

SENATE OF PAKISTAN



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



REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE
REVENUE AND ECONOMICS AFFAIRS ON THE BILL FURTHER TO
AMEND THE COMPANIES ACT, 2017, THE COMPANIES
(AMENDMENT) BILL, 2020 INTRODUCED BY SENATOR JAVED
ABBASI IN THE SITTING OF THE SENATE HELD ON 17TH AUGUST,
2020.

PRESENTED BY
SENATOR FAROOQ H. NAEK
CHAIRMAN

SENATE SECRETARIAT

REPORT OF THE SENATE STANDING COMMITTEE ON FINANCE REVENUE AND ECONOMICS AFFAIRS ON THE BILL FURTHER TO AMEND THE COMPANIES ACT, 2017, THE COMPANIES (AMENDMENT) BILL, 2020 INTRODUCED BY SENATOR JAVED ABBASI IN THE SITTING OF THE SENATE HELD ON 17TH AUGUST, 2020.

1, Senator Farooq H. Naek, Chairman of the Standing Committee on Finance, Revenue And Economic Affairs have the honour to present, on behalf of the Committee, this report on the bill further to amend the Companies Act, 2017, "The Companies (Amendment) Bill, 2020" introduced by Senator Javed Abbasi in the sitting of the Senate held on 17th August, 2020. The Bill was referred to the Senate Standing Committee for Finance, Revenue and Economic Affairs for consideration and report.

2. The composition of the Committee is as under:

1.	Senator Farooq Hamid Naek	Chairman
2.	Senator Zeeshan Khanzada	Member
3.	Senator Mohsin Aziz	Member
4.	Senator Mian Muhammad Ateeq Shaikh	Member
5.	Senator Anwar ul Haq Kakar	Member
6.	Senator Dilawar Khan	Member
7.	Senator Musadik Masood Malik	Member
8.	Senator Mushahid Ullah Khan	Member
9.	Senator Ayesha Raza Farooq	Member
10.	Senator Imam-ud-Din Shouqeen	Member
11.	Senator Sherry Rehman	Member
12.	Senator Muhammad Akram	Member
13.	Senator Muhammad Talha Mahmood	Member
14.	Advisor to PM on Finance and Revenue, Member	Ex-Officio

3. The Bill was placed on the agenda of the Committee in its meetings held on 15th February, 2021. The following members of the Committee were in attendance on 15th February, 2021:

i.	Senator Farooq Hamid Naek	Chairman
ii.	Senator Zeeshan Khanzada	Member
iii.	Senator Dilawar Khan	Member

- iv. Senator Muhammad Akram Member
v. Senator Javed Abbasi Mover

4. The Mover of the Bill, Senator Javed Abbasi apprised the Committee regarding the purpose and aim of the proposed Bill. He stated that companies making millions of rupees in profit hold a corporate social responsibility (CSR) towards the development of areas in which they operate. He added that the Securities and Exchange Commission of Pakistan (SECP) has issued guidelines for CSR, but these guidelines are voluntary. He stated that his proposed amendments seek to legally bind companies to spend 2% of their total net profit in terms of CSR.

5. The Member, Inland Revenue, FBR has apprised the Committee that a percentage deducted from the net profit of any company is not considered a tax deductible expense under the Law. He added that the only special exemption in this regard has been granted to the Workers Welfare Fund and the Workers Protection Fund. The Member FBR also added that charging a 2% CSR on the net profit of companies will take the total deductions to 9%, and this will erode FBR's revenue base. The SECP agreed with the Member FBR, and stated that this additional deduction will put undue burden on companies, and implementation of the CSR will also be difficult to monitor. Companies in Pakistan have already started delisting due to the COVID 19 pandemic, and the number of companies has fallen to 530 from 650. The SECP has also stated that except in India, CSR is voluntary the world over. The Additional Secretary Finance has stated that this mandatory deduction will discourage investment, and on this basis, the Ministry Of Finance opposed the Bill.

6. The Chairperson Committee appreciated ~~the~~ Senator Javed Abbasi and the aim of the Bill. He stated that the proposed amendment sought the benefit of the common man, and not the businessmen. However, in light of the argument presented by the Finance Ministry, he inquired if there was a solution, or a consensus that could be reached. He proposed that the CSR deduction be reduced from 2% to 1%, and the board of directors proposed by Senator Javed Abbasi be reconstituted to include one Director of the Company, and one prominent social worker from the concerned area in which the company is operating in.

7. In light of the above, the Committee presents this bill with the abovementioned unanimous recommendation for the consideration of the House.


(Iffat Mustafa)
Secretary Committee


(Senator Farooq H. Naek)
Chairman Committee