Pakistan relies on a number of legal provisions contained in the Anti-Terrorism Act, 1997. These provisions vary from proscription of organizations and persons, freezing and seizure of assets, etc., to criminalizing different forms of terrorist financing and other required measures.

In view of the above, Pakistan has amended its AML Act 2010 to put its reporting entities under TFS Obligations; The relevant section of the AML Act 2010 is reproduced as under;

Section 7H "Policies and procedures. — Every reporting entity shall implement policies and procedures to ensure their compliance with the provisions of this Act and orders, rules or regulations made thereunder that impose TFS obligations upon reporting entities."

REGULATORY REQUIREMENT

ICMA Pakistan AML / CFT Regulations "Anti – Money Laundering and Combating Financing of Terrorism Regulations for Cost and Management Accountants Reporting Firms" under Section 25 requires Reporting firms to comply with Section 7H of AML Act.

IMPLEMENTATION OF TFS LEGAL AND REGULATORY OBLIGATION

Regulations require Reporting Firms not to form business relationship with the individuals / entities and their associates that are either, sanctioned under United Nations Security Council (UNSC) Resolutions adopted by Pakistan or proscribed under the Anti – Terrorism Act, 1997.

The Ministry of Foreign Affairs (MoFA) issues Statutory Regulatory Orders (SROs) to provide legal cover for implementing sanction measures under UNSC resolutions. These SROs in respect of designated individuals / entities require assets freeze (including funds and other financial assets or economic resources), travel ban and arms embargo, in addition to other measures in accordance with the UNSC resolutions. These SROs are available at the following links:

<http://mofa.gov.pk/uns-c-sanctions/>

<http://www.secdiv.gov.pk/page/sro-uns-c-sanctions>

The Ministry of Interior (MoI) issues Notifications of proscribed individuals / entities pursuant to the Anti – Terrorism Act, 1997, to implement sanction measures under UNSCR 1373(2001). The updated consolidated list of proscribed organizations and proscribed individuals is available at the National Counter Terrorism Authority's website, at the following links:

<http://nacta.gov.pk/proscribed-organizations/>

<https://nacta.gov.pk/proscribed-persons/>

ACTIONS TO BE TAKEN BY REPORTING FIRM

Each RF is required to immediately scan its customer data bases and their Beneficial Owners / associates for any matches with the stated designated / proscribed person(s) / entity(ies) on the receipt of notifications; issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National Counter Terrorism Authority (NACTA) / Law Enforcement Agencies (LEAs) / Home Departments of Provinces / Ministry of Interior regarding updates in list of proscribed persons under the Anti – Terrorism Act, 1997.

In case of a true match or suspicion of a proscribed / designated person, following actions have to be taken immediately by Reporting Firm under the ICMA Pakistan AML / CFT Regulations:

- a) If it is an existing customer / client, freeze without delay the customer's fund and other financial assets or economic resources or block the transaction, without prior notice;
- b) Not provide any services or funds to the designated / proscribed person in accordance with the respective notification;
- c) Reject the transaction or attempted transaction or the onboarding of the customer, if the relationship has not commenced;

- d) Lodge a STR with the Financial Monitoring Unit (FMU) and simultaneously notify the Ministry of Foreign Affairs, in case that person is designated under United Nations Security Council Resolutions or notify the National Counter Terrorism Authority, in case that person is designated under the Anti – Terrorism Act, 1997.

Reporting Firm must ascertain potential matches with the UN Consolidated List to confirm whether they are true matches to eliminate any “false positives”. The reporting firm must make further enquiries from the client or counter – party (where relevant) to assist in determining whether it is a true match. In case there is not 100% match, but sufficient grounds for suspicion that customer/ funds belong to sanctioned entity / individual, the RFs may consider raising a STR to FMU.

False Positives –

- If your reporting firm is undertaking the screening on a manual basis, there should be no or very few false positives. If you have a 100% match with names, date of birth and location, then it is a true match from your reporting firm’s perspective. They should be reported and transactions frozen, or customer rejected. The authorities will have more information to determine whether it is a true match from their perspective. It is not uncommon for the same name and date of birth to be identified, and then authorities conclude that it is not the person listed in the sanctions list.
- If your reporting firm is using an automatic screening service, and depending on the sophistication of the screening service, false positives will be very common. The reason is some of those screening systems are configured to generate a “match” based purely on name or part name match, and not on all of the identifiers e.g. name, date of birth, address or geographic region. If the electronic system produces a match, the reporting firm will need to check manually whether it is a true match or a false match by reviewing all the identifiers.

Reporting Firms shall make their sanctions compliance program an integral part of their overall AML / CFT compliance program, and accordingly should have policies, procedures, systems and controls in place w.r.t to sanctions compliance. RFs shall provide adequate sanctions related training to their staff. When conducting risk assessments, RFs shall, take into account any sanctions that may apply (to customers or countries).

RFs should not provide any services to proscribed / designated entities and individuals or their associated persons as required under the ICMA Pakistan AML / CFT Regulations. For this purpose, necessary measures should be taken including but not limited to the following controls:

In case of entity, it should be ensured that their beneficial owners, directors, members, trustees and authorized signatories are not linked with any proscribed / designated entities and individuals, whether under the same name or with a different name.

The association of individuals / entities with proscribed / designated entities and individuals may be determined on the basis of appropriate screening of sanctions lists, publicly known information or linkages (on the basis of Government or regulatory sources, reliable media information, etc.)

While establishing new business relationship or extending services to customers, any similarity between the identifying information of the customer and that of proscribed / designated entities and individuals including national identification number, address, etc. may be viewed properly and investigated for necessary action as per requirements.

RFs should monitor their relationships on a continuous basis. If any relationship with the proscribed entity / individual is found, immediate action shall be taken as per the applicable legislations, including reporting to the FMU.

RFs shall report to the FMU immediately, all attempted or rejected transactions pertaining to proscribed / designated entities and individuals or their associates.

RFs shall maintain up to date data / MIS of all frozen assets / funds, attempted or rejected transactions, and the same shall be made available to ICMA Pakistan as and when required.

RFs shall, taking note of the circumstances where customers and transactions are more vulnerable to be involved in TF and PF activities by identifying high-risk customers and transactions, and applying enhanced scrutiny. RF shall carry out checks on the names of potential and new customers, as well as regular checks (under a defined frequency) on the names of existing customers, beneficial owners, transactions, and other relevant parties against the names in the abovementioned lists, to determine if the business relationship involves any sanctioned person / entity, or person associated with a sanctioned person / entity / country.

RFs are expected to keep track of all the applicable sanctions and where the sanction lists are updated, shall ensure that existing customers are not listed. The Consolidated Lists available at NACTA’s and the UNSC Sanctions Committees’ websites, are regularly updated and can be accessed at the following links:

<https://www.un.org/securitycouncil/content/un-sc-consolidated-list>

<https://scsanctions.un.org/search/>

<https://www.un.org/securitycouncil/sanctions/1267>

<https://www.un.org/securitycouncil/sanctions/1988>

<https://www.un.org/securitycouncil/sanctions/1718>

<https://www.un.org/securitycouncil/content/2231/background>

<https://nacta.gov.pk/proscribed-organizations-3/>

<https://nacta.gov.pk/pp/>

<https://nfs.punjab.gov.pk/>

ILLUSTRATIVE EXAMPLES

AT THE TIME OF ON - BOARDING	DURING ENGAGEMENT	AFTER ENGAGEMENT
<ul style="list-style-type: none"> Reporting firm should screen the client, its beneficial owner and person acting on behalf of the client against the updated UNSC and ATA list, in line with the requirements of Section # 25 of ICMA PAKISTAN AML / CFT Regulations. 	<ul style="list-style-type: none"> If during the tenure of the engagement, the UNSC or ATA list is updated, reporting firm is required to screen the existing client, its beneficial owner and person on behalf of the reporting firm again against the update made in list within in line with the requirements of Section # 25 of ICMA PAKISTAN AML / CFT Regulations. 	<ul style="list-style-type: none"> Once the business relationship has ended and the reporting firm is no longer rendering any AML related specified services to the client, the reporting firm is not required to screen that client or beneficial owner against any further updates.

FEW EXAMPLES TO UNDERSTAND THE ABOVE TFS SCREENING OBLIGATIONS ARE STATED BELOW

<p>ACTING AS A FORMATION AGENT FOR LEGAL PERSONS OR LEGAL ARRANGEMENTS.</p>
<p>This service refers to forming a legal person (such as a company) or legal arrangement on behalf of a customer; for example, registering a company with the SECP.</p>
<p>Examples of this kind of captured service in practice</p>
<p>Incorporation / Registration of a company with the SECP on behalf of a customer.</p>
<p>Incorporation of an entity (partnership/firm/society/company etc.) on behalf of a customer.</p>
<p>TFS Obligations</p>
<p>This service is an example of one – time engagement, which only requires the reporting firm to screen its client(s). It's Beneficial Owners and persons acting on behalf of the client at the time of establishing client relationship, once the engagement has ended, Reporting Firm is no longer obliged to perform TFS screening on this client.</p>
<p>However, if during the tenure of this engagement, i.e. from the establishment of Client relationship to the completion of engagement, if UNSC list or ATA list is updated, Reporting Firm is required to screen the client, its beneficial owner or the person acting on behalf of the client against the list updated.</p>
<p>ACTING AS A NOMINEE DIRECTOR, SHAREHOLDER OR TRUSTEE.</p>
<p>The reporting firm is engaged to act as a nominee director or shareholder for a company, or as a trustee of a trust.</p>
<p>This is a specified service subject to AML / CFT.</p>
<p>Where the firm has only assisted the company / partnership in appointment of director / partner by sharing the database of the individuals and the firm has no authority with regards to the selection process of the candidate that service is NOT as a specified service subject to AML / CFT.</p>
<p>Examples of this kind of captured service in practice</p>
<p>The reporting firm or staff member acts as a nominee shareholder or director for a customer</p>
<p>The reporting firm or staff member act as a trustee for a trust.</p>
<p>The reporting firm or staff member arranges for a person to act as a nominee shareholder for a company.</p>
<p>TFS Obligations</p>
<p>If a Reporting Firm is acting as a nominee director, nominee shareholder for a company or a trustee for a legal arrangement (such as a trust or charity), this type of engagement is considered as an on – going engagement. In this regard, the Reporting Firm is required to screen the client, its Beneficial Owners or persons acting on behalf of the client at the time of establishment of relationship and on an on–going basis throughout the tenure of engagement.</p>
<p>The screening should be conducted as and when the lists (UNSC and ATA) are updated or when there is change in the ownership structure of the Client.</p>

Legal Privileges Available to Cost and Management Accountants*

Sr.	Description	Legal Statute	Relevant Section / Rule
1	To act as an Auditor	Companies Act, 2017	Section 247(b)
2	Appointment as Special Auditors by FBR for Income Tax Audit	Income Tax Ordinance, 2001	Section 177 (10) Income Tax Ordinance, 2001
3	Appointment as Special Auditors by FBR Sales Tax Audit	Sales Act, 1990	Section 32-A of Sales Act, 1990, & SRO 539(1)/2006 dated 5th June, 2006
4	To perform Audit of Cost Accounts as an Auditor	Companies Act, 2017	Section 250(1)
5	Audit & Certification of Accounts of Non Profit Organizations	Income Tax Rules, 2002	Income Tax Rules, 2002 notified through SRO 774 dated 29th July, 2006
6	Audit of Financial Statements for Agricultural Borrowers	Prudential Regulations for Agriculture Financing 2014	Part C, Regulations R-20
7	Audit of Financial Statements of SMEs	Prudential Regulations for Small and Medium Enterprises Financing 2013	Chapter No. 3, Regulation ME R-4
8	Audit of Financial Statements of Corporate and Commercial Banks	Prudential Regulations for Corporate / Commercial Banking 2011	Part B, Regulations R-3
9	To Act as Legal Representative of Taxpayer	Income Tax Ordinance, 2001 Income Tax Rules, 2002	Sec 223 Income Tax Ordinance, 2001 Rules 84-90 Chp XIV if Income Tax Rules, 2002
10	Delegation of Function by Assets Management Companies	SECP Circular, 2013	No.24/2013 dated December 06, 2013
11	Declaration for Registration of Memorandum	Companies Rules, 1985	Rule 4 (2) (ii)
12	Appointment as Committee Member on Custom matters	Customs Act, 1969	Section 195 C(2)
13	Appointment as Member of Settlement Commission on Custom matters	Customs Act, 1969	Section 196 K(3)
14	Appointment as Accountant Member of the Appellate Tribunal	Anti-Dumping Duties Ordinance, 2015	Rule 65(1)(a), No.2((1)/2015-Pub dated February 26, 2015
15	To Act as Legal representative in Anti-Dumping Tribunal	Anti-Dumping Duties Ordinance, 2015	No.2((1)/2015-Pub dated February 26, 2015
16	To Act as Member of Small Dispute Resolution Committee	Small Dispute Resolution Committees (Constitution and Procedure) Rules, 2015	Section 4(1)(b)
17	To act as an Expert in the Companies Act, 2017	Companies Act, 2017	Section 2(30)
18	To act as Certifier in the memorandum and articles	Companies Act, 2017	Section 17(3)
19	To act as Auditor for making report in case of return as to allotments	Companies Act, 2017	Section 70(b)
20	To act as an Intermediary in terms of Section 455 of the Companies Act, 2017	Intermediaries (Registration) Regulations, 2017	Section 3(i)(b)
21	To act as an Internal Auditor in the listed companies	Code of Corporate Governance	Code of Corporate Governance
22	To carry out the Audit of Separated Accounts	PTA Accounting Separation Guidelines, 2007	Sub-Clause 9(1)
23	To act as an Expert in the Panel of Insolvency Experts	Corporate Rehabilitation Regulations, 2019	Sub-Clause 4(ii)
24	To act as a Provisional Manager and Official Liquidator	Panel of Provisional Managers and Official Liquidators Regulations, 2019	Sub-Clause 4(a)
25	To act as a member of ADRC	Income Tax Ordinance ,2001	Section 134 A

*The above furnished details are compiled to the best of our knowledge, however, Worthy Members are encouraged to provide their inputs and feedback on the above information.

TECHNICAL SUPPORT & PRACTICE DEVELOPMENT COMMITTEE