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Zero-rated supplies Senate panel concerned at levy of further ST

SOHAIL SARFRAZ

The Senate Standing Committee of Finance has expressed concern over 2 percent further sales tax on zero-rated supplies to unregistered persons through Finance Bill 2017 and deferred amendment made in section 4 of the Sales Tax Act, 1990. During the committee proceedings to review Finance Bill 2017, committee members objected that there is no justification of 'further sales tax' within the zero-rated regime when supplies can only be consumed by zero-rated sectors. The Finance Bill 2017 has imposed 2 per cent 'further sales tax' on zero-rated supplies to unregistered persons.

FBR Member Inland Revenue Policy, Dr Muhammad Iqbal informed the Senate Standing Committee on Finance that no further tax is applicable on supplies made by registered person to another registered person. However, 2 per cent further sales tax is applicable on supplies made from registered persons to unregistered persons. If supply is made outside the zero-rated sectors, the chain is broken and 2 per cent tax will be collected on supplies to un-registered persons.

The FBR was already collecting further sales tax last year and only the scheme of further tax has been regularised through Finance Bill 2017. On the issue of provisions introduced for retailers under Sales Tax Act, Dr Muhammad Iqbal explained that the scheme of retailers was applicable under a statutory regulatory order (SRO) - a subordinate legislation. Last year, the scheme of retailers notified through an SRO was challenged in high court. Now the scheme of the retailers has been regularised through the Finance Bill 2017.

Referring to the Finance Bill 2017, tax officials informed the committee that Tier-1 retailers mean a retailer operating as a unit of a national or international chain of stores; a retailer operating in an air-conditioned shopping mall, plaza or centre, excluding kiosks; a retailer whose cumulative electricity bill during the immediate preceding twelve consecutive months exceeds rupees six hundred thousand; and a wholesaler-cum-retailer, engaged in bulk import and supply consumer goods on wholesale basis to the retailers as well as retail basis to the general body of the consumers.

Tier-1 retailers shall pay sales tax at the rate specified in sub-section (1) and shall observe all the applicable provisions of the Act and rules made thereunder, including the requirement to file monthly sales tax returns in the manner prescribed in Chapter II of the Sales Tax Rules, 2006: Provided that the retailers making supplies of finished goods of the five sectors specified in Notification # SRO 1125(I)/2011, dated the 31 December, 2011 shall pay sales tax in respect of such supplies at the rates prescribed in the said notification: Provided further that Tier-1 retailers, in lieu of net tax payable at the applicable rate shall, shall have an option to pay sales tax under the turnover regime at the rate of two percent of their total turnover, including turnover relating to exempt supplies, without adjustment of any input tax whatsoever: Provided also that retailers opting to pay sales tax on the basis of total turnover shall file an option to the chief commissioner of regional tax office or large taxpayers unit having jurisdiction by fifteenth day of July opting to pay sales tax on the basis of turnover and such an option shall remain in force for the whole financial year, the FBR officials quoted the Finance Bill 2017.

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Textile, clothing exports rise by 6.2 percent

TAHIR AMIN

The Ministry of Textile Industry has claimed that the decline in textile exports would be arrested due to the Rs 15 billion released under the Prime Minister incentives' package for textile exporters. According to the Ministry data, textile and clothing exports rose by 6.2 percent to $1.064 billion in March 2017 compared to $995.33 million in Feb 2017. However textile exports during July-April 2017 were $10.297 billion against $10.392 billion in July-April 2015-16, registering negative one (-1) percent growth.

Textile exports were -7.34 percent during the first ten months (July-April) 2015-16. The Ministry is projecting positive growth in textile exports by the end of the current fiscal year. Talking to *Business Recorder* Textile Ministry spokesperson Kanwar Usman said that latest export figures are encouraging and suggest that the government's initiatives to boost textile exports have started showing positive results.

Usman said that government announced four major incentives for the textile sector under the PM package that include: (i) drawbacks available to garments at 7 percent, made-ups at 6 percent, processed fabrics at 5 percent and yarn and greige fabric at 4 percent; (ii) bringing custom duty and sales tax to zero rate on cotton import; (iii) zero rate sales tax on machinery import; and (iv) abolishing customs duty on man-made fibres other than polyester.

Under the drawbacks facilities, exporters submitted claims of Rs 3.2 billion by May 15, while government has released Rs 1 billion so far. Usman said that a request has been sent to Finance Ministry for release of more funds to accommodate exporters' claims. The country imported 82,000 bales of cotton in December 2016-17 compared to 475,000 bales in December 2015-16 (-82 percent), 225,000 bales in January 2016-17 compared to 335,276 bales in January 2015-16 (-36 percent), 421,388 bales in February 2016-17 against 326,470 bales in February 2015-16 (29 percent), 530,882 bales in March 2016-17 against 257,252 bales in March 2015-16 (106 percent) and 481,300 bales in April 2016-17 against 251,541 bales in April 2015-16 (91 percent).

Data suggests that exporters were given incentives of around Rs 8 billion on account of cotton imports as it was brought to zero rate from 9 percent under the PM package. According to Economic Survey textile machinery import registered an increase of 20.8 percent ($401.1million) during July-March fiscal year 2017 against ($332.1 million) the same period last year suggesting increased activity in the textile sector which is a healthy sign and will give fruit in future.

Textile Ministry spokesperson said that textile machinery worth $250 million was imported after the PM package which indicates exporters were given tax concessions amounting to around Rs 2.5 billion. The exporters have benefited to the tune of around Rs 800 million after the implementation of PM package as customs duty on man-made fibres other than polyester has been abolished.

Pakistan Bureau of Statistics latest data shows that textile and clothing exports fell 0.92 percent year-on-year to $10.29 billion in July-April. Product-wise details show exports of readymade garments rose by 5.34 percent while those of knitwear dropped 0.17 percent in July-April. Exports of bed-wear edged up 5.01percent while those of towels fall 4.38 percent. Exports of cotton yarn witnessed a year-on-year decline of 3.68 percent while those of cotton cloth and yarn (other than cotton) declined 5.73 percent and 29.48 percent, respectively.

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Provisional figures:

Rs 346 billion revenue collected in May

RECORDER REPORT

The revenue collection of the Federal Board of Revenue (FBR) has shown a growth of 15 percent during May 2017 when compared with the same period last fiscal year. It is learnt that the FBR has provisionally collected Rs 346 billion during May 2017 against Rs 298 billion in the corresponding period of last fiscal year (2015-16), reflecting an increase of 15 percent. The revenue collection would further increase on compilation of final figures in coming days, sources added.

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Wind power generation projects:

Nepra rejects Sindh's review petition

MUSHTAQ GHUMMAN

National Electric Power Regulatory Authority (Nepra) has rejected Sindh government's review petition against determination of new tariff for wind power generation projects. The Authority upon expiry of deadline for acceptance of upfront tariff, 2015 for wind power generation projects on June 13, 2016 initiated suo moto proceedings in exercise of its power under the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (NEPRA Act) read with Rule 3(1) of the NEPRA (Tariff Standards and Procedures) Rules, 1998.

Following issues were framed and advertised: (i) whether to determine a new upfront tariff for wind power projects or to determine a benchmark levelized tariff for competitive bidding by the relevant agencies? ; (ii) whether the proposed costs are reasonable?; and (iii) whether the assumptions listed above are reasonable?

The Authority held a public hearing which was represented by the concerned stakeholders. Keeping in view the arguments Nepra approved levelized tariff of Rs 4.6755 per unit. Sindh Government challenged the determination which was admitted on March 30, 2017 and decided to hold a hearing which was attended by the representative of Sindh government, CPPA and AEDB.

GOS and the project developers submitted that the Policy describes two separate modes for setting up a renewable energy project, ie solicited and unsolicited mode. The policy provides tariff setting through competitive bidding only for solicited proposals whereas negotiated tariff or upfront tariff have been prescribed for unsolicited proposals. The petitioner and the project developers have submitted that by announcing benchmark levelized tariff, Nepra has parted from the tariff scheme given in the Policy as it requires all unsolicited project sponsors to participate in the competitive bidding for obtaining a tariff.

According to Nepra, it is understood that the arguments are based on the pretext that policy is binding on Nepra for the tariff determination purposes. The Authority considers that it is governed by Nepra Act and the rules/regulations made there under. Keeping in view the developments in the market, global trends and other factors, it is the role of Nepra to decide the suitable tariff and corresponding regime for the induction of certain technology of electric power. Hence, the Authority considered that the policy document provides guidance for tariff purposes; however, the governing legislative framework of Nepra supersedes the policy for the purpose of tariff determination. The Authority agreed with the submission of AEDB that the impugned determination of Nepra is consistent with the overall long run objective of competition as provided in the Policy.

The petitioner and other participants further submitted that the impugned determination is in violation of Section 7(6) of the Nepra Act. Section 7(6) of the NEPRA Act provides "In performing its functions under this Act, the Authority shall, as far as practicable, protect the interests of consumers and companies providing electric power services in accordance with guidelines, not inconsistent with the provisions of this Act, laid down by the Federal Government; AEDB submitted that as per the produced section, Nepra, while complying with the Guidelines, has to check and judge whether they are practical and consistent with Nepra Act".

The Authority noted that the guidelines of the policy provides that the wind risk will be absorbed by the power purchaser, however, Nepra, while considering the availability of reasonable wind data, decided to shift this risk towards power producer in the upfront tariff, 2013 and subsequent tariff determinations. Also, policy guidelines provide that there will be no sharing of better terms of debt servicing under the upfront tariff regime whereas Nepra in its upfront tariff, 2015 decided to share the said savings with the power purchaser. In its impugned determination, the Authority has mentioned that "the Authority further

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considers that the procurement of power under transparent competitive process is most appropriate as it can fetch realistic prices based on the prevailing conditions of the market. It has also been observed that competitive bidding mode has been the most successful and preferred mode for arriving at fair and judicious prices and after announcing three upfront tariffs for wind technology, this is the appropriate time for a logical shift towards competitive regime". Therefore, the Authority, considering the market conditions and benefits of the auctions regime, considered it practical to shift towards competition. In view thereof, the Authority considers that the argument that impugned determination violates the NEPRA Act is not correct.

The parties further submitted that a number of project developers submitted their proposals on an unsolicited basis in light of process stated in the policy. Since the issuance of the LoI by the relevant agencies, they have incurred huge expenses, achieved significant milestones and are at a very advanced stage of development. These developments were made on the expectation that their projects will be processed in accordance with the mechanism given in the policy and the impugned determination revokes these rights.

AEDB during the hearing submitted that LoI indicated the shift of entire risk and cost to the investors and the issuance of LoI has no vested right to a grant of tariff by Nepra or the execution of an Energy Purchase Agreement (EPA) by the power purchaser. On review of the language given in the LoI, the Authority also considered that the said letter stipulates the steps to be followed for the development of the projects with all risk and cost to investors.

It was also argued that the impugned determination does not restrict the unsolicited projects to get tariff approvals under Nepra tariff (Standards & Procedure) Rules, 1998 and the relevant projects may file tariff petitions under the said rules subject to submission of the requisite documents including power evacuation and consent certificates from the concerned entities.

In view of the discussions and analysis, the Authority observed that the request of GoS to restrict the impugned determination to solicited projects and determine upfront tariff for wind power projects being developed under unsolicited mode is not maintainable and dismissed the review motion.

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Nepra to send experts' team to Karachi

MUSHTAQ GHUMMAN

After getting the go ahead from Sindh High Court (SHC), National Electric Power Regulatory Authority (Nepra) has decided to dispatch a team of experts to Karachi to verify power supply situation and current status system. On May 30, 2017, SHC directed Nepra to take action against KE for unannounced load-shedding in the metropolis. The people of Karachi are facing extended unscheduled load-shedding in May's scorching heat during Ramazan ostensibly for system constraints and fault in transmission line.

"Nepra is sending a team of experts to monitor and verify the load shedding in different areas of Karachi especially during Sehr and Iftar, current generation capacity of K-Electric and its utilisation, frequency of tripping of generating plants and transmission/distribution networks and implementation of investment plan for improvement of transmission and distribution systems," says an official statement issued by Nepra.

In January this year, Ministry of Water and Power had accused Nepra of facilitating KE in overcharging consumers and according to the Ministry, the power consumers were over burdened to the tune of Rs 62 billion.

The Ministry had also blamed Nepra for 'being soft' with KE vis-�-vis public sector generation companies maintaining that "Nepra has been very strict with state-owned power generating units which are, many a time, not even allowed their actual cost of generation; KE has been allowed to recover a very high price, whereas the actual generation costs are much lower. The cumulative efficiency of KE plants is around 40 percent while the cost is calculated by Nepra at an efficiency of around 37 percent allowing an estimated Rs 2 billion last year."

Nepra, in its official statement stated that in compliance with the decision of the High Court of Sindh, of May 29 and considering the complaints of general public and media reports regarding frequent tripping and prolonged load-shedding in Karachi, the Authority has taken action to evaluate the performance of KE in wake of recent events and implementation of earlier directions of the Authority given in the Order of March 25, 2016 and NEPRA performance standards.

Earlier, in June 2015 the Authority took cognisance of adversity of circumstances leading to extended load-shedding, system failure and power supply breakdown in the service territory of K-electric and constituted a fact finding committee to collect data and information and submit report on the aforementioned failures. Based on the recommendation of the committee, the Authority issued a show cause notice to KE under Section 28&29 of the NEPRA Act for violation of terms and conditions of its licenses, rules and regulations framed under NEPRA Act. After giving an opportunity of hearing to KE the Authority passed an order in the matter on March 25, 2016 and imposed a fine of Rs 5 million on KE for failure to provide uninterrupted power supply to its consumers on non-discriminatory basis and not to restore the system within the prescribed timelines. Further, a fine of Rs 5 million was imposed on KE for underutilization of its power plants. KE was directed to take immediate measures to provide electric power to all the consumers without any discrimination, increase its generation capacity and improve transmission and distribution system in accordance with the investment plans submitted by it within the time lines.

In 2016, the Authority also initiated proceedings against KE on similar lines to protect the interests of consumers and ensure compliance with prudent utility practices and performance standards under the NEPRA Act. KE is a company engaged in the functions of generation, distribution and transmission of electric power. Being the licencee under the NEPR Act, KE is bound to provide reliable and uninterrupted electric power services to all its consumers within its service territory.

Considering the recent media reports regarding unplanned extended hours of load-shedding and tripping, the Authority has decided to verify the implementation status of directions of the Authority communicated through its order of March 25, 2016 and to verify the implementation of performance standards by K-Electric.

For this purpose, the Authority has decided to nominate a team of its professionals who will monitor and verify load-shedding in different areas of Karachi especially during Sehr and Iftar, current generation capacity of K-Electric and its utilisation, frequency of tripping of generating plants and transmission/distribution networks and implementation of investment plan for improvement of transmission and distribution systems. The team will collect data from KE, visit generation and distribution facilities of KE get feedback from consumers of KE and submit report to the Authority to proceed further in accordance with the law.

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CSF inflows help reduce services trade deficit to $2.3 billion

RIZWAN BHATTI

The country's services trade posted a $2.3 billion deficit, up 3 percent, during the July-April of this fiscal year 2016-2017 (FY17). The latest statistics released by State Bank of Pakistan (SBP) revealed that Pakistan's services trade is performing well supported by release of Coalition Support Fund (CSF) by US. "The country has received fewer inflows on account of CSF during this fiscal year compared to previous year, however despite that services trade performance is encouraging as deficit posted a slight increase during this fiscal year", economists said.

Pakistan has received some $550 million on account of CSF during July-April of FY compared to $937 million in same period of last fiscal year (FY16). They said the country is likely to receive more inflows on account of CSF during this fiscal year and these inflows will support to post a lower services trade deficit by end of June. According to State Bank the services trade posted a $2.316 billion deficit in July-April of FY17 compared to $2.243 billion in corresponding period of FY16, depicting an increase of by 3.5 percent or $73 million.

The detailed analysis revealed that exports and imports of services trade posted increasing trend and surged by 0.6 percent and 1.4 percent respectively. Services imports mounted up by $103 million to reach $7.024 billion in July-April of FY17 up from $6.921 billion in same period of FY16. Similarly, services exports stood at $4.708 billion during the ten months of FY17 as against $4.678 billion in same period of FY16, depicting an increase of $30 million.

The country's service export inflows comprise $1.643 billion on account of government services, $808 million on account of transportation services, $272 million from travel, $770 million from telecommunication, $59 million from construction services, $92 million through financial services, $96 million from insurance sector and some $937 million on account of other business services during this fiscal year.

While, on import side transportation payments stood at $2.807 billion, travel $1.389 million, telecommunication $316 million, construction $11 million, insurance $199 million, financial sector $193 million, government services $500 million and payment of other business services stood at $1.364 billion during the period under review.

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Partial cut in POL prices

RECORDER REPORT

The government has made a partial cut in prices of petrol and high speed diesel (HSD) effective from June 1, 2017. The government reduced the price of petrol by Rs 1.20 per litre and high speed diesel (HSD) by Rs 1.60 per litre. The petrol will be available at new price of Rs 72.80 per litre against Rs 74 per litre. The price of diesel has come down to Rs 81.40 per litre from Rs 83 per litre. However, the prices of kerosene oil and light diesel oil (LDO) have been maintained at existing level of Rs 44 per litre each.

The prices of LDO and kerosene oil have been kept unchanged to provide relief to the consumers. The new prices have been announced after getting the nod of Prime Minister Nawaz Sharif with effect from June 1, 2017. According to Ogra's calculation, the prices of petrol and high speed diesel were to be reduced by Rs 2.43 per litre and Rs 3.31 per litre respectively. However, Oil and Gas Regulatory Authority (Ogra) had calculated increase in prices of LDO and kerosene oil by Rs 9.28 and Rs 13.54 per litre respectively. The Ogra sent its recommendations regarding petroleum prices to the Ministry of Petroleum on Tuesday last.

Finance Minister Ishaq Dar announced the reduction in prices of the petroleum products for the next month. The minister stated that in line with the Prime Minister's instructions to provide maximum relief to the common man, and keeping in view that kerosene oil and LDO are used by the low-income segments of the country's population, it has been decided to maintain the prices of kerosene oil and LDO at the current level till 30th June 2017. This decision has been taken also keeping in view the fact that kerosene oil caters to the energy needs of the poor.

The finance minister highlighted that the government has absorbed significant impact of price increases since April 2016 and has suffered considerable loss of revenue. During this period only partial increases have been passed on since December 2016. Consumers of petroleum products have been facing partial increases in prices for the past many months in the wake of fluctuations in global crude prices.

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Senators reject government's proposal to grant validation to SROs

RECORDER REPORT

Senators on Wednesday unanimously rejected government's proposal to grant validations to hundreds of statutory regulatory orders (SROs) and notifications issued by the FBR in last few years through Finance Bill 2017-18. Members of the Senate Standing Committee on Finance here on Wednesday also recommended for tabling all such SROs before the federal cabinet for approval in the light of judgement given by Supreme Court of Pakistan. Senator Kamil Ali Agha of PML (Q), Mohsin Aziz from PTI and Ilyas Bilour from ANP sternly opposed the government's move for seeking validation of all SROs in one go. "We recommend the government to seek approval of the cabinet instead of getting approval through the Finance Bill," Chairman Senate Standing Committee on Finance Senator Saleem Mandviwalla said while chairing the panel meeting here at the Parliament House on Wednesday. He further said that the government is creating controversy by bypassing cabinet and giving more powers in hands of minister for in-charge which could also annoy the judiciary. The senators belonging to treasury benches and some independent senators were also present during the meeting but no one opposed the move for rejection of the government's proposal for approving validation of SROs issued by the FBR in last few years through Finance Bill.

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Turkmenistan says to export 38bcm of gas to China this year

RECORDER REPORT

Isolated Turkmenistan on Wednesday said gas exports to the Central Asian country's leading customer China would reach 38 billion cubic metres this year, in a rare disclosure by the reclusive state. State-run Turkmengaz chairman Myrat Archayev said gas exports to China via the Central Asia-China pipeline "will be increased by about 3 billion cubic metres" from last year's total, which he said was 35 bcm. Officials in authoritarian Turkmenistan very rarely disclose economic data and Archayev's comments may be an effort to boost investor confidence in an economy that depends on hydrocarbons for over 90 percent of exports. Archayev also said that exports to Turkmenistan's only other notable natural gas customer Iran would remain stable at 7 bcm this year despite a long-running price dispute between the pair. Russia, once Turkmenistan's main buyer, stopped imports from the country at the beginning of 2016, leaving the country strongly dependent on Chinese demand. Chinese payments for Turkmen natural gas are believed to be pegged to global energy prices, which are currently low, and set against the cost of construction of the China-Central Asia pipeline financed by Beijing.

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THE RUPEE: Slight fall

RECORDER REPORT

The rupee shrugged off overnight gains against the dollar on the money market on Wednesday in the rocess of trading, dealers said. The rupee slipped by one paisa versus the dollar for buying and selling at Rs 104.86 and Rs 104.87 respectively, dealers said.

INTER-BANK MARKET RATES: In the second Asian trade, the dollar firmed against a basket of currencies as the euro and sterling were pressured by political uncertainties in the UK and eurozone, even as it surrendered ground against the perceived safe-haven yen. The dollar index, which tracks the greenback against a basket of six rival currencies, rose 0.2 percent to 97.659, pulling further away from a 6-1/2-month low of 96.797 plumbed last week. US and UK markets were closed for holidays on Monday, giving investors fewer directional clues to follow.

British Prime Minister Theresa May's lead over the opposition Labour Party dropped to 6 percentage points in a poll published on Tuesday, the latest to show a shrinking lead for the ruling Conservatives ahead of June 8 elections since the Manchester terrorist attack.

Sterling slipped 0.2 percent to $1.2816, moving back toward a three-week low of $1.2775 touched on Friday, while the euro dropped 0.3 percent to 1.1128.

The euro was also on the defensive after former Italian Prime Minister Matteo Renzi said on Sunday that it makes sense "from a European perspective" for Italy's next election be held at the same time as Germany's, scheduled for September. His comments led to a sell-off in Italian government debt on Monday. The dollar was trading against the Indian rupee at Rs 64.650 and the greenback was available at 4.282 in terms of the Malaysian ringgit. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.55-80.57 (previous 80.53-80.55).

OPEN MARKET RATES: The rupee shed 10 paisas in terms of the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee also lost 80 paisas versus the euro for buying and selling at Rs 118.30 and 119.90 respectively, they said.

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

Interbank Closing Rates: Interbank Closing Rates for Dollar on Friday.

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pak rupee failed to keep upward trend in relation to the US dollar in local currency market on Wednesday.

The dollar resumed trading on a positive note amidst short supply phenomenon in the market. Consequently, it's buying and selling rates went up from Tuesday closing rates of Rs 105.60 and Rs 106.10 to Rs 105.80 and Rs 106.15 respectively, currency dealers said.

Furthermore, the local currency stayed unchanged on buying side while it recovered by 20-paisa on selling side versus the pound sterling. The British currency was bought and sold at Rs 135.00 and Rs 135.80 against last closing trend of Rs 135.00 and Rs 136.00 respectively, they added.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee did not move any side against the dollar at the open currency markets of Islamabad and Rawalpindi here on Wednesday.

The dollar opened at Rs 105.90 (buying) and Rs 106 (selling) against last rate of Rs 106.05 (buying) and Rs 106.15. It closed at Rs 105.90 (buying) and Rs 106 (selling). Pound Sterling opened at Rs 135 (buying) and Rs 135.50 (selling). It closed at the same rate.

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Bilawal inaugurates 100 megawatts gas-fired power project at Nooriabad

RECORDER REPORT

PPP chairman Bilawal Bhutto Zardari accused Prime Minister Nawaz Sharif of scrapping a 25,000MW power project approved and signed by Prime Minister Benazir Bhutto when she was in power, calling it "political short-sightedness." Speaking at an inaugural ceremony for a 100MW gas-fired power project at the town of Nooriabad, 85 miles from Karachi, he accused Nawaz Sharif of "plunging the country into darkness."

He congratulated Sindh Minister Syed Murad Ali Shah for the installation of the 100MW project, despite what he alleged were hindrances created by the federal government, which he also accused of hatching conspiracies against the Sindh government. The chief minister said the power plant, conceived by Asif Ali Zardari when he was president, was planned to be installed on abandoned gas fields. But the present federal government "not only refused to hand over the abandoned gas fields but at one stage was reluctant to provide gas for this project."

According to the chief minister, when the project was nearing completion the Hyderabad Electric Supply Company refused to purchase power from the project, "absurdly saying that it had surplus power for the area of its operation." He described the refusal as "something to be ashamed of for Hesco."

The chief minister warned Hesco and the Sukkur Electric Supply Company (Sesco) "to perform efficiently, otherwise pack up." The Sindh government would establish its own power plants and its own distribution system, the chief minister said. The Sindh government has taken several initiatives for elimination of load shedding in the province, he added, without referring to details. There was going to be major investment in the development of Thar Coalfield Block II, the chief minister said, and the Sindh government has provided major support for development of a 2x50MW a gas fired power plant at Nooriabad under his government's Public-Private-Partnership (PPP) arrangement.

A special-purpose transmission line of 95 kilometres has received funds from the Sindh government through the Sindh Transmission and Dispatch Company (STDC) at a cost of Rs 2 billion, the chief minister said. The initiative is meant to eliminate load shedding in Karachi and assist the industries, he explained.

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Frequent outages:

KCCI chief urges Centre to take strict action against KE

RECORDER REPORT

President of the Karachi Chamber of Commerce and Industry (KCCI) Shamim Ahmed Firpo, said "We don't see any resolve on part of K-Electric towards improving its power distribution network and it was also a matter of concern that the Ministry of Water and Power appears helpless in dealing with the load shedding issue which is being suffered not just by Karachi but also by many other cities across Pakistan."

While expressing deep concern over frequent power failures and prolong load shedding being suffered by the citizens of Karachi since commencement of Ramadan-ul-Mubarak, urged the authorities at federal and provincial levels to take strictest action against K-Electric which has failed miserably to provide any relief to the perturbed citizens of Karachi.

Referring to K-Electric's tall claims pertaining to no load shedding in any part of Karachi during Sehri and Iftar timings, President KCCI said that Karachiites continue to suffer badly not only during Sehri/ Iftar timings but the electricity supply is suspends abruptly in any area of the city any time, which clearly indicates the sheer inefficiencies of K-Electric.

It is a matter of grave concern that K-Electric, which has become a profit-making organisation, was earning profits of up to billions of rupees each year but not investing substantial funds on improving its infrastructure. In fact, the utility service provider resorted to numerous cost-cutting measures, particularly switching from cooper to aluminium wires which was the basic reason for so many cable faults occurring simultaneously all over the city, he noted, adding that as a result, the citizens of Karachi are plunged into darkness for hours whereas the management of K-Electric is trying its level best to somehow get away from the situation by giving lame excuses.

President KCCI said that frequent load shedding or power failures at some of the busiest and densely populated areas have resulted in intensifying the hardships for the people and their families who are compelled to spend their days and nights without electricity and water which is highly unfair and unacceptable particularly at a time when most of the people are fasting because of Ramazan-ul-Mubarak during the peak summer season. "Many businessmen and shopkeepers, who are aggressively preparing themselves for the forthcoming bullish shopping season before Eid-ul-Fitr, are also too concerned over the situation and have been approaching Karachi Chamber to seek assistance", Shamim Firpo said, adding that power supply to industrial areas also remains suspended for around 10 to 12 hours, causing severe financial and production losses.

He was of the opinion that apart from different parts of the province, protests have also erupted in many areas of Karachi and Hyderabad over load-shedding and frequent power failures that added to pubic woes during the holy month of Ramazan amidst an ever-rising temperature. If the power supply situation remains the same, it may result in creating a more serious law and order situation in Karachi therefore, the decision makers in Islamabad and also in Sindh Government must realise the gravity of situation and strictly order K-Electric to immediately take steps to ensure uninterrupted power supply in every nook and corner of Karachi, he added.

He said that it was not necessary to take remedial measures only when people start losing their lives which had actually happened in June 2015 when dozens of people were killed in Karachi and Sindh because of lethal heatstroke. K-Electric should act responsibly this time as any negligence on part of K-Electric may once again result in loss of many precious lives, he added.

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Govt urged to make zero-rating part of an Act

KARACHI: Despite of assurances in budget meetings held with ministers and officials from the government the zero-rating currently regulated under SRO taxation system has not been transformed to an Act, Pakistan Apparel Forum Chairman Jawed Bilwani and Office Bearers Rafiq Godil, Khawaja Usman, Sheikh Shafiq and Riaz Ahmed stated.

Pakistan Apparel Forum, in joint budget proposals, to inculcate new confidence to exporters, gave recommendations to continue Zero-Rating and transform it into an Act from currently SRO taxation system whereby the meeting on budget chaired by Finance Minister gave assurances but not implemented. They urged to Government convert the Zero-Rating under SRO 1125 to an Act as assured.

They articulated that the Government in annual Budgets from year 2014 to 2017 allocated funds for refunds but payments were not made. Under Prime Minister's Export package of 180 Billion, in this budget under Duty Drawback on Taxes, only 4 billion were allocated which shows textile as a less-priority area for the Govt. Whereas, as per annual Export estimate and careful observation the said allocation should be worth about 35 billion, they observed.

They voiced that for Textile Industry the Budget was disappointing. As usual, the Government ignored the Budget proposals of Associations. To enhance exports, the Government must accord importance to the recommendations of exporters. The Associations have submitted the Budget Proposals directly to the Federal Commerce Minister and Finance Minister in various meetings, in addition to sending to Ministries. It is the responsibility of the Government to provide level playing field and create enabling business environment. Due to inordinate delays in payment of refunds the problems of exporters have been multiplied. The Government itself is not adhering to the Sales Tax Rules 2006 under which after approval of claims payments cannot be delayed, they expressed concern. Refunds approved last year have not been paid till date. How could the newly allocated funds for refunds shall be released on given dates? they questioned. No practical steps and measures have been taken to decrease the cost of manufacturing. Higher cost of manufacturing, delays in refunds, higher tariffs of power and gas, lack of business friendly environment are the main causes of decline in exports, they added.

They stated that textile sector which contributes to 8 percent of national GDP has not been given deserving importance. As compared to last year, there is a negative growth of 0.92 percent from July to April which reflects non-seriousness of the Government towards the sector. The contribution of Industries in GDPs of Pakistan, Bangladesh and India is near about same, however, the share of export in the GDP of India is 10.73 percent, in Bangladesh 13.92 percent and in Pakistan it is 6.34 percent only. The export policies of Pakistan towards enhancement of export are not realistic and balanced. Every year the stakeholders are invited in pre-budget meetings, their proposals are sought and appreciated, assurances are given to incorporate proposals in budget but to no avail.

Expressing reservations, they stated that the Finance Minister in Budget speech 2014-15 announced all sales tax refunds claims of exporters shall be released by 30th September 2014 and promised that in future all admissible refund claims of exporters shall be disposed off within 03-months. In budget speech 2015-16 Finance Minister stated that the refunds due to the export oriented sectors relating to tax periods till 31st May 2015 shall be issued by 31st August 2015. Finance Minister in Budget speech 2016-17 stated that all sales tax refunds till 30th April, whose RPOs have been approved, will be paid by 31st August 2016. In his last budget speech 2017-18, Finance Minister, spoke that all the pending sales tax refunds whose RPOs have been sanctioned by 30th April 2017 shall be paid in two parts. RPOs up to the value of Rs.1 million will be paid till

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15th July and the remaining RPOs will be paid till 14th August 2017. In spite of announcement in Budget speeches the refunds have not been made till date. Rule 26A of Sales Tax Rules 2006 refers to expeditious processing and payment of refunds. To process said claims FBR IT Risk Management System (RMS) within two days of refund submission will automatically process said claim amount under no objection and will generate RPO of cleared amount. Subsequently, concerned RTO will arrange issuance of cheques for cleared amount in seven working days. Contrary to Law, the Government has caused inordinate delays in payment of refunds.

They stated that inordinate delays in refunds of exporters in respect to their Sales Tax refunds, Customs Rebates, DLTL claims, income tax refunds, problems of exporters increased to manifold and exports have also declined. Under Textile Policy Rs.5 billion were allocated while under Duty Drawback on taxes Rs.4 Billion were allocated. In PML-N the textile remained a low priority area. In Budget 2014-15 Rs.6 billion were allocated under textile policy but released only 4.84 billion. Likewise, in 2015-16 budget Rs.6 Billion were allocated and in 2016-17 another Rs.6 billion were allocated but were never released. —PR

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Cotton prices fall on slow business

RECORDER REPORT

KARACHI: Cotton prices fell on the local market on Wednesday in the process of lean business activity, dealers said.

The official spot rate drifted lower by Rs 50 at Rs 6800, they said. In the ready session, around 1000 bales of cotton changed hands between Rs 6500 and Rs 7000, they said.

According to the market sources, activity could not pick up as buyers kept away from the normal business.

They attributed the decline in activity to less buying interest among leading participants. Some other experts said that exports of cotton products not getting momentum, whereas huge of unsold yarn stock causing a problem among traders.

Cotton analysts, Naseem Usman said the falling textile exports and energy crisis in the country keeping buyers on the sidelines.

Adds Reuters: ICE cotton futures settled marginally lower on Tuesday on increased production of natural fiber with federal data showing strong progress in the US cotton harvest.

The December cotton contract on ICE futures US settled down 0.04 cent, or 0.1 percent, at 72.75 cents per lb. It traded within a range of 72.33 and 72.77 cents a lb.

Meanwhile, the July cotton contract on ICE Futures US touched a two week low of 76.90 cents per lb. July prices have fallen about 12 percent since touching a near 3-year peak of 87.18 cents mid-May.

Total futures market volume rose by 3,674 to 22,066 lots. Data showed total open interest fell to 241,984 contracts in the previous session.

The following deals reported as 400 bales of cotton from Sanghar sold at Rs 6500 (conditional), 200 bales of cotton from Liaquatpur at Rs 7000 and 400 bales from Khanpur at the same rate, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL					
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**	**Spot Rate Ex-Karachi As on 30.05.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,985**	-50
40 Kgs	7,288	145	**7,433**	**7,486**	-53

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Cotton ends slightly down on improved US harvest

NEW YORK: ICE cotton futures settled marginally lower on Tuesday on increased production of natural fibre with federal data showing strong progress in the US cotton harvest.

The US Department of Agriculture's weekly crop progress report released earlier in the day showed that 63 percent of cotton crops were harvested in the United States by the week ended May 28, up from 52 percent in the previous week.

"The crop is getting planted very nicely in the Northern Hemisphere without any major disruptions," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia.

The December cotton contract on ICE futures US settled down 0.04 cent, or 0.1 percent, at 72.75 cents per lb. It traded within a range of 72.33 and 72.77 cents a lb.

Meanwhile, the July cotton contract on ICE Futures US

touched a two week low of 76.90 cents per lb. July prices have fallen about 12 percent since touching a near 3-year peak of 87.18 cents mid-May.

"Ever since the July market peaked on May 15, open interest has been declining, and so has the prices, which tells me that those are long positions that are getting liquidated," Brown said.

Total futures market volume rose by 3,674 to 22,066 lots. Data showed total open interest fell to 241,984 contracts in the previous session.

Elsewhere, speculators cut their bullish bet in cotton by 8,532 contracts to 97,141 contracts in the week ended May 23, US Commodity Futures Trading Commission data showed on Friday.—Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	77.09	77.35	76.71	76.75	13:36 MAY 31	-	-0.51	12043	77.26
Jul'17	75.57	75.57	75.57	75.57	13:36 MAY 31	-	0.31	4	75.26
Oct'17	72.56	72.72	72.35	72.57	13:36 MAY 31	-	-0.18	7516	72.75

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Budget and budgetism

Shabir Ahmed

Drum rolls please……The budget has been presented.

The sanctity of the budget surpasses that of the Constitution. We have had periods of abrogation or suspension of the Constitution, but never have we done without the annual ritual of the budget! Its insignificance is not the point – no matter what the parliament passes the government can have its 'mini-budgets'; or earn less and spend more than budgeted to have it regularized through that other ritual: the 'supplementary budget'.

It is our obsession with numbers – GDP, receipts and expenditure, inflation -and not how we get there that gets us.

There were times when the budget was synonymous with a vote of confidence. Remember the one rupee cut motions? Stripping the members of the power to vote against party line has served to reduce the budget debate to a desk-thumping and go-go contest.

Whatever the budget's failings, it will be passed, with some cosmetic changes after the Accountant, in his infinite magnanimity, concedes certain innocuous demands. He has been around long enough to keep a bag of tranquilizers in his pocket.

Unsurprisingly, the Accountant congratulated himself for the major miracle of turning the Economy around. Surprisingly, he presented his 'vision' for the next five years, not knowing who will be in government. The vision consists of fundamental reforms; badly needed reforms that have a habit of eluding us.

Is the vision a preview of the ruling party's manifesto for the forthcoming elections? Or, is it a warning to the opposition: be careful what you wish for; real work to put the economy on a sound footing is yet to begin, and if you think it is going to be a walk in the park think again?

Let's try to demystify the vision.

What he calls the second generation reforms are about financial markets, ease of doing business, property rights, regulatory apparatus, rule of law, efficient judicial system, and institutional strengthening.

Now who could take issue with this rainbow? If that's all there is to the Charter of Economy, that the Accountant touts with incessant zeal, let's not wait for tomorrow.

Except that there are issues. For starters, the seven pillars of wisdom are intertwined: you can't, for instance, deepen the financial markets without having the other six elements in place. Next, we have been hearing of these reforms at least since Nawaz Sharif Mark I, with all the governments in between promising the same and the World Bank and the Asian Development Bank financing expensive consultancies, without seeing any traction. Finally, 18th amendment and the judicial UDI have left the federal government with a shrunken policy space. Add to the mix an atrophied civil service and you are left wondering if Islamabad can swing it.

Incidentally, what were the first generation reforms?

What is in this budget, and for whom? No, it is not a budget of the elite by the elite for the elite. It is not a budget for the poor either: they are unlikely to see more jobs, lower prices, affordable housing, or cheaper energy as a consequence of this budget – and we know 'trickle down' doesn't work. For the indigent there is a bigger outlay under BISP but it won't seriously impact the pittance they get.

Flexibility and discretionary powers seem to define this budget. The Accountant had to over-pitch receipts to create space for political demands. But he is shrewd enough to put the real or phony receipts under expenditure heads that are for him to control- to calibrate outflows with inflows.

What seemingly worries the Accountant is the election year intensification of the increasingly adversarial financial relations between the Federation and the Provinces. We are almost certain to hear much louder noises on delayed and lower transfers from the divisible pool. Then there is this matter of provincial surpluses that allows Islamabad to throw up a contrived (smaller) fiscal deficit. It will be hard to hold the Provinces to the 'incentivized agreement' to

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show savings in a year when they would be just as compelled to loosen the purse strings.

Quite amazingly, the budget doesn't look overly bothered with the external sector, despite the escalating trade deficit. Other than the continued zero rating of the five export sectors there is nothing in it for exports, except negatives - and the Accountant taking credit for slippage this year being lower than last year!

About ten days before the budget the Ministry of Commerce invited the usual suspects to a pre-budget seminar. Apologising for our inability to attend (utility of such seminars, full of piety and declamation, wasn't our only excuse - by now the budget had been all but printed) we empathized with the Commerce Secretary: there was little he could do for exports. The essentials of export revival (indeed trade policy) – supportive industrial and investment policy, fair exchange rate, pro-export import duties, and a fair regime to compensate for 'external costs'- no longer belong to his Ministry, which should now be renamed Ministry of Trade Fairs, as that's all they are left with.

The long held-up refunds got only a perfunctory treatment at the hands of the Accountant. The exporting community had been asking for the abolition of the export development surcharge (0.25% of export proceeds), which finances everything but export development. What they got was a 0.25% increase in export (presumptive) tax. They had asked for a reduction in anti-export bias caused by high import duties. What they saw was a slew of regulatory duties. They had pointed out the lower costs of their competitors. What came was an increase in minimum wage, unmindful of its impact on our labour intensive exports; or how others can dodge it but not the exporters living under stringent social compliance rules set by the buyers.

Farming community apart, this budget is for no one in particular – neutral-negative, as the commentators would say.

At least superficially, it is for growth without being fiscally irresponsible. But does it have legs - to meet the stated targets of 6% GDP growth, 17% investment to GDP ratio, revenue receipts of Rs4.33 trillion?

More importantly, what happens if FDI and Remittances follow the path of exports? At least one estimate already pitches our borrowing needs at over $8 billion.

Perhaps the Accountant believes more in borrowings than exports.

He certainly believes in life after debt.

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The power challenge still persists

Spontaneous violent street protests in several parts of the country together with some led by Pakistan Tehreek-e-Insaf (PTI) leadership in Khyber Pakhtunkhwa (KPK) - with the Sindh government threatening that the PPP may be compelled to follow the PTI line - indicate that the power sector is in shambles. The Water and Power Minister Khawaja Asif called Sindh Chief Minister Murad Ali Shah and apologized for the breakdown of power across the province, an apology that many political pundits claim is linked to the widespread perception in the PML-N ranks that the party would be poised against PTI and not PPP in the next general elections. However, the Minister, with reference to the government's policy, supported by international donors, including the International Monetary Fund, of linking the hours of load shedding to clearance of bills of those localities, took a confrontational stance with the PTI and accused those who led the protests of being electricity thieves, a charge that has been challenged by these leaders.

Appeasement or confrontation the fact remains that there is a severe energy crisis on the same scale as was evident during the tenure of the PPP-led coalition government. There is an obvious disconnect between the claims of supply and demand figures cited by the Water and Power Ministry and the ground realities reflected by the ongoing load shedding in the country – scheduled and unscheduled; and even Punjab Chief Minister Shahbaz Sharif was compelled to recently challenge Khawaja Asif's load shedding claims. The Ministry claims a 3000MW shortfall while the extent of load shedding indicates a minimum of 6000MW shortfall. The defence of the Ministry has been to insist that load shedding is as per schedule. It also insists that those localities where recoveries are very low, load shedding is very high and as and when the bills are cleared these areas would be subjected to scheduled load shedding as well.

So what has gone wrong given the huge budgeted allocations for the power sector during the past four years? Part of the problem lies with the failure of the PML-N government to take informed decisions with respect to public investments. Thus with the focus entirely on increasing generation not much effort was put in strengthening the capacity of the transmission system to enable it to transport the enhanced generation. In Sindh, in particular, the failure of the transmission system accounts for the ongoing widespread power breakdowns.

Be that as it may, the Economic Survey 2016-17 citing Ministry of Water and Power as its source notes that "during July-March 2017, although installed capacity increased to 25.1 million MW from 22.9 million MW during corresponding period of last year, however, there was a decline in generation as it remained 85,206 GW/h during July-March 2017 compared to 101,970 GW/h during July-March 2016. The decline in the share of hydro in electricity generation mainly occurred due to weather conditions and less flow of water in rivers." A 4 percent decline in hydel's share in total generation was acknowledged. However, with mega dams under construction one would hope that the PML-N leadership is aware that these two negative factors, notably poor weather and less flow of water in rivers, resurfacing at some future point in time remains.

The PML-N government has preconceived notions of what is the right way forward in all sectors and has been known to direct those preparing the feasibility of a pet project to tailor its internal and economic rates of return to ensure that the project meets the criteria. This explains why Metrobus is approved over and above constructing water reservoirs or an extremely expensive dam is approved when what this government inherited was an extremely poor transmission system that could not take advantage of more than 15000MW of the total installed capacity of 21000MW – or just 71 percent of the total installed capacity.

DAWN
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Aptma reacts to low allocations

The Newspaper's Staff Reporter

LAHORE: All Pakistan Textile Mills Association (Aptma) on Wednesday rejected the Federal Budget 2017-18 on the basis of meager allocations of Rs5 billion against Rs180bn announced by the Prime Minister under export growth package.

“We totally reject this budget, as it is against the PM’s announcement of export growth package worth Rs180bn under which the government had pledged to boost this sector that leads to strengthening the country’s economy,” said Aptma Chairman Amir Fayyaz at a press conference.

“Under this package, Rs1bn were earlier allocated and Rs4bn were allocated and mentioned in the budget document. It clearly shows the government’s non-seriousness towards boosting the country’s export.

Therefore, we don’t accept this,” added Mr Fayyaz, who was flanked by the Aptma group leader Gohar Ijaz and Vice Chairman Ali Pervaiz.

Talking about the background efforts made by the association to boost the sector, the Aptma chairman said from September 2016 to January this year, he and his colleagues held several meetings with the respective ministers and even the Prime Ministers.

Resultantly, the prime minister realised the problem after he came to know that the country’s export were on a declining trend for the last couple of years due to various issues.

The premier in the presence of the Finance Minister Ishaq Dar and other ministers announced a Rs180bn export growth package, ordering concerned quarters to allocate the same in the budget.

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Meagre cut in diesel, petrol rates for June

Khaleeq Kiani

ISLAMABAD: The government has reduced the prices of high-speed diesel (HSD) and petrol by Rs1.60 and Rs1.20 a litre, respectively, for June.

The reductions were almost half of what the Oil and Gas Regulatory Authority (Ogra) had recommended: a cut of Rs3.30 a litre for HSD and Rs2.43 for petrol.

The new prices were announced by Finance Minister Ishaq Dar on Wednesday after a briefing he gave to the prime minister on the price situation and revenue requirements. He said the summary on oil prices moved by Ogra was discussed with the prime minister in detail.

He said the ex-depot price of HSD had been set at Rs81.40 a litre, down by Rs1.60 from the existing rate of Rs83. Likewise, the ex-depot price of petrol was cut to Rs72.80 a litre from Rs74, down by Rs1.20.

Mr Dar said the government had given up around Rs120 billion revenue in the past 10 months or so when it kept prices unchanged for six months starting April last year and then passed on partial increases as international prices went up by 43 per cent.

He said that in line with the prime minister's directions, it has been decided that the increase in kerosene and light diesel oil (LDO) recommended by Ogra will not be implemented because it was consumed by people with low income. The prices of kerosene and LDO would, therefore, remain unchanged at Rs44 a litre each. The minister said Ogra recommended an increase of Rs13.54 a litre in the price of kerosene and Rs9.50 a litre in the price of LDO.

He said the decrease in HSD and petrol prices recommended by Ogra will be partially passed on "so that the negative financial impact of non-passage of price increase in the recent months can be offset to some extent".

A petroleum ministry official explained that even with these adjustments the government would be earning an additional revenue of about Rs3 billion during June.

The minister said Ogra recommended a reduction in prices of petrol and HSD by Rs3.31 and Rs2.43 a litre, respectively, for a month to pass on the impact of decline in international oil prices. In a summary sent to the government, Ogra argued that the international market declined during May as benchmark crude prices dropped from $56 a barrel to around $50-52.

Kerosene and LDO have negligible revenue impact because of their limited market. An official said the government would still be earning additional revenue on HSD and petrol in June compared to loss of a few million rupees on kerosene and LDO put together.

He said petrol and HSD were two major products that generate most of revenue for the government because of their massive and yet growing consumption in the country. For example, HSD sales across the country are now going beyond 800,000 tonnes a month against monthly consumption of around 600,000 tonnes of petrol. Monthly sales of kerosene and LDO are generally less than 10,000 tonnes.

Interestingly, the Ministry of Petroleum and Ogra have been recommending for many months a substantial increase in the prices of kerosene and LDO to minimise a huge price differential with petrol.

They argue that a difference of Rs30 a litre in petrol and the two other products was encouraging dishonest market operators to mix kerosene with petrol for higher profits and resulting in adulterated and poor quality petrol in the market instead of higher grade (92RON) being charged to consumers. The government has been rejecting these calls saying it wanted to protect poor people.

Interestingly, kerosene is the only regulated petroleum product but unavailable at fixed rates anywhere in the country while all other products are deregulated and are available reasonably within the price band announced by the government.

DAWN
Thursday, 1st June, 2017

Spike in house rent, education expenses fuelling inflation

Shahid Iqbal

KARACHI: Overburdened middle and lower-middle classes have been facing a sharp rise in house rent, education, medical and motor fuel expenses.

The latest Inflation Monitor released by the State Bank of Pakistan (SBP) reveals that house rent was the top contributor to inflation. It has the highest weight (21.8 per cent) in the Consumer Price Index (CPI). Its weighted contribution rose to 27.05pc in April.

The year-on-year increase in inflation for house rent was 6.94pc. One reason for increasing house rent is the high cost of land and housing units as the need for homes grows every year. The gap between the demand and availability of housing units has already crossed eight million.

Unchecked prices are keeping a large segment of population away from the housing market. Even the smallest units now cost Rs10-13 million as housing prices get beyond the reach of middle and upper-middle classes. High prices of housing units translate into rising house rent, which increases each year. It rose 5.37pc in April last year.

Education also registered notable inflation last month, particularly for the middle and lower-middle classes. It jumped 12.5pc year-on-year in April. Tuition fees rose and the prices of books and stationery also increased. Private schools are seldom held accountable for increasing tuition fees. The provincial government keeps announcing that it is going to control hikes in school fees. But it never takes any serious step to check the practice.

Prices of medicines also showed an increase last month. According to the SBP's document, inflation for drugs was 20.8pc in April. Health facilities are already poor in most parts of the country. Many people who cannot afford to visit a doctor opt for self-medication. The increase in drug prices has further aggravated the situation. Prices of some life-saving drugs have gone up 100-200pc.

The report shows that doctors who ran private clinics increased their consultancy fees by 7.9pc in April year-on-year. Prices of medical equipment also rose 7.9pc, the SBP document showed.

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Thursday, 1st June, 2017

Revenue collection rises 15pc

The Newspaper's Staff Reporter

ISLAMABAD: The Federal Board of Revenue (FBR) recorded 15 per cent annual growth in the revenue collection in May.

In absolute terms, the revenue collection amounted to Rs342 billion in May against Rs298bn collected over the last year's corresponding month. "We will record 16pc growth when the revenue figures for the month are finalised," an official source told Dawn on Wednesday.

The projected target for the month was Rs346bn.

The revenue collection was Rs2,860.6bn in July-May against last year's Rs2,644bn, reflecting an increase of 8.2pc.

In June, the FBR will have to collect Rs560.4bn as the revised revenue collection target for 2016-17 is Rs3,421bn.

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Commodities

Cotton price cut by Rs50

The Newspaper's Staff Correspondent

MULTAN: Cotton prices eased further on slow demand from spinners on Thursday. The Karachi Cotton Association has also reduced its spot rate by Rs50 on a maund (around 37 kilograms).

“As many as 80 spinning mills have been shifted to polyester and cotton blend fabrics from pure cotton fabrics which resulted into less consumption of cotton yarn,” a yarn broker said.

He said imports of Indian yarn have increased as the production cost of cotton yarn in Pakistan was 16.5 per cent higher as compared to India.

Besides, a sizeable quantity of cloth from Vietnam, China and India was also coming to Pakistan unchecked and thus badly affecting the local industry, he said.

He said that as many as 27 textile mills were for sale and a major portion of machinery of these mills was being sold as scrap.

“There are also reports that about 200 out of the 1,200 ginning factories will not become functional during the forthcoming cotton season,” he added.

Khawaja Muhammad Shoaib of the Farmers’ Vision Forum said the production of cotton could increase next year if the government ensures that the farmers get rates equal to international prices.

He said that while keeping in view the international rates, phutti prices should be Rs4,000 per 40kg.

“The government should have set the cotton support price at Rs3,500 in the latest budget,” he said. Major deals on the ready counter were: 600 bales from Kahnpur at Rs7,000 a maund, 800 bales from Rahim Yar Khan at Rs7,000, 200 bales from Pakpattan at Rs6,800, 1,600 bales from Haroonabad at Rs7,100 (one-month credit), 1,400 bales from Alipur at Rs6,775, 756 bales from Jattoi at Rs6,800, 400 bales from Sanghar at Rs6,500 (conditional), and 200 bales from Liaquatpur at Rs7,000.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi
37.324 Kgs Equivalent	6,800	135	6,935
40 Kgs	7,288	145	7,433

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.70	104.90	105.90	106.10
UK	134.31	134.57	135.70	137.20
Euro	117.01	117.23	118.30	119.90
S.Arabia	27.92	27.97	28.15	28.35
UAE	28.50	28.56	28.80	29.00
Japan	0.9420	0.9438	0.9481	0.9681

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.91	6.16
One year	5.94	6.44

LIBOR

Special US dollar bonds for May 30

Three months	1.20178 %
Six months	1.41489 %

THE NEWS
Thursday, 1st June, 2017

Cotton traders hail hedge trading resumption after four decades

KARACHI: Cotton traders are eager to participate in hedge trading to avert risk of price fluctuation in local and international markets after the government announced its resumption after four decades, industry officials said on Wednesday.

Finance Minister Ishaq Dar, in his budget speech for the fiscal year of 2017/18, said the government would allow hedge trading of cotton after consultation with all the stakeholders. Karachi Cotton Association (KCA) welcomed the government announcement of resuming the hedge trading.

Atif Dada, chairman of KCA said the association is fully prepared to resume hedge trading as it has a comprehensive infrastructure and adequate by-laws for this. Officials of KCA, Pakistan Mercantile Exchange (PMEX) and other stakeholders will meet on Thursday (today) to identify ways to restart the trading.

Naseem Usman, chairman of Karachi Cotton Brokers Association said barring Pakistan all major cotton growing countries, including China, US, India and Brazil are using hedge trade to control price fluctuation. "It would ultimately benefit growers and they, in return, will go for growing more."

Usman, however, said some stakeholders, who use the commodity as raw material, thought that cotton price would increase in the local market because of hedge trading and so they are against it.

Dada said cotton marketing involves a tremendous business risk. "It was, therefore, necessary that there should be some form of price insurance to reduce the risk of volatile fluctuation in prices," he said in a letter sent to Hassan Iqbal, secretary of ministry of textile.

In 2002, the commerce ministry constituted a committee to find out ways to start trading. The committee held various meetings, but all in vain. In 2005, the federal cabinet decided to resume hedge trading under the aegis of Karachi Cotton Association. "However, necessary notification of the government in this regard has not been issued to date," Dada said.

Three years ago, the government allowed PMEX to start cotton trading, but that was not made possible. An industry official said PMEX did not have cotton delivery facility, while KCA wanted to start the trading on its own premise: Karachi Cotton Exchange.

The association has 320 licenced cotton brokers, who have their own offices at the cotton exchange to facilitate trading with ginners, spinners and exporters.It also has a clearing house, survey room, sample room, trading hall, fiber testing laboratory equipped with high volume instrument spectrum and skilled and experienced manpower to run the hedge market smoothly and efficiently.

KCA used to perform hedge trading in cotton since 1934. The government had suspended cotton hedge trading in 1976 in line with the nationalisation of export trade and establishment of Cotton Export Corporation of Pakistan in the public sector.

"Since the last four decades, KCA has been urging upon the government to allow resumption of hedge trading in cotton for the benefit of all segments of the cotton trade," Dada said.

THE NEWS

Thursday, 1st June, 2017

Govt revises down FY17 direct tax collection target by Rs180bln

Shahnawaz Akhter

KARACHI: Government has brought the direct tax revenue collection target down around Rs180 billion for the outgoing fiscal year of 2016/17 as the Federal Board of Revenue (FBR) has to make refunds on advance taxes taken during the previous fiscal year, an expert said on Wednesday.

"The FBR failed to achieve the income tax target due to adjustment of refunds and advances taken in the last fiscal year to reach the revenue collection target," said Ikram-ul-Haq, a senior tax consultant at Huzaima and Ikram.

The finance ministry has already revised downward the revenue collection target for the current fiscal year by Rs100 billion to Rs3,521 billion from an actual target of Rs3,621 billion.

Revenue collection target for direct taxes was cut to Rs1,378.84 billion for FY17 from the actual target of Rs1,558 billion, according to a budget document for FY18. The target of income tax collection – the major component of direct taxes – has been reduced to Rs1,363.84 billion from an actual target of Rs1,538.75 billion.

Ikram said the FBR has been taking advances from big companies for the past several years to meet its annual targets. "This year it has reached on its saturation point and big companies are unable to give money in advance."

He added that banks and petroleum sectors are the major direct tax contributors but both the sectors remained unable to pay advances to FBR as per the requirement. "Yet, the FBR has taken some advances for the current fiscal year in order to reach near to the target."

Finance minister and FBR's senior officials claimed that shortfall in the outgoing fiscal year was due to incentives given under sales tax regime, especially for petroleum, zero-rating and fertilizers; notwithstanding, target for sales tax collection has been increased to Rs1,445 billion as against the actual target of Rs1,437 billion.

Notably, the collection target of indirect taxes has been revised upward to Rs2,142 billion from Rs2,063 billion for FY17. Improved revenue collection at import stage increased the sales tax collection as well as boosted the customs duty collection.

Therefore, the target for customs duty collection was raised to Rs491 billion from Rs413 billion for the outgoing fiscal year. Due to a drastic decline in revenue from tobacco sector, the federal excise duty collection been revised down to Rs206 billion from Rs213 billion.

The government has set Rs4,013 billion as the FBR's tax revenue collection target for the next fiscal year. Tax experts termed this ambitious since the FBR would not be able to achieve even the revised collection target of Rs3,521 billion for the current fiscal year of 2016/17.

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Cotton down

Karachi

Slow trading was witnessed at the Karachi Cotton Exchange on Wednesday, while spot rates decreased Rs50/maund.

The spot rates decreased to Rs6,800/maund (37.324kg) and Rs7,288/40kg. Ex-Karachi rates also fell to Rs6,935/maund and Rs7,433/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said slow trading was witnessed at the cotton market, as very little lots were left with the ginners. “Millers are preparing for the new crop, which is likely to start from the middle of June, as one mill from Punjab made advanced deal from Sindh’s cotton,” he added.

The cotton market recorded three transactions of around 1,000 bales at Rs6,500 to Rs7,200/maund. Sanghar’s 400 bales were sold at Rs6,500/maund on conditional basis, while 200 bales of Liaquatpur and 400 bales of Khanpur were each sold at Rs7,000/ maund.

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Aptma demands steps to steer industry out of crisis

Our Staff Reporter

LAHORE - The All Pakistan Textile Mills Association (Aptma) Chairman Aamir Fayyaz has demanded practical measures to steer the textile industry out of crisis and rejected the federal budget by terming it anti-industry.

While addressing a post-budget press conference at the Aptma Punjab office on Wednesday, he said the Rs180 billion export-led growth package for textile industry was merely an eyewash, as only an amount of Rs1 billion has been released so far and the government has budgeted another Rs4 billion only for the next financial year. The export growth package envisaged a payment of Rs billion to exporters over a period of 18 months at the rate of Rs10 billion per month.

He said uncertainty was causing panic amongst exporters and prospective investors. Furthermore, he lamented that the government has re-imposed customs duty and sales tax on import of cotton just four months after the announcement of the package. The government should clear the situation immediately and honour it's commitment of supporting industry, he stressed.

The Aptma chairman also criticised the government for delaying clearance of sales tax refunds to the industry causing a major liquidity crunch. "The total amount of stuck up refund claims of the textile industry has reached to Rs100 billion with no clue as to when the FBR would pay back these stuck up refunds?" he questioned. He said an immediate payment of refunds is needed to revive industry viability and warned of more closure of mills if refund claims are delayed further. He said the industry is not in a position to wait until August 14 for clearance of refund dues and any further delay would prove a death warrant to the industry.

On the energy cost, he said the textile industry has been advocating for supply of electricity at a tariff of Rs7 per kilowatt hour.

The government has failed to respond to this call, showing total apathy towards bringing down high cost of doing business and make the industry regionally competitive.

He said the trade deficit is likely to surge to $31 billion, as imports are projected to close at $51 billion as against estimated exports of $20 billion. He said the remittances are also likely to register a decline to $18.7 billion from $19.7 billion in corresponding period.

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Govt reduces oil prices for June

Fawad Yousafzai

ISLAMABAD - The government has reduced prices of the High Speed Diesel (HSD) and M/S (petrol) by Rs1.60 per litre and Rs1.20 per litre respectively for the month of June.

According to the government notification, diesel prices have been reduced by 1.93 percent or 1.6 rupees per litre and petrol by 1.62 percent or Rs1.2/litre. The new prices will be effective from today (June 1) to midnight June 30. “The government has absorbed considerable impact of price’s increase since April 2016 and suffered considerable loss of revenue,” the official notification of the ministry of finance said.

After the government’s decision, diesel prices will be reduced to Rs81.4 from earlier Rs83/litre. Petrol price will go down to Rs72.8 from Rs74/litre. Kerosene oil and LDO prices will remain unchanged at Rs44 per litre each.

The notification said that only partial increases have been passed on in the recent months since December 2016. In line with the prime minister’s directions, it has been decided that the recommended increase in kerosene and LDO will not be implemented. The recommended decrease in the prices of diesel and petrol will be (partially) passed on so that the negative financial impact of non passage of price increase in the recent months can be offset to some extent, said the notification.

OGRA had proposed the government to reduce diesel prices by 3.31/litre or 3.99 per cent and petrol by 2.43/liter or 4.63 per cent and advised to increase kerosene oil price by Rs13.54/litre or 30.77 per cent and LDO by 9.28 a litre or 31.94.

During 2017, the government has rejected several recommendations of the OGRA regarding reduction in HSD and petrol prices.

For the month of May also, the OGRA has advised the government to decrease Petrol and High Speed Diesel (HSD) prices by Rs 1 per litre, respectively. However, the summary was rejected by the government and refused to pass on the benefits of the low international prices to the consumers.

According to the government’s claim they have to absorb about Rs110 billion shortfall in revenue due to provision of subsidy on petroleum product during the current fiscal year.

Instead of decreasing the prices of petroleum products the government has increased GST on prices of Petrol and High Speed Diesel from 15.5 per cent to 20 per cent and 29.5 per cent to 33.5 per cent respectively.

Currently, the government is collecting 33.5 per cent GST on High Speed Diesel and 20 per cent GST on Motor Spirit excluding High Octane Blended Component (HOBC) while there is zero GST on Kerosene and LDO.

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Nepra team to monitor Karachi outages

Fawad Yousafzai

ISLAMABAD - Taking notice of the woes of the Karachiites, caused by frequent tripping and prolonged loadshedding, the Nepra has decided to depute a team to monitor and verify the outages in different areas of Karachi, current generation capacity of K-Electric, its utilisation, frequency of tripping of generating plants and transmission/distribution networks.

The team will also verify the implementation of investment plan of K-Electric for improvement of transmission and distribution systems, said the Nepra spokesperson here on Wednesday. He said that in compliance of the decision of the Sindh High Court Karachi dated May 29, 2017 and considering the complaints of general public and media reports regarding frequent tripping and prolonged loadshedding in Karachi, the authority has taken action to evaluate the performance of K-Electric in wake of recent events and implementation of earlier directions of the authority given in the Order dated March 25, 2016 and NEPRA performance standards.

The power crisis in Karachi has worsened since the start of Ramazan and Karachiites have suffered prolong loadshedding and tripping. As per the K-Electric stance, the power supply in Karachi was affected due to the tripping of an Extra High Tension (EHT) line due to extraordinary humidity levels in Karachi.

Giving the details, the Nepra spokesperson said that earlier in June 2015, the authority took cognizance of adversity of circumstances leading to extended loadshedding, system failure and power supply breakdown in the service territory of K-Electric and constituted a fact finding committee to collect data and information and submit report on the aforementioned failures.

Based on the recommendation of the committee, the authority issued a show cause notice to K-Electric under Section 28 & 29 of the Nepra Act for violation of terms and conditions of its licenses, rules and regulations framed under Nepra Act. After giving an opportunity of hearing to K-Electric, the authority passed an order in the matter on March 25, 2016 and imposed a fine of Rs5 million on K-Electric for failure to provide uninterrupted power supply to its consumers on non-discriminatory basis and not to restore the system within the prescribed timelines.

Further a fine of Rs5 million was imposed on K-Electric for underutilisation of its power plants. K-Electric was directed to take immediate measures to provide electric power to all the consumers without any discrimination, increase its generation capacity and improve transmission and distribution system in accordance with the investment plans submitted by it within the time lines. In 2016, the authority also initiated the proceedings against K-Electric on the similar lines to protect the interests of consumers and ensure compliance with prudent utility practices and performance standards under the Nepra Act.

K-Electric is a company engaged in the functions of generation, distribution and transmission of electric power. Being the licensee under the Nepra Act, K-Electric is bound to provide reliable and uninterrupted electric power services to all its consumers within its service territory. Considering the recent media reports regarding unplanned extended hours of loadshedding and tripping, the authority has decided to verify the implementation status of directions of the authority communicated through its abovementioned Order dated March 25, 2016 and to verify the implementation of performance standards by K-Electric.

For that purpose, the authority has decided to nominate the team of its professionals who shall monitor and verify the loadshedding in different areas of Karachi especially during Sehr & Iftar, current generation capacity of K-Electric and its utilisation, frequency of tripping of generating plants and transmission/distribution networks and implementation of investment plan for improvement of transmission and distribution systems. The team shall collect data from K-Electric, visit generation and distribution facilities of K-Electric, get feedback from consumers of K-Electric and submit report to the authority to proceed further in accordance with the law.