

**SENATE OF PAKISTAN  
HOUSE OF THE FEDERATION**

REPORT NO.14 OF 2019



*House of the Federation*

**REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE  
AND ECONOMIC AFFAIRS**

**ON**

**THE SUBJECT MATTER OF A POINT OF PUBLIC IMPORTANCE RAISED  
BY SENATOR GHOUS MUHAMMAD KHAN NIAZI ON 24TH JANUARY,  
2019, REGARDING DIVIDEND OF STOCK EXCHANGES AND REBATE IN  
WITHHOLDING TAX**

**PRESENTED BY**

**SENATOR FAROOQ HAMID NAEK**

## SENATE SECRETARIAT

### REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE, AND ECONOMIC AFFAIRS ON THE SUBJECT MATTER OF A POINT OF PUBLIC IMPORTANCE RAISED BY SENATOR GHOUS MUHAMMAD KHAN NIAZI ON 24<sup>TH</sup> JANUARY, 2019, REGARDING DIVIDEND OF STOCK EXCHANGES AND REBATE IN WITHHOLDING TAX

I, Senator Farooq Hamid Naek, Chairman, Standing Committee on Finance, Revenue and Economic Affairs, have the honour to present, on behalf of the Committee, this report on the subject matter of a Point of Public Importance raised by Senator Ghous Muhammad Khan Niazi on 24<sup>th</sup> January, 2019, regarding dividend of Stock Exchanges and rebate in withholding tax, and referred to the Committee for consideration and report.

2. The composition of the Standing Committee is given as under: -

(1)	Senator Farooq Hamid Naek	Chairman
(2)	Senator Ayesha Raza Farooq	Member
(3)	Senator Mushahid Ullah Khan	Member
(4)	Senator Musadik Masood Malik	Member
(5)	Senator Dilawar Khan	Member
(6)	Senator Muhammad Akram	Member
(7)	Senator Muhammad Talha Mahmood	Member
(8)	Senator Imam-ud-Din Shouqeen	Member
(9)	Senator Mohsin Aziz	Member
(10)	Senator Aurangzeb Khan	Member
(11)	Senator Mian Muhammad Ateeq Shaikh	Member
(12)	Senator Anwar ul Haq Kakar	Member
(13)	Senator Sherry Rehman	Member
(14)	Minister for Finance, Revenue and Economic Affairs	Ex-Officio Member

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3. The Committee considered the said matter in its meeting held on 13<sup>th</sup> March, 2019, at Parliament House, Islamabad. The meeting was attended by the following:-

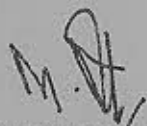
(1)	Senator Farooq Hamid Naek	Chairman
(2)	Senator Mushahid Ullah Khan	Member
(3)	Senator Dilawar Khan	Member
(4)	Senator Mohsin Aziz	Member
(5)	Senator Mian Muhammad Ateeq Shaikh	Member
(6)	Senator Anwar ul Haq Kakar	Member

4. Senator Ghous Muhammad Khan Niazi, Mover apprised the Committee that minority shareholders were facing difficulties in respect of payment of dividends and profits because no proper mechanism was in place in that regards. He was of the view that a condition of audit report should also be included in the law for declaration of dividends and profits by a company.

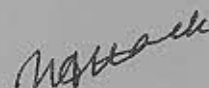
5. The Commissioner, Securities and Exchange Commission of Pakistan (SECP) responded that there was no such restriction/provision in the law regarding force dividend, however, under the law dividend could only be paid if there was profit in the company while in case of no profit the dividend would not be admissible. He said that the Board of Directors of the company decided to declare the dividend value, therefore, in terms of law it was not mandatory for a company to declare dividend and the legislature in its own wisdom left in to the discretion of the company whether to pay dividend or to reinvest funds into company's business. However, SECP taken various initiatives to protect minority interest and to increase participation of minority shareholders in the decision making process.

6. The Committee observed that it was not binding for a company to pay dividend even having profit, however, an amendment in Section 240 of the Companies Act, 2017, was required in order to bring force dividend, therefore, the

Committee disposed of the matter and requested the Mover to introduce a Private Member Bill in the House to amend the Companies Act, 2017, accordingly. The Committee also gave approval for presentation of its report to the House.



**(MUHAMMAD TAHIR KHAN)**  
Secretary (Committee)



**(SENATOR FAROOQ HAMID NAEK)**  
Chairman (Committee)

Islamabad, the  
13<sup>th</sup> March, 2019