

Foundation Alert

Pakistan Strategy: Gov't imposed one-time super tax on 13 Industries

Event

- Government has imposed one-time super tax ranging from 4% to 10% on large scale industries to generate additional revenue.

Impact

- In order to reduce fiscal deficit Gov't has imposed one-time 10% super tax on Cement, Steel, Sugar, Oil & Gas, Fertilizer's, LNG Terminals, Textile, Banking, Automobile, Cigarettes, Beverages and Chemicals and chemical sector companies.
- To highlight, corporate tax rate for companies operating in aforementioned sectors (except banks) would be increased to 39%, if companies profit is above Rs300mn and for banks tax rate would be increased to 55%.
- Furthermore, on all other sectors their will be 4% super tax.
- This would have an impact of 14% on sectors profitability on which 10% super tax is imposed and erode earning by 6% of sectors on which 4% super tax is imposed.
- Moreover, banking sector profitability would reduce by 18% as it has already been taxed at higher rates.
- Turnover tax on OMC's is also reduced to 0.50% from 0.75%.

Outlook

- We await further clarification before incorporating the impact of the said in our valuation.

Analyst

Muhammad Awais Ashraf
+92 21 3561 2290-94

m.awais@fs.com.pk
Ext 338

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.