

Applicability of Capital Gains Tax (CGT) and WHT on Dividend

Effective from July 1, 2010, Capital Gains Tax (CGT) was introduced in the Income Tax Ordinance, 2001 by the Finance Act 2010, whereby any gains made by a person on their investment held in a mutual fund scheme or investment plan would be subject to Capital Gains Tax (CGT) at the time of sale of such investment units held by them.

However, investors may enjoy an exemption from Capital Gains Tax (CGT) if they hold their investment units for a period of at least four years.

If an investor decides to sell their investment units within four years from their purchase, any gains (return) made on the investment shall be subject to CGT per the current Tax Law.

- For Individuals, AOP, and Companies in Stock Funds: if dividend receipts of the Fund are less than capital gains, the rate of tax deduction on capital gains shall be 12.5%, otherwise 10%
- For Individuals and AOP in all other Funds: the rate of tax deduction on capital gains is 10%
- For Companies in all other Funds: the rate of tax deduction on capital gains is 25%

The above rates are accordingly applicable towards Dividend distribution by a mutual fund too.