

Share investors halt stock trading

The country's sole secondary market saw zero trading today due to the agitation of stock investors against the circular of the Inland Revenue Department that changed the method of calculating capital gains tax from Sunday.

No trader placed any order to 'buy' or 'sell' at Nepal Stock Exchange (Nepse) today though the brokerage firms had kept their offices open. Nevertheless, the country's only trading bourse and CDS Clearing Ltd had remained open for business throughout the normal trading hours today, that is, from 11:00 am to 3:00 pm.

Ambika Prasad Poudel, chairman of Nepal Investors Forum, said that trading was halted automatically at the behest of the investors against the government's move to fix Rs 100 as the base price of per unit bonus and rights shares and enforce 7.5 per cent tax on the difference of actual price of the shares traded and the base price.

"Our protest will continue till the government withdraws its circular of taxing share traders irrespective of whether he or she has made a profit or not," Poudel said.

As the talks with the joint secretary of the Economic Policy Analysis Division of the Ministry of Finance ended inconclusively on Monday, investors had decided to intensify their agitation by halting share trading from today.

Though the revenue secretary was expected to meet share investors today, there was no such call after the investors launched their protest programme.

Earlier, the government used to enforce five per cent CGT on the trade of bonus and rights share in the secondary market. Along with the increase in the CGT to 7.5 per cent through the federal budget 2018-19 on May 29, the tax administration had also changed the CGT calculation method.

Earlier, the CGT used to be enforced on the income made from the difference in actual price of share traded and adjusted base price of stocks. Adjusted base price of the stock means the price of stock immediately before book closure plus the value of share received from rights and bonus divided by the number of shares.

"We have no issues on the government's decision to increase CGT rate, but we have strong reservations against the change in the calculation method," said Poudel.

He argued that along with the increase in supply of shares, stock prices have been falling rampantly and investors have been incurring losses in recent months. "In this context, the government should understand the scenario of market and withdraw this rule," he added.

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Earlier, traders had to pay tax only on the profit earned from trading of bonus and rights shares. But the new provision compels share traders to file CGT whether or not they earn profit from selling their shares, as the base rate of per unit bonus and rights share is fixed at Rs 100, according to investors.

Meanwhile, the government has formed a study committee to look into the grievances raised by the share investors. According to Revenue Secretary Shishir Kumar Dhungana, the committee tasked with policy recommendation comprises of Joint Secretary at Economic Policy Analysis Division Uttar Kumar Khatri, Joint Secretary at Revenue Division Ram Sharan Pudasaini, Director General of IRD Bishnu Prasad Nepal and representatives from Securities Board of Nepal, Nepse and CDS Clearing Ltd. The committee has been asked to hold consultations with investors as well while preparing the report.

“The government will make a decision based on the recommendation of the report that is to be submitted after two weeks,” said Dhungana, adding that the IRD circular will not be withdrawn till the report is submitted.

Source: The Himalayan Times, 6th June 2018