



Origin Consultancy

Newsletter June 2020

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- 1) Updates regarding International Financial Reporting Framework (IFRS) issued by International Accounting Standards Board (IASB);
- 2) Corporate updates via notifications issued by Securities and Exchange Commission of Pakistan (SECP); and
- 3) Sales tax updates via notifications issued by Federal Board of Revenue (FBR).

UPDATES

Financial Reporting

AMENDMENTS TO IAS 1 *PRESENTATION OF FINANCIAL STATEMENTS* RELATING TO THE CLASSIFICATION OF DEBT AND OTHER LIABILITY AS CURRENT OR NON-CURRENT

Earlier in January 2020, International Accounting Standards Board (IASB) issued amendments to IAS 1 *Presentation of the Financial Statements* specifying the clarification relating to the classification of the debt and other Liabilities with an uncertain settlement date as current and non-current.

The amendments were earlier effective for annual reporting periods beginning on or after 1 January 2022. However, IASB has now proposed to extend the said effective date by one year to annual reporting periods

beginning on or after 1 January 2023 in response to the COVID-19 pandemic.

The said proposal is open for comment for the stakeholders till 3rd June 2020 and can be accessed from the following link:

<https://www.ifrs.org/news-and-events/2020/05/classification-of-liabilities-deferral-exposure-draft/>

AMENDMENTS TO IFRS 16 – *LEASES* PERTAINING TO COVID-19 RELATED RENT CONCESSIONS

International Accounting Standards Board (IASB) issued amendments to IFRS 16 - *Leases* and has specified that rent concessions for the lessees due to COVID 19 may not be considered as part of lease modification.

IASB has given the option as practical expedient to the lessees to account for the lease modification pertaining to COVID 19 related rent concessions as the change is not a lease modification by recognizing the effect of change in profit and loss account.

IASB has outlined the following condition to be met if the practical expedient is applied:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- There is no substantive change to other terms and conditions.

The update can be accessed from the following link:

<https://cdn.ifrs.org/-/media/project/ifrs-16-covid-19/covid-19-related-rent-concessions-amendment-to-ifrs-16.pdf?la=en>

UPDATES

Local Corporate Regulatory Requirement

RELIEF FROM THE REQUIREMENTS CONTAINED IN IAS 39

Securities and Exchange Commission of Pakistan (SECP) vide SRO 414 (I) / 2020 dated 11th May 2020, relaxed the requirement to recognized impairment loss in the profit and loss account on the equity investment portfolio categorized under Available for Sale (AFS) investment.

Now, the companies can opt to recognize impairment loss in the Statement of Changes in Equity as at March 31, 2020 subject to the following conditions:

- a) The company shall disclose the following in the notes to the financial statements:

- Amount of impairment loss included in the statement of changes in equity
- Amount of profit or loss after tax and earnings per share if the impairment loss had been recognized in accordance with IAS 39

- b) Dividend income and actual realized gain/loss arising from the derecognition of AFS equity instrument shall be recognized in profit and loss account in accordance with IFRS 39
- c) The amount of loss taken to equity as per this notification shall be treated as a charge to profit and loss account for the purpose of distribution as dividend.

Notification can be accessed from the following link:

<https://www.secp.gov.pk/document/sro-414-i-2020-relief-to-companies-entities-ias-39/?wpdmdl=39269&refresh=5eccb552d63c81590474066>

AMENDMENTS TO THE COMPANIES (DISTRIBUTION OF DIVIDENDS) REGULATIONS, 2017

Securities and Exchange Commission of Pakistan (SECP) vide SRO 441(I) 2020 dated 14th May 2020 issued an amendment in clause (vi) of regulation 1 of regulation 2 – *definition of paying agent* to the Companies (Distribution of Dividends) Regulations, 2017.

It is amended that in addition to the bank or any approved payment service provider

appointed by the company, the central depository shall also be considered as a paying agent.

The amendment can be accessed from the following link:

<https://www.secp.gov.pk/document/sro-441-i-2020-amendments-to-the-companies-distribution-of-dividends-regulations/?wpdmdl=39304&refresh=5ecfb4133dc681590670355>

DRAFT AMENDEMENTS TO THE CREDIT RATING COMPANIES REGULATION, 2016

Securities and Exchange Commission of Pakistan (SECP) vide SRO 457(I) 2020 dated 20th May 2020 issued draft amendments to Credit Rating Companies Regulation, 2016. The draft is available for comments till June 3rd, 2020.

The draft amendments pertain to the following regulations:

- Regulation 2 – *Definitions*
- Regulation 4 – *Eligibility Criteria* for grant of license to act as credit rating company
- Regulation 7 – *Renewal of License*
- Regulation 10 – *Restrictions on Credit Rating Companies*
- Regulation 11 – *Duties and obligations of the Credit Rating Company*
- Regulation 12 – *Independence and Conflict of Interest*

- New Regulation 25A - *Relaxation from the requirement of Regulation* is inserted
- Annexure C – *Fit and Proper Criteria*
- Annexure F - *Fit and Proper Criteria for Rating Analyst*

The draft amendments can be accessed from the following link:

<https://www.secp.gov.pk/document/draft-amendments-to-the-credit-rating-companies-regulation-2016/?wpdmdl=39317&refresh=5ed21188d25d81590825352>

DRAFT AMENDMENTS TO PUBLIC OFFERING (REGULATED SECURITIES ACTIVITIES LICENSING) REGULATION, 2017

Securities and Exchange Commission of Pakistan (SECP) vide SRO 456(I) 2020 dated 20th May 2020 issued draft amendments to Public Offering (Regulated Securities Activities Licensing) Regulation, 2017.

The draft suggests amendments to the specific conditions associated with the grant of the license to the banker to an issue as mentioned in schedule I – *eligibility criteria for license*. The draft is available for comments till June 3rd, 2020.

The draft amendments can be accessed from the following link:

<https://www.secp.gov.pk/document/draft-amendments-to-public-offering-regulated-securities-activities-regulations-2017/?wpdmdl=39318&refresh=5ed21188cc92d1590825352>

DRAFT AMENDMENTS TO PUBLIC OFFERING (REGULATED SECURITIES ACTIVITIES LICENSING) REGULATION, 2017

Securities and Exchange Commission of Pakistan (SECP) vide SRO 458(I) 2020 dated 20th May 2020 issued draft amendments to Public Offering Regulation, 2017.

The draft amendments pertain to the following regulations:

- Regulation 2 – *Definitions*
- Regulation 3 – *General conditions for the public offer of the securities*
- Regulation 5 – *Conditions of public offer of shares*
- Regulation 6 – *Conditions of public offer of shares through fixed price method*
- Regulation 7 – *Conditions for offer of shares through book building*
- Regulation 8 – *Procedure for public offer of shares through book building*
- Regulation 9 – *Procedure for bidding*
- Regulation 11 – *Procedure for allocation of shares to retail investors*
- Regulation 12 – *Offer of sale of shares by offeror*
- Regulation 13 – *General conditions for public offer of debt securities*
- New Regulation 15a – *Book building mechanisms for debt securities* is inserted
- New Regulation 15b – *Restrictions* is inserted

- New Regulation 15c – *Procedure for allocation of the debt securities to the retail investors*
- First Schedule – *Format and reports of the prospectus*
- Eight schedule – *List of documents to be submitted*

The draft amendments can be accessed from the following link:

<https://www.secp.gov.pk/document/draft-amendments-to-public-offering-regulations-2017/?wpdmdl=39319&refresh=5ed4fa625df821591016034>

UPDATES

Sales Tax

AMENDEMENTS IN SALES TAX RULES, 2006

Vide SRO 353(I)/2020, dated 05th May 2020, has brought forth the following amendments in various rules and sub-rules of the captioned Rules:

- a. A new rule 111A has been inserted, whereby, the following items are exempted from attachment and sale in recovery proceedings of sales tax:
 - The necessary household items such as crockery, wearing apparels, etc. of the defaulter, his wife and children
 - The tools of agriculture, livestock, house and other building and other items necessary for his work, in case of farmer

- Books of accounts;
 - Right to sue for damages;
 - Any right of personal service;
 - Stipends and gratuities for pensioner of the Government
 - Funds established under the Provident Funds Act, 1925 provided that aforesaid Act so declared them not liable to attachment;
 - Any allowance by government which is declared exempt in the Gazette; and
 - Any future rights to maintenance.
- b. A new sub-rule 4 has been inserted in Rule 150ZB, which requires restaurants, bakeries, caterers, and sweetmeat shops supplying prepared food and food stuff to display prices and amount of tax separately in their menu cards for the end consumers.
- c. A new sub-rule 4 has been inserted in Rule 150ZEA which requires retail outlets of textile and leather products, to display prices and amount of tax separately in price tags for the end consumers.

The notification can be accessed from the following link:

<http://download1.fbr.gov.pk/SROs/2020561353338781SR0353.pdf>

Disclaimer

The Contents in the newsletter is of a general nature and is based on the information as of the date that is publically available. The object of this is to update the users with the major developments held accounting framework and the local corporate and taxation laws.

Any of the information is not intended to address the circumstances of any particular individual or entity. Therefore, one should act on such information with the advice of expert or professional.

We Endeavour to provide accurate and timely information, but there can be no guarantee that such information is always accurate as of the date it is received or that it will continue to be accurate in the future.

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