

### **Tax changes to attract foreign investment in govt debt: SBP**

KARACHI: The State Bank of Pakistan (SBP) has introduced amendments in the tax regime for non-residents to facilitate overseas investment in debt papers like treasury bills.

In a circular issued on Thursday, the SBP said amendments aim to deepen capital markets, support availability of long-term rupee financing sources, support competition in local currency debt market, and diversify source of funding for the government.

It said the amendments in the Income Tax Ordinance, 2001 have also been issued to simplify tax regime for non-resident companies investing in debt instruments and government securities.

The existing foreign exchange framework allows non-residents to invest in debt instruments and government securities through Special Convertible Rupee Accounts (SCRA). However, the tax structure for non-residents investing in debt securities was historically complex. Different rates applicable for the withholding tax on profit on debt and capital gains tax, penal transaction charges for non-filers, a complex tax filing process and uncertainty about tax applicability were the key impediments to foreign investment into the local debt market, particularly in the long-term debt instruments.

“In this context, the recent amendment in the tax laws has simplified Pakistan’s tax regime for investment in the local debt market,” said the SBP.