



External Relations Department

ERD/M&PRD/PR/01/2021-13

February 16, 2021

Government Announces a New Simplified and Convenient Tax Regime for Roshan Digital Accounts

Based on feedback from the diaspora and recommendations from SBP, the Federal Government has introduced several amendments in the Income Tax Ordinance 2001 through Tax Laws (amendment) Ordinance 2021 to make the taxation regime simple, convenient and hassle-free for Non Resident Pakistanis (NRPs) maintaining Roshan Digital Accounts (RDAs).

The amendments simplify and reduce the tax compliance cost for the NRPs maintaining RDAs. While the NRPs investing in Naya Pakistan Certificates (NPCs) through their RDAs were already under the full and final taxation regime, the amendments have extended the coverage of full and final taxation regime to: (a) dividends and capital gains on shares and mutual funds investments made through RDAs, and (b) capital gains on real estate investments made through RDAs. As a result, NRPs will not need to file tax returns against their income derived from investment made through RDAs under the above heads. With this removal of return filing requirements, NRPs having RDAs have also been insulated from penalties (doubling of tax rate) due to their absence from the Active Taxpayer's List (ATPL). Further, NRPs with RDAs will not be subject to tax on cash withdrawals and bank transfers that are applicable on non-filers.

While the profit on debt on RDA deposits is tax exempt, the tax rate on profits on NPCs is 10 percent for both NRPs and resident Pakistanis having declared assets abroad, and 15 percent on dividends received from mutual funds and companies (except IPPs and tax exempt companies, which are taxed at 7.5 percent and 25 percent respectively). The capital gains on shares and mutual funds are also taxed at 15 percent, the same rate that is applicable on filers. In addition, a tax of 1 percent of the value of the purchase/sale will be payable by the NRPs both at the time of purchase and sale of real estate, which will be the full and final discharge of tax liability of NRPs against capital gains on real estate investments made through RDAs.

The simplification of the taxation regime is likely to give a further boost to the Roshan Digital Account scheme, which has already attracted considerable inflows from NRPs in the five months since it was launched. The RDA is a flagship initiative of State Bank aimed at connecting overseas Pakistanis with Pakistan's banking and payment system. Looking ahead, the SBP will continue its efforts towards making the policy, regulatory, business and taxation environment around RDA investor friendly.
