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Fiscal performance characterised by big revenue shortfall

ZAHEER ABBASI

ISLAMABAD: The Federal Board of Revenue (FBR) Wednesday revealed a Rs 259 billion shortfall in revenue collection during the last fiscal year as total collection stood at Rs 3,362.1 billion against budgetary target of Rs 3,621 billion.

While briefing the meeting of Senate Standing Committee on Finance, chaired by Senator Saleem Mandviwalla, FBR Chairman Tariq Pasha and other senior officials claimed that various factors were responsible behind the decline in revenue collection. The committee was told that the target was revised downward to Rs 3,521 billion for the last fiscal year but the actual collection was Rs 3,362 billion.

The meeting was informed that the FBR collection of Rs 3,362.1 billion included Rs 1,344.5 billion direct taxes, Rs 1,332.3 billion sale tax and Rs 1,89.2 billion Federal Excise Duty (FED) while Rs 496.1 billion were collected from customs.

There was an increase of 8 percent in revenue collection of the FBR during 2016-17 over a year before. The meeting was informed that the government suffered revenue loss of Rs 50 billion from cigarette industry due to smuggling but corrective measures are being put in place to avert the situation in the current fiscal year.

The revenue target for fiscal year 2017-18 has been fixed at Rs 4,013 billion. The required growth is around 19 percent over the provisional collection of Rs 3,362.1 billion collected during fiscal year 2016-1 7. In absolute terms, Rs 650 billion additional revenue will be collected in 2017-18.

The committee was also briefed on July 2017 depreciation of rupee against dollar. The committee chairman and member of the committee after a briefing from State Bank of Pakistan (SBP) in their brief interaction with media stated that the committee expressed concern over the issue. However, the committee members were divided between those who believed the then SBP acting governor's decision was right and those who thought it otherwise.

Saud Majeed stated that in his opinion the SBP decision was wrong and it was subsequently proven with the correction of the market.

The committee chairman stated that the then acting SBP Governor Riaz Riazuddin briefed the committee on the decision. He added the actual issue was that a decision was taken by the governor which was criticized by the Finance Ministry. "I had taken the decision which I thought was right," the chairman of the committee quoted Riazuddin as saying this. In the subsequent day market corrected itself and according to the chairman of the committee Riazuddin stated: "This is the proof that my decision was wrong."

While responding to a question SBP Governor Tariq Bajwa stated that inquiry report in the matter has been finalized. However, he refrained from answering other question and the committee was held in camera on the request of the SBP governor who stated this to avoid adverse impacts on the market.

While briefing to the committee on joint investigation team, the SBO stated they have neither received phone call nor did face pressure from any side for provision of information. The committee was informed that SBP was requested in writing for provision of information. "We have provided information to the JIT related to the SBP and also some information after collecting from the commercial banks," the SBP senior official stated, adding that commercial banks were also instructed to provide information to the JIT.

While discussing petroleum prices, committee chairman said that in his opinion Ogra should be abolished as its role is nothing in terms of determining the petroleum prices. The committee members have expressed their displeasure that the government was pocketing consumers' benefit through making increases in taxes on petroleum products.

The FBR officials defended the increase in taxes on petroleum prices, saying that benefit would have gone to oil companies if the taxes were not increased.

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New withholding plan enforced:

Payments made by key sectors and NPOs to be monitored

SOHAIL SARFRAZ

ISLAMABAD: The Federal Board of Revenue (FBR) has decided to conduct special monitoring of payments made by Non-Profit Organizations (NPOs) and withholding monitoring of key sectors, ie, telecom, banks, oil/gas/power, tobacco, textile, cement, sugar, cotton ginners and flour mills under the new 'Comprehensive Withholding Monitoring & Audit Strategy' for 2017-18.

Sources told Business Recorder here on Wednesday that the new administration of FBR Member Inland Revenue Operations Khawaja Tanveer Ahmad has enforced the said withholding plan on national level to streamline withholding tax collection in 2017-18. The enforcement 'Comprehensive Withholding Monitoring & Audit Strategy' 2017-18 is one of the key initiatives of FBR Member Inland Revenue Operations to increase revenue collection in 2017-18.

The FBR has communicated the comprehensive withholding monitoring & Audit Strategy for enhancement of revenue during 2017-18 to all the Chief Commissioners Inland Revenue of Large Taxpayer Units (LTUs), Regional Tax Offices (RTOs) and Corporate Regional Tax Offices (CRTOs).

According to the FBR, a comprehensive Withholding Monitoring & Audit Strategy (2017-18) has been devised for strengthening the ongoing revenue enhancement efforts of the field formations, for the current fiscal year.

The said strategy comprises of the salient features including Quarterly Withholding Audit Plan (QWAP) by each field formation one week before the beginning of new quarter.

The plan cover withholding audit of at least five cases per month out of Board's identified list of Withholding Agents, to be included in the Quarterly withholding Audit Plan.

It cover periodic monitoring/audit of Excise & Taxation Department, property registration/recording authorities/housing societies, national Saving Centre(s)/Post Office (s) and Discos/CPPA, to ensure timely collection of withholding taxes as per prescribed tax rates (for filers/non-filers).

The strategy included quality desk audit(s) of at least 10 withholding (WH) Statements per month, of potential revenue yielding entities by each unit incharge, to be submitted to the CIR concerned.

It included proactive monitoring of procurements (ie, key tender notices published in the newspapers regularly intimated by the Board).

Moreover, the strategy included special monitoring of payments by Non-Profit Organizations(s) (NPOS).

The plan cover pro-active withholding monitoring of all ongoing Projects/Programmes including Assignment Account (Development/Non-Development), Revolving Fund Accounts, Provincial Ledger Accounts (PLAs), Special Drawing Accounts (SDAs) and maintenance of database of their budget allocations, releases, expenditure & tax deductions/deposits thereof with risk based, periodic audit of at least 2-3 entities (as assigned) per quarter.

The plan talks about the proactive monitoring of salaries disbursements especially concerning large private and corporate sector entities including statutory authorities/autonomous bodies.

The new strategy would ensure effective withholding monitoring of key sectors such as telecom, banks, oil/gas/power, tobacco, textile, cement, sugar, cotton ginners, flour mills and others.

The strategy would also cover minimum 10 percent recovery out of Net Collectable withholding Demand on monthly basis and recovery of remaining four-fifth of sales tax from government vendors.

The plan also address the

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shortfall identified in revenue spinning sections as per monthly 'DRS' data circulated by exploring revenue potential in other withholding sections and awareness workshops for education of key withholding agents/Govt DDOs.

The plan also covers quarterly conference of Commissioners (WHZs/others) & periodic visits by Board team.

Considering the said features as included in the subject strategy, all RTOs/LTUs are requested to prepare Activity Plan ensure smooth, timely implementation of the strategy for maximum exploration of the revenue potential, the FBR added.

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Time limit for adjudication:

FBR to take policy decision on Members' powers today

RECORDER REPORT

ISLAMABAD: The Federal Board of Revenue's Board-in-Council will take a policy decision on August 3 (Thursday) to ascertain the powers of the FBR Member Customs and the FBR Member Legal to decide cases seeking extension in time limit for adjudication purposes under Customs Act 1969.

Sources told Business Recorder here on Wednesday that the next meeting of the Board-in-Council will be held on Thursday to take some decision to finalize such cases and powers available to FBR Member Customs and FBR Member Legal in this regard. Apparently, there seemed to be difference of option between FBR Member Customs and FBR Member Legal.

According to sources, the issue of extension in time limit for adjudication of cases under section 179 of the Customs Act 1969 will be discussed in the light of observations made by the FBR Legal Wing and FBR Member Customs. The matter would be decided in light of the fact that issue of granting extension in time usually entails litigation.

Details of the issue revealed that the matter is relating to the cases of time limit extension under section 179(4) of the Customs Act, 1969 received from Customs Wing.

The Board vide Notification # 6(96)S(BIC) /2014-15, dated 11.03.2016, had delegated the powers for extension in time limit for adjudication of cases under sub-section 2 & 4 of Section179 of the Customs Act, 1969 to member (Legal), FBR. On the said date, a few cases were pending with Customs Wing FBR for granting extension in time limit and the period of adjudication had expired in those cases. After issuance of the said notification, the Second Secretary (Cus.Jud), Customs Wing, FBR and Collector, Collectorate of Customs (Adjudication), Islamabad forwarded the said cases to the legal Wing, FBR for granting extension in terms of Board's notification.

In response, the Legal Wing replied to the Customs Wing, with the following observations: That the time limit prescribed under section 179(3) of the Act has expired since long and superior judicial has repeatedly held that any extension granted after expiry of the original time limit prescribed under law is invalid. Therefore, extension granted in these cases will hardly serve any purpose.

Legal Wing further said that the power to grant extension in time limit under section 179(4) of the Customs Act was conferred upon Member (Legal) on 11.03.2016 vide Notification # 6(96)S(BIC)/2014. Therefore, granting extension by Member (Legal) in cases referred to the Board prior to 11.03.2016 may be questioned in the courts of law, Legal Wing said.

Sources said that now the Secretary (Customs Judgment) Customs Wing, FBR has again referred the cases to the Legal Wing vide UO # 5(13) Cus.Jud/2015 dated 03.03.2017 and stated that the Board vide Notification # 6(96)S(BIC)/2014 dated 11.03.2016 delegated powers under sub-sections (2) and (4) of Section 19 of the Customs Act, 1969 to Member (Legal) including all pending and new cases.

Also that as there is no mention of a cut-off date in the said referred Board order, interpretation of the Legal Wing to the effect that cases pending for extension in time limit before the redistribution of powers be decided by Member (Customs) does not appear to be in line with the spirit of the law and for all practical purposes would mean duplication of powers under Section 179(4) of the Customs Act, 1969 by both the Legal Wing and Customs Wing of FBR.

Since the issue of disposal of legacy cases which were pending for grant of extension was not addressed in the notification # 6(096)S(BIC)/2014-15 dated 11.03.2016 and the matter of granting extension in time usually entails litigation, it is, therefore, requested to place the matter before next Board in council meeting for obtaining a specific clarification as to whom shall dispose of the legacy cases which were pending when the powers under subsection 2 & 4 of section 179 of Customs Act, 1969 were transferred from Customs Wing to Legal Wing on 11.03.2016.

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Cabinet formation stymied by portfolio whet

ALI HUSSAIN

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi on Wednesday said the new federal cabinet will take oath in a day or two, as the scheduled oath-taking ceremony of the new cabinet members was postponed due to inconclusive consultation process.

Talking to reporters after a consultative meeting of Pakistan Muslim League-Nawaz (PML-N) senior leadership, Abbasi vowed that policies of the PML-N government would remain unchanged, adding the prime minister can be changed but the policies will remain unaffected.

The meeting which was held in Murree and attended by former Prime Minister Nawaz Sharif, Chief Minister Punjab Shahbaz Sharif and other senior party leaders including Khawaja Asif and Chaudhry Nisar Ali Khan deliberated on finalizing the new cabinet.

“Today, we held a meeting with Nawaz Sharif who congratulated the parliamentary party for its unity and bringing the democratic process back on track within four days and that too with a thumping majority,” the Prime Minister said.

“He [Nawaz Sharif] also instructed us that the policies that are already in place must remain unchanged, especially the projects under the CPEC, and power projects should be acted upon quickly than their scheduled dates so that we can show to the world that prime minister can be changed in the country but the policies remain the same,” he added.

He said that consultations were also held on formation of the new federal cabinet and the cabinet will take oath in the next one or two days.

To a question about portfolios of the federal cabinet, he said that no final decision has been made and the consultation process will continue for another one-and-a-half days.

Responding to a query whether or not former Interior Minister Chaudhry Nisar Ali Khan would be part of the upcoming cabinet, he declined to make any comment, saying he has already stated that consultations were continuing on formation of the cabinet.

“This is a decision which could be made by us and he [Nisar] himself…it’s a mutual consultation process and after that the process of formation of the cabinet will be completed,” he added. Answering a question whether he would follow his predecessor to keep the portfolio of Foreign Minister with him or somebody else would be given the responsibility, he said: “Everything will be cleared once the formation of the cabinet is concluded.”

Abbasi said the meeting also discussed the upcoming bye-election on NA-120 left vacant by Nawaz Sharif, adding the PML-N will not only retake the seat with majority but will also succeed against future political challenges.

When asked whether any candidate has been finalized to run from NA-120, he said that deliberations to finalize a candidate are continuing.

To another question about his protocol as prime minister, he said he is not taking the protocol but the security is needed for any person holding the office of the prime minister.

The oath-taking ceremony of new cabinet, which was scheduled to take place on Wednesday at 5:30pm in the President House, could not be held as the names of cabinet members were not finalized.

However, sources said the new cabinet would mostly consist of the members who had served in the Nawaz Sharif’s cabinet, adding efforts are also underway to persuade Chaudhry Nisar Ali Khan to retake his previous portfolio.

In case Nisar does not retake the portfolio of Minister for Interior, his portfolio will most likely be given either to Lt-Gen Abdul Qadir Baloch (retd) or Lt-Gen Abdul Qayyum (retd). The sources further said there were also deliberations to assign someone as foreign minister.

Reportedly Chaudhry Nisar Ali Khan and former Finance

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Minister Ishaq Dar have shown interest to hold the portfolio of minister for foreign affairs while former adviser to foreign affairs Sartaj Aziz has also expressed keenness to continue as adviser.

As the meeting concluded, former Prime Minister Nawaz Sharif was greeted by party workers who were chanting slogans in his support. Sharif also responded with complements and appreciations. “My heart beats with you…I will emerge clean before Allah Almighty,” said the former Prime Minister who was disqualified by Supreme Court in the Panama Papers case last week.

Before Nawaz Sharif leaves for Lahore, he will remain in Murree till finalization of the federal cabinet.

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Does 'friendship' road run one way?

TASHKURGAN, China: The China-Pakistan Friendship Highway runs over 1,300 kilometres (800 miles) from the far western Chinese city of Kashgar through the world's highest mountain pass and across the border.

For China, the two-lane thoroughfare symbolises a blossoming partnership, nourished with tens of billions of dollars of infrastructure investment.

But for many Pakistani businessmen living and working on the Chinese side of the border, the road is a one way street.

"China says our friendship is as high as the Himalayas and as deep as the sea, but it has no heart," said Pakistani businessman Murad Shah, as he tended his shop in Tashkurgan, 120 kilometres from the mountain pass where trucks line up to cross between China's vast Xinjiang region and Pakistan.

"There is no benefit for Pakistan. It's all about expanding China's growth," Shah said, as he straightened a display of precious stones.

The remote town of around 9,000 is at the geographic heart of Beijing's plans to build a major trade artery — the China-Pakistan Economic Corridor (CPEC) — connecting Kashgar to the Arabian Sea port of Gwadar.

The project is a crown jewel of China's One Belt, One Road (OBOR) initiative, a massive global infrastructure programme to revive the ancient Silk Road and connect Chinese companies to new markets around the world.

In 2013, Beijing and Islamabad signed agreements worth $46 billion to build transport and energy infrastructure along the corridor, and China has upgraded the treacherous mountain road better known as the Karakoram Highway.

While both countries say the project is mutually beneficial, data shows a different story.

Pakistan's exports to China fell by almost eight percent in the second half of 2016, while imports jumped by almost 29 percent.

In May, Pakistan accused China of flooding its market with cut rate steel and threatened to respond with high tariffs.

"There are all of these hopes and dreams about Pakistan exports," said Jonathan Hillman, a fellow at the Center for Strategic and International Studies in Washington.

"But if you're connecting with China, what are you going to be exporting?"

One answer is Nigerian "male enhancement" supplements: expired medications which Pakistani merchants in the oasis city of Hotan recently peddled to bearded Muslims walking home from Friday prayers.

The products were typical of the kinds of small consumer goods brought by Pakistani traders into Xinjiang: medicine, toiletries, semi-precious stones, rugs and handicrafts.

Pakistani businessmen in Xinjiang see few benefits from CPEC, complaining of intrusive security and capricious customs arrangements.

"If you bring anything from China, no problem," said Muhammad, a trader in the ancient Silk Road city of Kashgar, who declined to give his full name.

But he said tariffs on imported Pakistani goods are "not declared. Today it's five percent, tomorrow maybe 20. Sometimes, they just say this is not allowed".

Three years ago, Shah was charged between eight and 15 yuan per kilo to bring lapis lazuli, a blue stone. The duty has since soared to 50 yuan per kilo, hAFP

Customs officials told AFP the "elements influencing prices were too many" for them to offer a "definite and detailed list" of costs.

While large-scale importers can absorb the tariffs, independent Pakistani traders have benefited little from CPEC, said Hasan Karrar, political economy professor at the Lahore University of Management Sciences.

Alessandro Rippa, an expert on Chinese infrastructure projects at Ludwig Maximilian University Munich, said the highway "is not very relevant to overall trade" because "the sea route is just cheaper and faster".

The project is better understood as a tool for

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China to promote its geopolitical interests and help struggling state-owned companies export excess production, he said.

Traders also face overbearing security in China.

Over the last year, Beijing has flooded Xinjiang, which has a large Muslim population, with tens of thousands of security personnel and imposed draconian rules to eliminate “extremism”.

Businessmen complain shops can be closed for up to a year for importing merchandise with Arabic script.

In June, on the 300 kilometre trip between Kashgar and Tashkurgan, drivers were stopped at six police checkpoints, while their passengers had to walk through metal detectors and show identification cards. Signs warn that officials can check mobile phones for “illegal” religious content.

Police officers interrupted an interview in Tashkurgan to demand a shopkeeper hand over his smartphone and computer for inspection, an event he said occurs several times a week.

Shah said that when he first arrived in the town, the intrusive security made him nervous: “But now I’m used to it. I almost feel like I’m one of the police.”

As he spoke, an alarm sounded. He grabbed a crude spear, body armour and a black helmet off his counter and rushed into the street, where police had assembled over a dozen people for impromptu counter-terrorism drills.

The exercises are held up to four times a day. Stores are closed for several days if they do not participate.

Back in Kashgar, Muhammad hopes that CPEC will make life better, but he believes the oppressive security will remain an obstacle.

He plans to give it another three years. But, he said, he cannot wait forever: “Many people have already gone back.”—AFP

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Indus waters treaty:

Pakistan, India agree to hold talks: WB

TAHIR AMIN

ISLAMABAD: Pakistan and India have agreed to continue and hold secretary-level talks on the Indus Waters Treaty (IWT) next month (September) in Washington, DC, the World Bank said.

The WB issued a short statement, saying that the secretary-level discussions between India and Pakistan on the technical issues on the IWT took place this week in a spirit of goodwill and cooperation. The parties have agreed to continue discussions and reconvene in September in Washington, DC.

Spokesperson of Water and Power Ministry Zafar Yab Khan told Business Recorder that secretary level talks between Pakistan and India concluded in Washington. Secretary Water and Power Yousaf Naseem Khokhar participated in the talks, said Khan, but refused to share any further details.

In an updated Fact sheet on its website, WB stated India and Pakistan disagree about the construction of the Kishenganga (330 megawatts) and Ratle (850 megawatts) hydroelectric power plants being built by India (the World Bank is not financing either project). The two countries disagree over whether the technical design features of the two hydroelectric plants contravene the treaty. The plants are on respectively a tributary of the Jhelum and the Chenab Rivers. The treaty designates these two rivers as well as the Indus as the “Western Rivers” to which Pakistan has unrestricted use. Among other uses, India is permitted to construct hydroelectric power facilities on these rivers subject to constraints that are specified in the Annextures to the treaty.

The IWT sets out a mechanism for cooperation and information exchange between the two countries regarding their use of the rivers, known as the Permanent Indus Commission, which has a commissioner from each country. The treaty also sets forth distinct procedures to handle issues which may arise: “questions” are handled by the Commission; “differences” are to be resolved by a neutral expert; and “disputes” are to be referred to a seven-member arbitral tribunal called the “court of arbitration.”

The WB’s role in relation to “differences” and “disputes” is limited to the designation of people to fulfill certain roles when requested by either or both of the parties.

Pakistan asked the WB to facilitate the setting up of a court of arbitration to look into its concerns about the designs of the two hydroelectric power projects. India asked for the appointment of a neutral expert for the same purpose. These requests came after the Permanent Indus Commission had been engaged in discussions on the matter for a while.

During several months prior to December 12, 2016, the WB sought to fulfill its procedural obligations with respect to both the Court of Arbitration and the neutral expert. The treaty does not empower the WB to choose whether one procedure should take precedence over the other; rather it vests the determination of jurisdictional competence on each of the two mechanisms. At the same time, the WB actively encouraged both countries to agree amicably on a mechanism to address the issues.

On December 12, 2016, WB Group President Jim Yong Kim announced that the WB would pause before taking further steps in each of the two processes requested by the parties. This was done to safeguard the treaty, since referring the matter simultaneously to the processes sought by each of the countries risked contradictory outcomes and worked against the spirit of goodwill and friendship that underpins the treaty.

Since December 2016, the WB has worked towards an amicable resolution of the matter and to safeguard the treaty.

President Kim spoke several times with the finance ministers of both countries. The World Bank Chief Executive Officer Kristalina Georgieva traveled to both countries for high-level meetings.

The WB Vice President for the South Asia Region, Annette Dixon, visited both countries twice. Kim’s adviser, Ian Solomon, made multiple visits to the region. Locally-based World Bank teams have convened dozens of meetings with different stakeholders. A variety of proposals have been discussed with both countries on how to resolve the disagreement and the World Bank believes that many of these ideas, or similar ones, would be worth pursuing and merit continued consideration.

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Power sector's circular debt crosses Rs850bn mark

MUSHTAQ GHUMMAN

ISLAMABAD: The country power sector's circular debt has reportedly crossed Rs 850 billion of which a debt of Rs 401 billion exists amongst different companies whereas an amount of Rs 450 billion has been parked in the books of Power Holding Pakistan (Private) Limited.

This information was recently shared with the Economic Coordination Committee (ECC) of the Cabinet wherein approval was given to reschedule power sector loans of Rs 193 billion parked in PHPL books as Distribution Companies (Discos) expressed their inability to retire these loans due to financial constraints. The government claims that power sector has shown a marked improvement in recovery and reduction in losses, it is still in hot waters.

"Circular debt indicates a situation when a business concern is unable to pay its liabilities due to non recovery of its receivables, "the sources added.

Pakistan Electric Power Company (Pepco) which had been wound up during PPP tenure but still exists with an MD, and an Additional Secretary, claims that since receivables still hover around Rs 650 billion, the actual circular debt is not more than Rs 200 billion.

Power sector experts, however, do not agree Pepco's analysis, which still controls all internal affairs of Discos including transfers and postings.

"Power sector has shown a marked improvement in past two years. The recoveries which remained in the range of 88-89 percent, crossed 93 percent in 2015 and 2016, the highest in the history of the sector. T&D losses which were around 19 percent in 2014 came down to 17.8 percent in Dec 2016. These two accounts by themselves have provided positive cash flows to the power sector totaling Rs.116 billion in the past two years. Gencos were making a cumulative loss of Rs. 7.785 billion in 2013-14, and not only overcame their losses but reported a profit of Rs. 5.772 billion in 2015-16," the sources quoted Water and Power Ministry as saying.

The International Monetary Fund (IMF), in its Article IV Consultation report observed that on the structural front, progress in electricity sector reforms has been mixed, with a renewed build-up in circular debt; and financial losses of ailing Public Sector Enterprises (PSEs) have continued. It further states that there has also been significant progress in energy sector reforms, though the recent resumption of circular debt accumulation points to the need for continued reform efforts.

Pepco argues that existence of receivables and payables is a feature of each business. Level of payables and receivables depend upon volume of business; though a healthy relationship of receivables and payables is desired by each entity.

It also claims that government has been successful in controlling the threat of circular debt that is evident from the fact that all plants are operating and not a one closed due to nonpayment or non availability of fuel.

"The government is intent on resolving the power sector issues by striving hard for clearance of the dues of power producers. At present there is no problem of payment as power procedures are being paid timely," Pepco further maintained.

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THE RUPEE: Modest recovery

RECORDER REPORT

KARACHI: Slight improvement was seen in the value of the rupee against the dollar on the money market on Wednesday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee stayed put in terms of the dollar for buying and selling at Rs 105.39 and Rs 105.40, they said.

In the third Asian trade, the dollar extended its modest bounce from 15-month lows on Wednesday, benefiting from a pause in selling of the battered currency as investors begin positioning for key events this week, notably Friday's US employment report.

The dollar index against a **RUPEE IN LAHORE:** The Pak rupee stayed unchanged on buying side, however, it appreciated on selling side against the US dollar in the local currency market on Wednesday.

According to the currency dealers, the US dollar resumed trading on its overnight trend of Rs 107.00 and Rs 107.50 as its buying and selling rates, respectively. At the close, no change in value took place on buying counter as it sustained basket of major currencies shook off a decline in Treasury yields and was a shade higher at 93.090 after bouncing from 92.777, its lowest since May 2016.

The euro was unchanged at $1.1806 after being nudged away from a 2-1/2-year peak of $1.1846 set the previous day.

The euro has gained about 12 percent against the dollar so far this year.

The dollar was trading against the Indian rupee at Rs 64.105, the greenback was at 4.287 in terms of the Malaysian ringgit and the US currency was at 6.726 versus the Chinese yuan.

Inter bank buy/sell rates for its opening rate of Rs 107.00. However, it depreciated by 20-paisa on selling counter and ended at Rs 107.30, they added.

Furthermore, the local currency showed strength as it recovered its day earlier losses versus the pound sterling. The pound's buying and selling rates slid from Tuesday's closing rates of Rs 140.60 and Rs 141.60 to Rs 140.00 and Rs 140.10, respectively, they said. the taka against the dollar on Wednesday. 80.67-80.68 (previous 80.66-80.68).

OPEN MARKET RATES: The rupee posted fresh gains of 10 paisas in terms of the dollar for buying and selling at Rs 107.20 and Rs 107.40, they said.

The rupee was unchanged in relation to the euro for buying and selling at Rs 125.80 and Rs 126.80.

Open Bid	Rs. 107.20
Open Offer	Rs. 107.40

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN ISLAMABAD AND RAWALPINDI: The value of dollar was inert against the rupee at the open currency markets of Islamabad and Rawalpindi here on Wednesday.

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against last rate of Rs 107 (buying) and Rs 107.10 (selling). It closed at Rs 107.10 (buying) and Rs 107.20 (selling).

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Case of Rs576m money laundering established

MUHAMMAD ALI

KARACHI: Directorate of Intelligence and Investigation (DI&I)-IR on Wednesday has claimed to have established a case against an individual for over Rs. 576 million money laundering; it was learnt.

Sources told Business Recorder that the Directorate has launched a formal complaint under section 192A/203 of the Income Tax Ordinance 2001 read with sections 3, 4 and 8 of the Anti Money Laundering Act (AMLA) 2010.

Sources said that as per the record of FBR, the accused person who acquired NTN in 2011 also possessed National Identity Card for Overseas Pakistanis (NICOP) in which he identified the US as his country of stay.

They alleged that the accused person, who was doing distribution and investment business, had knowingly and willfully made offences of concealment of income, acquiring assets from "Proceeds of Crime" by committing "Predicate Offence" of tax evasion whose quantum was over Rs. 576.564 million as per preliminary investigation.

Moreover, the sources said the accused person knowingly and willfully submitted inaccurate particulars to the FBR in his income tax returns filed for Tax Years 2011-2012, 2012-2013, 2013-2014, 2014-2015 and 2015-2016 where he concealed his true revenue with intention of evading due tax as his declared figures did not match with his actual figures when probed. Thus, he has betrayed the trust reposed in him as a taxpayer by federal government of Pakistan, they maintained.

Replying to a question, sources said the accused person did not file his tax return in tax year 2012-13 while his accumulated tax liabilities were around Rs. 576.564 million for rest of the tax years – Rs. 17.219 million in 2014, Rs. 80.823 million in 2015 and Rs. 478.521 million in 2016 and added that other amount would be added after determination of quantum expenditure on the purchases of several expensive residential and commercial properties during tax years 2013, 2014, 2015 and 2016.

The sources therefore said that the accused person had inflicted a loss on the national exchequer worth around Rs. 576.564 million provisionally by willfully committing offences of concealment of income, acquiring assets from proceeds of crime as defined in section 2(q) of AMLA 2010 by committing predicate offence of tax evasion as defined in section 2 (s) of AMLA 2010.

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SRO 116 set aside by LHC:

FIRs cannot be registered in cases of GST evasion: experts

RECORDER REPORT

ISLAMABAD: The Directorate General Intelligence and Investigation, Inland Revenue nowadays cannot register FIRs against the taxpayers allegedly involved in sales tax evasion following the decision of the Lahore High Court (LHC) to set aside SRO # 116 of the Federal Board of Revenue (FBR) relating to the powers and functions of the agency under Sales Tax Act 1990.

Tax experts told Business Recorder here on Wednesday that the SRO # 116 is not operative and FIRs cannot be registered in sales tax cases till restoration of the said SRO from the court.

The LHC had set aside SRO # 116 of the FBR relating to the powers and functions of Directorate General Intelligence and Investigation, Inland Revenue under Sales Tax Act 1990 and declared the SRO 116 as illegal.

According to a judgment of LHC in writ petition # 37358 of 2016, SRO # 116 is hereby set aside as being ultra vires the powers of the FBR and is declared without lawful authority and is of no legal effect. The FIRs registered and the criminal prosecution set in motion in pursuance of SRO # 116 are also set aside and quashed.

The LHC judgment added that the federal government is directed to frame rules with regard to the transfer and posting under the Federal Board of Revenue Act, 2007 (Act, 2007) of officers and employees of the FBR. The FBR is directed to frame rules with regard to the directorates and their functioning. In particular, the FBR will enact rules for structuring the powers given in section 37A which is couched in a broad language and confers wide powers on officers of Inland Revenue.

Under SRO # 116, the Federal Board of Revenue has appointed the officers of the Directorate General Intelligence and Investigation, Inland Revenue, to be the officers of Inland Revenue and exercise such powers and perform functions of officers of Inland Revenue as mentioned in Sales Tax Act.

In its judgment, the LHC said that the judgment shall also decide connected constitutional petitions # 29474 of 2015, WP # 28698 of 2015, WP # 16866 of 2015, WP # 30331 of 2017 and WP # 21988 of 2017. These petitions are woven into a unified fabric by the challenge in these petitions to SRO 116(I)/2015 issued by the Federal Board of Revenue (FBR) on 9.2.2015 (SRO 116) in exercise of the powers conferred by sections 30, 30A and 30E of the Sales Tax Act, 1990 ("the Act, 1990"). It is the case of the counsels for the petitioners that SRO 116 is out with the authority of FBR and must be struck down. As a consequence, the prayer is for the proceedings set in motion on the basis of SRO # 116 to be quashed as being without lawful authority and of no legal effect.

To sum up, the Board has sufficient powers under the Act 2007 to appoint, by posting or transfer, officers of DG (I&I) and upon such appointment these officers shall perform functions which are peculiar to that directorate. The powers and functions shall be specified by the Board through a notification issued under Section 30E of the Act, 1990 and those powers and functions will have a close nexus with the purpose which DG (I&I) is designed to achieve. By appointment, once again, as officers of Inland Revenue (as has been done through SRO 116), the officers so appointed shall be deemed to have been transferred and thereby ceases to function as officers of DG (I&I). Appointment made under Section 30 is independent of an appointment made under Section 30A and must remain so. But the fundamental principle is that officers should be posted to the directorates independently with separate and distinct functions. The SRO # 116 fails to meet these foundational requirements and is thus held to be without lawful authority and of no legal effect.

The LHC held that that the pre-trial steps including arrest and detention cannot be given effect to unless the tax liability of the taxpayer is determined in accordance with section 11 of the Act

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External debt situation: clarification

ISLAMABAD: The spokesman of the Finance Division said here a section of media has carried reports that the present Government in four years period has "added whopping $35 billion to Pakistan's debt". The reports further state that Pakistan's total external debt has reached US$79.2 billion by June 2017 and that loans amounting to US$10.1 billion were obtained in a single year, the last year.

The reports have highlighted sharp increase in debt servicing during 2016-17 which would increase to US$7 billion. According to these reports debt servicing was US$5.4 billion in 2014-15, US$5.31 billion in 2015-16, and would increase to US$7 billion during 2016-17. These reports also state increase in borrowing cost to the Government.

The spokesman clarified: the debt numbers quoted in these reports are based on incorrect information. The figure of US$79.2 billion is a mere projection and includes private sector external debt and liabilities as well. The actual external public debt as of end-March 2017 is US$58.4 billion and not US$79.2 billion.

The said news reports have tried to sensationalize the debt situation by stating that US$35 billion has been added to Pakistan's debt during the last four years. This is grossly wrong and misleading. Nominal increase in external public debt as of end-March 2017 is only US$10.3 billion averaging at US$2.57 billion per annum. The reports have also incorrectly stated that US$10 billion loans were taken during 2016-17. In fact, the net increase in external public debt in 2016-17 till end-March 2017 was only US$0.7 billion.

The media reports are also totally misleading with regard to external debt servicing obligations of the Government of Pakistan. The actual external public debt servicing stood at US$4.5 billion in 2014-15, US$4.3 billion in 2015-16, and is projected to be US$5.5 billion by end-June 2017 as against US$7 billion being claimed in the media reports.

The average cost of external loan portfolio as of end-March 2017 is 2.15% p.a. which is significantly lower than the cost of domestic financing. Thus cost of external debt is not only economical but also dominated by long term funding.

It is highlighted that external debt sustainability has increased substantially during the last four years supported by a prudent debt management policy and macroeconomic stability. Debt sustainability analysis carried out recently by an international development partner shows that external debt would remain on a downward trend over the medium term staying well below the risk assessment benchmarks. The increased sustainability of external public debt is evident from the fact that the "Share of external loans maturing within one year" has been reduced from 68.5 percent of official reserves at the end of June 2013 to 31.9 percent at the end of December 2016 showing improvement in foreign exchange stability and repayment capacity. Furthermore, credit rating agencies in their recent reports acknowledged the fact that Pakistan external debt is on sustainable path.

Out of total public debt, external debt constitutes only 29 percent as of end-March 2017. Within total external debt, the largest component is multilateral and bilateral concessional debt, which constitutes 87 percent. Loans from multilateral and bilateral development partners are primarily aimed at removing structural bottlenecks in the economy. These loans, being concessional and long term, strengthen the debt repayment capacity of the country. Besides, these loans support implementation of structural reforms in the area of energy, taxation, doing business, trade facilitation, education and public sector enterprises. These loans are dominated by long term maturities and, therefore, do not add to debt payment vulnerabilities. Furthermore, these concessional external loans have been used to retire relatively more expensive debt.

As of end-June 2013, the SBP foreign exchange reserves were around US$6 billion, out of which US$2.25 billion were through short term FX swap with a friendly country maturing in less than 60 days. Therefore, practically SBP's true FX reserves were only US$3.75 billion as at end-June 2013. The total reserves of the country as of 30th June 2013 were US$11.02 billion. As of 21st July 2017, SBP foreign exchange reserves were US$15.002 billion while the total FX reserves of the country stood at US$20.436 billion. Thus Pakistan's FX reserves continue to remain at a healthy level and exchange rate remains stable.

It would therefore be prudent that due caution is exercised while reporting on key indicators of economy as any misreporting based on incorrect numbers can potentially damage perceptions with regard to positive outlook of the economy as well as investors' confidence. This is necessary to protect the hard earned economic gains achieved over the last four years and to carry the growth trajectory of the economy forward.

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Sustained demand keeps cotton rates at present levels

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Sustained demand helped rates to hold the present levels on the cotton market on Wednesday in the process of trading, dealers said. The official spot rate was unchanged at Rs 6350, they said. In the ready session over 4500 bales of cotton changed hands between Rs 6350-6700, they said. In Sindh, seed cotton rates were at Rs 2700-3100 per 40 kg, they said. In the Punjab, phutti prices were available at Rs 3000-3400, they said.

Cotton analyst, Naseem Usman said that persistent demand likely to push rates in the coming days. He said that so far, monsoon rains were good for the standing crop and there is no report of any damage caused by recent rains. Other brokers said that moreover, fears of pest attacks have also increased because of increase in moisture.

In the meantime, farmers were taking cautionary measures to save crop from any damage, other brokers said Adds Reuters: ICE cotton futures edged up on Tuesday, supported by concerns that heavy rains in top producer India could affect the natural fibre crop. Rumours of a major US investment bank issuing a buy recommendation for cotton may also have helped the market look past the improving prospects for US production, INTL FCStone analyst Andy Ryan said in a note.

The December cotton contract on ICE Futures settled up 0.45 cent, or 0.65 percent, at 69.31 cents per lb. It traded within a range of 68.23 and 69.37 cents a lb. The following deals reported: 600 bales of cotton from Sanghar at Rs 6350, 400 bales from Hyderabad at Rs 6350, 1600 bales from Tando Adam at Rs 6350/6375, 1000 bales from Shahdadpur, 400 bales from Sinjoro at the same rates, 200 bales from Burewala, 100 bales from Gojra, 100 bales from Chichawatni and 200 bales from Haroonabad all were sold at Rs 6700, 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 01.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,350	145	**6,495**	**6,495**	NIL
40 Kgs	6,805	155	**6,960**	**6,960**	NIL

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Cotton futures hit seven-week high on short-covering

NEW YORK: ICE cotton futures jumped 1.5 percent on Wednesday to a seven-week high, buoyed by short-covering by speculators amid a weaker dollar.

The December cotton contract on ICE Futures settled up 1.03 cent, or 1.49 percent, at 70.34 cents per lb and touched a high of 70.4 cents, a peak since June 15.

"(It's) short-covering by speculators. For six weeks we have dealt with the base and market is now trying to break out of that base and test resistance at 72 (cents)," said Peter Egli, director of risk management at British merchant Plexus Cotton.

"I think it's more technical than anything. There's not a lot of new buying coming in. Fundamentally, the market was surprised because we had good rains in Texas," he added.

The contract has gained more than 6 percent since hitting a 10-month low of 66.15 cents per lb on June 26.

The US dollar hit its lowest level against the euro in more than 2-1/2 years on Wednesday, while the dollar index, which measures the greenback against a basket of six major rivals, was last down 0.2 percent.

Total futures market volume rose by 5,723 to 24,708 lots. Data showed total open interest gained 194 to 216,622 contracts in the previous session.

The weekly US export sales data is due on Thursday.

Meanwhile, erratic distribution of rainfall in major cotton producer India has clouded the outlook for several key summer-sown crops, raising concerns of a potential limiting of exports of the natural fiber from the country.—Reuters

New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	71.17	71.85	71.17	71.75	14:45 Aug 02	71.75	0.58	19	71.17
Dec'17	69.44	70.40	69.22	70.34	14:45 Aug 02	70.34	1.03	15122	69.31
Mar'18	68.74	69.65	68.65	69.62	14:45 Aug 02	69.62	0.93	3032	68.69

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New PM's approach to economic issues

The newly-elected Leader of the House Shahid Khaqan Abbasi delivered a memorable maiden speech as the country's 26th Prime Minister (including caretakers) by identifying two major issues that continue to plague this country: the need to broaden the tax base to include every affluent individual, including those sitting in the country's assemblies, a reference no doubt to the disturbing data contained in the recently released Tax Directory of members of parliament by the Federal Board of Revenue (FBR) with around 165 parliamentarians failing to file their returns; and cancellation of all automatic weapons licences with the Prime Minister pointing out that no other country in the world allows its citizens to get licences for automatic weapons.

There is no doubt that the country's tax system needs urgent reforms. The focus during the previous four years, including three years under the International Monetary Fund's Extended Fund Facility which was completed in September 2016, has been on increasing total revenue collections rather than on reforms to plug existing loopholes that are generating black money from the documented sector, as distinct from the large parallel informal sector which is estimated at around 50 percent of the formal economy. At present, there is no correlation between sales tax and income tax collections largely because the bulk of the country's wholesale and retail sectors remain undocumented. The Economic Survey 2016-17 estimates the wholesale and retail sector at 2164 billion rupees though unconfirmed estimates indicate the actual figure to be almost double which necessitates a focused approach to enhance documentation. Additionally, until and unless the entire chain of sales tax is in the value-added mode the possibility of a leakage from the formal into the informal sector is very real and leads to generation of black money which is then transferred abroad with a portion returning as remittance/gift (tax exempt) while another portion is retained abroad to purchase real estate and/or to be banked in offshore accounts.

During the past four years, the government increased revenue considerably, which prompted the Prime Minister to heap praise on Ishaq Dar; however the rise in collections has been mainly through withholding taxes which are not on income (from rent or shares) but on sale and purchase of goods and services. This implies that the withholding taxes, which at present account for around 70 to 75 percent of total collections under direct taxes, are in the sales tax mode and whose incidence on the rich is much less than on the poor. There is a need therefore to revisit this reliance and make appropriate policy adjustments. In effect, the primary need is to increase revenue through reform of the tax system by enhancing documentation on the one hand and reducing reliance on indirect tax collections which are inherently unfair.

Shahid Khaqan Abbasi's decision to cancel all automatic weapons licences is unreservedly supported by this newspaper. Private militias of the rich and influential that include politicians, rich landlords and industrialists, have killed many who have mildly irritated the owner of such weapons and many innocent bystanders. One would therefore hope that before his term ends, which could be as little as 45 days, all licences for automatic weapons that have been issued are cancelled and more importantly the weapons confiscated.

One would also urge the new Prime Minister to heed good advice whatever its source. Sheikh Rashid in his speech to the assembly on the Prime Minister's election day made some valuable comments. He pointed out that exports are declining and require some remedial measures. One would hope that Prime Minister Abbasi, a graduate of the well-regarded University of California (Los Angeles) with a Masters from George Washington University in electrical engineering would take the time to understand the causes behind the decline in exports. He needs to evaluate whether the Ministry of Commerce may not be the only one to blame for the decline in exports or whether the Ministry of Finance also be held accountable for an overvalued rupee and delay in refunds.

Sheikh Rashid also brought the heavy reliance on foreign borrowing during the past four years to the Prime Minister's notice and, again, one would hope that he takes cognizance of this disturbing feature in our economy today which may be propping up the foreign exchange reserves but would, at the same time, hold the next government to ransom (with expectations of the country being compelled to go back on the IMF programme by next year or the year after); and is also debilitating the country's capacity to invest appropriate amounts in social and physical infrastructure. Sheikh Rashid did not mention the heavy reliance on domestic borrowing but that too requires an urgent remedial measure.

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Economy: Out of the frying pan?

Shabir Ahmed

Uncertainty is a killer for the economy. Has the TKO (technical knockout) delivered to MNS by the Court ended the uncertainty, calling for a bhangra a la PSX? Or has it set the stage for more known unknowns?

For the moment, at least nothing much has changed. Not even a regime change. The new 'short-let' resident of PM House comes wearing the MNS mask, promising a continuation of MNS policies, and largely the same MNS team.

All that has happened is a social media in overdrive, a last hurrah for the kaptaan, candles for Laal Haveli, and yet another return to the crease of that eternal jack in the box the Maulana from Canada.

But things could change. In six months' time, Adiala could be renamed old PMs home. Hudabiya may snuff out Accountant's over-lordship of the economy, and rob the brother of his inheritance. Some collateral damage!

Things could change even more, if we lend credence to the domino theory of some and wishes of certain others. We could well be scurrying for new political parties and election symbols. After all, what is PML-N without Nawaz, PPP without Zardari, PTI without Imran, JUI-F without Fazl? MQM read the writing on the wall but its rebranding efforts are yet to convince many. Asfandyars, Sherpaos, Achakzais, Mengals, Qadris et al don't really matter, and the good old Shaikh Rashid is loads of fun and…

Did we hear someone say uncertainty is over?

It is bad enough having to live with global winds of change that are beyond our control but impact our economic space. Our domestic policy spacetoo seems beyond our control: no party offers a well delineated programme and its implementation plan. Yes, each party has its manifesto, even if it doesn't quite believe in it, but it is full of platitudes and kept deliberately vague – to appeal to all and threaten none. Even JI, the noble exception to the rule, doesn't quite offer a programme. We all believe in the Great Book and its dictates, but where does JI stand on tax policy, for instance? Abolish all taxes? Do away with Monetary Policy Committee? Put banks out of business, if a large enough religious fig leaf can't be found? Where is all the money for the subsidies, implicit in its manifesto, going to come from? Can there be enough Ijarah Sukuks to cover the current account deficit if you are not going to borrow from abroad?

So where is the economy's compass?

Let's trawl our investment landscape in search of some clues. Our 'independent economists' (a uniquely Pakistani coinage – by definition no economist can be independent; economics is a very subjective discipline) never tire of reminding us of our appalling investment to GDP ratio, the lowest in the region. They also reflect on our national saving rates to suggest we have a marked propensity to consume. But, then, how do you explain obscene amount of money finding its way into stocks and real estate that some term 'non-productive'? Quite a chunk also finds its way abroad!

Why doesn't it occur to them that business decisions are predicated upon the risk-reward equation? If I am going to get a return on equity of 100% on real estate I will have to be the village dunce to invest in the manufacturing sector that yields this side of 20%, and that too after negotiating an arduous 'ease of doing business' obstacle course!

We have yet to see a government seriously address this fundamental tilting of investment decisions towards the so-called non-productive sectors. Guess the special interests are too hot to handle, as the Accountant soon learnt.

Investment decisions in long gestation ventures are not made simply on demand, competition and gross margin basis. Once the basic viability is established the investor looks at the 'real' determinants - interest, tax, and exchange rates, the import tariff structure. Here, more than 'optimal rates' he is looking for predictability. What government has committed itself to a road map showing how these determinants will pan out over the medium term? This is particularly crucial for FDI. Absent a modicum of predictability there is no way

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we can attract serious FDI, no matter how attractive a foreign investment package we offer.

Investors have their own way of reading the policy shorthand. Take the exchange rate. They look at the real effective exchange rate (REER) and the current account deficit and the tools available to the government to close the dollar gap and all but the most gullible will conclude that something needs to be done to an overvalued rupee. It is the 'how' part that they focus on: use clout to maintain the rupee at artificial levels, borrow more, devalue abruptly, or let it slide gently towards an equilibrium level. Of course, they know no central bank will ever display its cards, but investors are sharp readers of signs. The problem is that signposts are not reliable when you have a Prime Minister for 45 days, followed by another for nine months, followed by an interim one for three months. Literature calls it political risk, and in our case it out ranks all other risks.

We like to call a regime 'business friendly', mistaking overtures for seriousness. If the party voted in does not have an unambiguous plan of action for its time in office we really have no basis for determining how business friendly it is going to be.

Take also our pathetic ranking on the various indices, from human development to ease of doing business to competitiveness. General statements apart, does a single party tell us of the specific measures it will take to jack us up the rankings? We know it will take time, but we need a blue print to guide our business decisions.

Change of face – and we are going to have four Prime Ministers over the year - does not alter uncertainty. Unless governments can present the 'how' part, in no uncertain terms, uncertainty shall persist. Poor business decisions, led more by rent seeking than investment in greater competitiveness and efficiency, will follow.

Firefighting is a painkiller, not a cure. It will not prevent the economy from flying out of the frying pan into the fire. Getting serious about the precariousness of our economic situation might.

shabirahmed@yahoo.com

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Govt to borrow Rs3.75tr in 3 months

Shahid Iqbal

KARACHI: The government will borrow Rs3.75 trillion from the banking system in August-October, the State Bank of Pakistan (SBP) reported on Wednesday.

The government will borrow Rs3.45tr through market treasury bills (MTBs) and Rs300 billion through Pakistan Investment Bonds (PIBs) in the three-month period.

The government, which depends largely on domestic and foreign borrowing, will raise Rs304.6bn in addition to the maturing amount of about Rs3.39tr during this period.

The government has been borrowing heavily from the banking system for the last four years. This has put enormous pressure on banks' liquidity.

The government changed its strategy in 2016-17 and started borrowing from the central bank, leaving the liquidity of scheduled banks for the private sector. Resultantly, the private sector borrowed Rs748bn from banks.

However, the growing need for revenue in the final year of the government can turn its attention towards scheduled banks again.

The government depends on indirect taxes and borrowing from the banking system as it failed to increase direct taxes or improve the tax-to-GDP ratio.

The government is going to need heavy funds to finish important projects in the election year. Despite heavy borrowing from the central bank in 2016-17, the government borrowed Rs361bn from scheduled banks.

However, it was still less than Rs1.36tr borrowed in 2015-16.

The government started borrowing from scheduled banks in the last quarter of 2016-17.

The government has not been borrowing through long-term PIBs for the last couple of years. It will borrow Rs300bn through PIBs in August-October while the maturing amount is about Rs116.4bn. This means the government will raise additional Rs183.6bn over the three-month period.

The government raised Rs722bn through MTBs on Wednesday.

The biggest chunk was raised through three-month papers, reflecting the cautious approach of banks.

The government raised Rs575bn for three-month, Rs133bn for six-month and Rs17bn for 12-month papers.

Although inflation was relatively low in July, the market expects the consumer price index to go up in coming months.

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South Asia becomes global LNG hotspot

Last year's LNG imports by India, Pakistan were 25m tonnes, or 8pc of global demand

DHAKA: South Asia, long a backwater for energy markets, is emerging as a hotspot for liquefied natural gas (LNG), with Pakistan and Bangladesh set to join India as major consumers, helping to ease global oversupply that has dogged this market for years.

Only India and Pakistan currently import LNG in South Asia, taking in a combined 25 million tonnes, or eight per cent of global demand last year.

But with a fast-growing population, strong economic growth and soaring energy demand, more import projects are being developed, led by Pakistan and Bangladesh.

"Both countries already have extensive gas infrastructure due to legacy production from domestic gas fields," said Chong Zhi Xin, principal Asia LNG analyst at energy consultancy Wood Mackenzie.

"As domestic production has failed to keep up with demand, both markets are a natural fit for LNG imports." Pakistan only started importing its first LNG in 2015, and surprised some in the industry by developing its first terminal within schedule and budget.

A second is about to become operational and a third is expected to be completed next year.

With Bangladesh set to join the club of importers next year, the region could import 80-100m tonnes a year by the mid 2020s, analysts said, making it the world's second biggest import region, ahead of Europe.

Bangladesh, a country of over 160m people, could import as much as 2,500m cubic feet per day (mmcfd) of LNG, equivalent to around 17.5m tonnes per year, by 2025, said Nasrul Hamid, Bangladesh's state minister for energy and power.

With its own gas reserves depleting and seeking to almost double power capacity to 24,000-megawatt by 2021, Bangladesh is tapping cheap and plentiful supplies on world markets and investing heavily in LNG.

Several floating storage and regasification units (FSRU), the first developed by private US company Excelerate Energy, are due to begin importing cargoes starting in 2018.

"We are working on two FSRUs from which gas will start flowing (by) next July," Mr Hamid told Reuters.

Both FSRUs will be deployed off Moheshkhali Island in the Bay of Bengal, in the southeast of the country. They will have a combined capacity of 7.5m tonnes a year.

Two more FSRUs are planned, though no exact dates have been finalised. In addition, state-run Petro-bangla signed a preliminary deal with India's Petronet in December to set up an onshore terminal to regasify a further 7.5m tonnes a year of LNG on Kutubdia Island, just to the north of Moheshkhali, at a cost of $950m.

"By 2025, depending on our national demand, we will import anywhere from 2,000 to 2,500mmcfd gas," Mr Hamid said.

Those imports would add to plans from India and Pakistan to buy 50m and 30m tonnes of LNG per year, respectively, by the mid-2020s.

"LNG imports in South Asia are expected to rise four-fold from 22m tonnes per year in 2016 to over 80m tonnes per year by 2030," said Mangesh Patankar, head of Asia/Pacific business development at energy consultancy Galway Group.

Should all plans in the region go ahead and Sri Lanka also start imports, this figure could rise to 100m tonnes, industry data shows.

That would push South Asia's demand ahead of Europe as the world's second biggest LNG import region by 2020, though it would still lag North Asia's 150m tonnes of annual imports.

The boom in demand will help ease oversupply in LNG markets, which have resulted in a more than 70pc price fall from their 2014 peaks to $5.75 per million British thermal units.

Mr Hamid said Bangladesh was in talks with Qatar's RasGas and Indonesia's Pertamina for long-term deals, while it also planned to import significant amounts of its future demand via the freely traded spot market.

"We are looking for a mixture of both long-term contracts and the spot market," Mr Hamid said.

Rupantarita Prakritik Gas, part of Petrobangla, in June posted a notice looking for LNG suppliers for spot cargoes from 2018.

Not everyone believes Bangladesh and Pakistan will achieve their LNG ambitions.

"It is likely to be an overly ambitious target... China took more than 10 years to reach 20m tonnes of LNG imports. In India, it took 13 years to reach the same amount," said Mr Chong.

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Parameters of renewable, hydropower generation costs to be revised

Regulator proposes a 'competitive' change in tariff structure for the benefit of consumers

Khaleeq Kiani

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has decided to change key parameters of renewable and hydropower generation costs for tariff calculations in view of conducive market conditions and financing costs favourable to consumers.

The regulator has sought formal comments from the power sector stakeholders on proposed changes to the existing tariff structure before reaching a final conclusion and its formal notification.

The authority has decided to revise certain benchmarks and ceilings to be allowed for tariff components of generation projects.

Nepra added that it would continue in principle to move towards promoting the competitive mode in generation tariffs.

The regulator already had discussions with the State Bank of Pakistan, various commercial banks, development financial institutions and Islamic banks of different scale and exposure in the power sector on the subject.

The regulator has proposed that to benefit from prevailing low cost of debt and to complement SBP Re-financing Scheme of June 20, 2016 for Renewable Energy (RE) projects till the validity period of financial close till June 2019, it should be mandatory for all RE Projects to avail this credit facility at 6 per cent with the debt duration up to 12 years.

For the balance amount over Rs6 billion, spread will be allowed for RE projects with ceiling of KIBOR plus 1.75pc (except hydro) with saving in the spread to be shared in the ratio of 50:50 between power producer and power purchaser. For small hydro projects a spread ceiling up to 2pc over KIBOR can be allowed on justified grounds.

For projects (other than RE) which are not eligible to avail this SBP's refinance scheme, the sponsors will have to carry out the competitive process with a maximum ceiling of spread allowed of 2pc over KIBOR. The sponsors will be required to adopt a transparent competitive process.

For large hydro power projects, considering the larger gestation period and peculiar circumstances, a spread range of up to 2.5pc over KIBOR will be considered.

Furthermore, this range will be considered by Nepra as per project specific dynamic for either a competitive process or negotiated spread but without exceeding the 2.5pc limit.

In case of foreign financing, no change has been proposed to existing spread of LIBOR plus 4.5pc being allowed to various technologies at present. However, for large hydro power projects giving due consideration to long gestation specific risks, a spread up to 5pc will be allowed. In the event of saving over spread, the gain will be shared equally (50:50) between power producer and power purchaser.

Likewise, with export credit insurance (eg Sinosure, etc) already allowed, the spread will be rationalised upto LIBOR plus 3.5pc with saving initiative of 50:50 to be shared between power producer and power purchaser.

The regulator would continue to allow mix of local and foreign financing where it deems appropriate while the currency exchange rate fluctuation would continue to exist for foreign financing.

Also, the regulator has proposed that equity more than 20pc of the project cost should be treated as debt for all technologies, except hydro, to ensure optimal debt-equity ratio. For hydro projects, the debt-equity ratio will be decided on case to case basis but equity more than 25pc cost of the project would be treated as debt.

To ensure that the cost of idle funds during construction period is not borne by the consumers and more efficiency was being considered to be brought in to

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project's fund management during the construction period allowed, the regulator has also proposed changes to rate of interest and return on equity during construction.

For example, for all cost plus projects, the petitioners will be required to submit the closest approximation between the payments with the debt draw downs and equity injections suitable for the project at the time of tariff petition filing. This will be justified and ensured to be aligned for timely completion of project as per the construction period allowed the project technology.

Also, at least 90pc payments of all major project cost components (including EPC) should be simultaneously paid in counter-financed mode consistent to the debt-equity ratio allowed.

Alternatively, the interest during construction (IDC) will be allowed on justified actual drawdown basis whereas the returns on equity during construction will be fixed by the regulator with a predetermined equity injection timelines in tariff determination with no subsequent adjustment. Payment to the contractors, suppliers, etc, would be made directly through lenders. The date of payment by the lender will be considered as debt drawn for computation of cost of debt.

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Senators show concern about exchange rate fluctuation

Kalbe Ali

ISLAMABAD: Members of the Senate Standing Committee on Finance had a divided opinion on Wednesday about the central bank's decision to depreciate the rupee against the dollar on July 5.

The committee received an in-camera briefing by the senior management of the State Bank of Pakistan (SBP) about the recent rupee depreciation.

Sources said some senators considered the SBP's decision justified while others believed otherwise.

Members belonging to the ruling party said then acting SBP governor Riaz Riazuddin owned the move in a statement, which was inappropriate. He should have consulted the government beforehand, they said.

On the other hand, senators belonging to the opposition said the SBP was autonomous, adding that the subsequent intervention by then finance minister Ishaq Dar was uncalled for.

Committee Chairman Saleem Mandviwalla and Saud Majeed of the PML-N had a short interaction with journalists after the in-camera briefing. They said the committee members expressed concerns about the issue.

Mr Majeed stated the SBP's decision was wrong. It was subsequently proven as such by the correction in the currency market. The committee chairman said the decision to devalue the currency was right.

Meanwhile, sources said Mr Riazuddin told the committee that the drop of 3.1pc in the value of the rupee in the interbank market was a targeted move.

Mr Riazuddin told the committee that his decision was appropriate.

The market corrected itself the next day as private citizens holding the dollar poured foreign exchange into the market, he added.

SBP Governor Tariq Bajwa told journalists that an enquiry report has been finalised, but refrained from answering further questions in this regard.

He added that the in-camera briefing was held in view of the sensitivity of the matter.

Representatives of the Federal Board of Revenue told the committee the board's collection in the last fiscal year had a shortfall of Rs259bn as total receipts were Rs3.36 trillion against the target of Rs3.62tr.

DAWN
Thursday, 3rd August, 2017

Karachi businessman booked for Rs576m tax evasion

Mubarak Zeb Khan

ISLAMABAD: The Directorate of Intelligence and Investigation, Inland Revenue, has lodged a case against a Karachi-based businessman for tax evasion of Rs576.564 million.

A senior tax officer said that an FIR has been lodged against Usman Shahid under section 203 of Income Tax Ordinance read with section 3, 4 and 8 of the Anti-Money Laundering Act 2010.

The case was filed in the court of Special Judge Customs, Taxation and Anti-smuggling, Karachi. The I&I Department has launched investigation against tax evaders across the country under the money laundering act.

The tax evasion was worked out in a period of three years — Rs17.219m in 2014, Rs80.823m in 2015 and Rs478.521m in 2016.

He said that other amount will be added after determination of quantum/expenditure incurred on purchases for assets in the past four tax years.

According to the FIR, Mr Usman has been running a company named Southern Distributor and Southern Investment. According to the details, the taxpayer has knowingly and wilfully made offences of concealment of income, acquiring assets from proceeds of crime by committing predicate offence of tax evasion.

It was further alleged in the case that the taxpayer submitted inaccurate particulars to federal government in his income tax returns for 2011-12 up to 2015-16.

Mr Usman, according to the notice, has concealed his true revenue, turnover, income from government with intention of evading due tax.

It was further alleged that Mr Usman declared figures in the tax returns did not match with his actual figures when probed by the I&I Department.

According to the tax official, it is strange that a person who has not paid a single penny to federal government as an income has purchased six expensive properties in posh localities. “Its impact will be judged after determination of quantum expenditure incurred on these purchases of assets”, the tax official said.

Mr Usman, according to the case, has not filed the income tax returns for 2012-13. Similar, irregularities were detected in other tax returns.

DAWN
Thursday, 3rd August, 2017

Trading picks up momentum on cotton market

The Newspaper's Staff

KARACHI: Improved flow of phutti (seed cotton) allowed trading activity to expand on the cotton market on Wednesday.

However, short supply against higher demand kept prices steady.

There was strong indication that with increasing flow of phutti, the supply of quality lint will also improve. Phutti arrivals from Sindh continue to be higher due to early maturing of crop, therefore much of trading was noted in this variety.

However, supplies from Punjab were also improving.

The Punjab phutti variety was being quoted about Rs600 higher over its Sindh counterpart which has higher moisture content.

There are growing fears that in case the Punjab government does not take timely measures, pest attack could cause massive damage to the crop.

The Karachi Cotton Association (KCA) left its spot rates unchanged at the overnight level.

The following deals were reported on Wednesday: 600 bales, Sanghar, at Rs6,350; 400 bales, Hyderabad, at Rs6,350; 1,600 bales, Tando Adam, at Rs6,350 to Rs6,375; 1,000 bales, Shahdadpur, at Rs6,350 to Rs6,375; 400 bales, Sinjoro, at Rs6,350 to Rs6,375; 200 bales, Burewala, at Rs6,700; 100 bales, Gojra, at Rs6,700; 100 bales, Chichawatni, at Rs6,700; and 200 bales, Haroonabad, at Rs6,700.

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	**6,350**	**145**	**6,495**
40 Kgs	**6,805**	**155**	**6,960**

DAWN

Thursday, 3rd August, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	107.20	107.40
UK	139.02	139.28	140.75	141.75
Euro	124.50	124.74	125.80	126.80
S.Arabia	28.08	28.13	28.35	28.60
UAE	28.67	28.73	29.10	29.35
Japan	0.9503	0.9521	0.9583	0.9783

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.90	6.15
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for Aug 1

Three months	1.31056 %
Six months	1.45167 %

THE NEWS
Thursday, 3rd August, 2017

Public debt rises to Rs20.807 trillion in May

By Erum Zaidi

KARACHI: Pakistan's public debt increased by 11.38 percent against a year earlier to Rs20.807 trillion in May, the central bank's data showed on Wednesday.

The debt stood at Rs18.681 trillion as of May 31, 2016. More than 70 percent of the rise in public debt came from domestic borrowing, while increase in external debt remained moderate due to revaluation gains and slightly higher debt repayments during the period.

Within domestic borrowing sources, the government continued to rely on bank borrowing to meet its funding requirements. Domestic debt surged to Rs15.044 trillion at the end of May from Rs13.428 trillion in the same period of the last year. Analysts linked high public debt levels to increased development/security spending, widening budget deficit, lower tax and non-tax receipts, and sluggish foreign inflows.

In Pakistan, domestic debt influences the overall public debt as government's dependence on the banking system to finance the budget deficit is much higher. It's also interesting to note that the central bank is sharing the bulk of the burden of budgetary financing since the conclusion of the IMF-Extended Fund Facility in September last year.

The State Bank's figures showed that the composition of domestic debt saw a shift from long-term debt to short-term debt. Resultantly, the size of floating debt also went up during the period under review.

The short-term debt, including shorter tenor instruments mainly market treasury bills, rose to Rs6.867 trillion from Rs4.871 trillion a year ago. However, long-term debt saw a decline in build up, amounting to Rs8.177 trillion against Rs8.557 trillion in May 2016.

The government borrowed Rs3.981 trillion from commercial banks through treasury bills as of May 31, compared with Rs2.509 trillion in the corresponding period of last year.

The latest auction of t-bills indicated the banks' reviving interest in government short-term securities. Against a target of Rs650 billion, the government raised Rs712 billion in a t-bill auction held on Wednesday.

However, the government appears to be less willing to borrow more via Pakistan Investment Bonds. The government borrowing through PIBs fell to Rs4.316 trillion in May.

External debt, which includes the official and multilateral loans and the IMF assistance for budgetary support, surged to Rs5.762 trillion in May, compared with Rs5.253 trillion last year.

Analysts foresee the paces of public debt to remain up as the government continues to borrow cash from banks and external sources to narrow its budget gap.

The government plans new borrowing of Rs3.750 trillion from the banks via sale of t-bills and PIBs in August-October period.

The IMF called for strengthening fiscal consolidation over the medium, in line with the Fiscal Responsibility and Debt Limitation Act, which is necessary to address debt-related vulnerabilities.

THE NEWS
Thursday, 3rd August, 2017

Investor appetite tempts firms to issue Rs8.5bln worth of IPOs

By JJaved Mirza

KARACHI: Growing appetite of investors is piquing interest of companies to vie for bigger pie of funds from equity market as two consumer goods firms are ready for public offerings for more than eight billion rupees at Pakistan Stock Exchange (PSX).

Edible oil maker Dalda Foods Limited has planned to issue 82.5 million shares at a floor price of Rs85/share through the book building process in order to fund its expansion. Besides, AGP Pharma will be issuing 35 million shares constituting 12.5 percent of paid-up capital at a floor price of Rs40/share to broaden the company's shareholder base. Both the IPOs are expected in the next couple of months after the approval to prospectuses.

Khurram Schehzad, chief commercial officer at JS Global Capital said there is an appetite, which was evident from the over-subscription of two IPOs held this year, including Ittefaq Industries and Roshan Packages. "Investors are very much interested in new companies from new sectors coming to the bourse," Schehzad said. "Investment appetite of institutional, retail as well as foreign investors has increased and new industrial concerns are welcome at the market."

The analyst said there were more than a dozen IPOs in the range of Rs1 to Rs3 billion in the last couple of years. "Now big companies are opting for listing, and regulations would encourage (them)."

PSX has become the first self-listed stock market in south Asia after issuing its 160 million shares to public at a floor price of Rs28/share in June.

PSX emerged as the best performing market in Asia and fifth in the world in 2016 with 45 percent annual rate of return.

Dalda Foods Limited, in a statement, said the fresh equity from IPO will be utilised for making capital expenditure on Phase-II seed extraction plant to increase seed crushing capacity by an additional 500 tonnes/day to meet future demand. The food company has already invested Rs844 million in oil seed extraction factory, which was commissioned in 2013. Currently, the factory has a seed crushing production capacity of 300 tonnes/day.

"The proposed expansion will improve cost efficiencies, enable increased utilisation of locally-grown oil seeds, reduce impact of foreign exchange volatility and generate additional profits that will help fund future business opportunities," said the company.

Dalda Foods is engaged in the business of manufacture and sale of edible oils and fats, snacks and tea whitener. Its holding company DFL Corporation Private Limited also intends to divest partial shareholding from Dalda Foods.

The issue of Dalda Foods shares will be carried out through a combination of IPO and offer for sale. Of the total issue size, DFL Corporation will divest 52.5 million shares (15.9 percent of post-Issue paid-up capital) and the remaining 30 million new shares (9.1 percent of post-Issue paid-up capital of Dalda Foods) will be issued to the investors.

Dalda Foods was incorporated in 2004 as a private limited company after its exit from the group of Unilever Pakistan Ltd. Last year, its revenue was recorded at Rs29 billion.

Pharmaceutical manufacturer AGP began commercial operations in 1989 as an independent pharmaceutical manufacturing company in Karachi. It has grown steadily through manufacturing and marketing products under licensing arrangements with many companies of international repute and simultaneously through manufacturing and marketing of its own brands.

A leading Karachi-headquartered pharmaceutical company acquired AGP three years back. Since then, it has shown remarkable improvement as its revenue increased to Rs4.206 billion in 2016 from Rs3.338 billion in 2014.

THE NEWS
Thursday, 3rd August, 2017

Finance division calculates external public debt at $58.4bln

By Our Correspondent

ISLAMABAD: Finance division on Wednesday measured the external public debt at $58.4 billion as of end-March 2017, rejecting a misreported figure of $79.2 billion in media as a ‘mere projection’, which it said includes private sector external debt and liabilities.

Media reports said the present government added $35 billion to external debt of the country during the last four-year period.

“This is grossly wrong and misleading,” the finance division said in a statement. “Nominal increase in external public debt as of end-March 2017 is only $10.3 billion averaging at $2.57 billion per annum.”

The division said the net increase in external public debt was only $0.7 billion in the fiscal year of 2016/17 till end-March.

Finance division, on debt servicing, said its actual amount stood at $4.5 billion in 2014/15, $4.3 billion in 2015/16, and is projected to be $5.5 billion by end-June 2017.

The division said external debt accounts for only 29 percent of total public debt as of end-March 2017. Within total external debt, the largest component is multilateral and bilateral concessional debt, which is 87 percent.

“Loans from multilateral and bilateral development partners are primarily aimed at removing structural bottlenecks in the economy,” it added. “These loans, being concessional and long term, strengthen the debt repayment capacity of the country.”

The government said external debt sustainability has increased substantially during the last four years supported by a prudent debt management policy and macroeconomic stability. “Share of external loans maturing within one year has been reduced from 68.5 percent of official reserves at the end of June 2013 to 31.9 percent at the end of December 2016.”

THE NEWS
Thursday, 3rd August, 2017

India agrees to heed Pakistan's reservations over Indus hydropower projects

By Munawar Hassan

LAHORE: India has agreed to pay heed to Pakistan's reservations over Indus hydropower projects being built by the former according to the dispute resolution mechanism defined under the Indus Waters Treaty, officials said on Wednesday. "It is for the first time that India itself asked for resolving differences on Indus Waters Treaty as per accusation made by Pakistan," said an official.

India, for long, disagreed that the technical design features of the two hydroelectric plants (330 megawatts Kishenganga and 850MW Ratle) contravene the treaty. Yet, it agreed to continue discussion on the contentious issues under the aegis of the World Bank, which is a key mediator between the two countries, in future.

Recently, both the countries were engaged in talks to iron out differences over the construction of the plants being built by India on a tributary of the Jhelum and the Chenab rivers. "The Secretary-level discussions between India and Pakistan on the technical issues on the Indus Waters Treaty took place this week in a spirit of goodwill and cooperation," the World Bank said in a statement following Indus Waters Treaty meetings. "The parties have agreed to continue discussions and reconvene in September in Washington, DC."

The World Bank announced pausing of settlement process last year. Yet, the foreign lender restarted efforts to reach an amicable resolution of the matter and to safeguard the treaty.

World Bank Group President Kim Yong spoke several times with the finance ministers of both India and Pakistan, while the bank's Chief Executive Officer Kristalina Georgieva traveled to both the countries to meet with the officials. The World Bank Vice President for the South Asia Region Annette Dixon visited both the countries twice. Yong's Adviser Ian Solomon made multiple visits to the region.

In fact, the Bank's teams have convened dozens of meetings with various stakeholders to broker a deal. A variety of proposals have been discussed with both the countries on how to resolve the disagreement.

"Many of these ideas, or similar ones, would be worth pursuing and merit continued consideration," said the Bank.

The Indus Waters Treaty, signed by India and Pakistan in 1960, designates the two rivers as well as the Indus as the western rivers to which Pakistan has unrestricted use. India is permitted to construct hydroelectric power facilities on these rivers, subject to its adherence to the provisions of the treaty.

Indus Waters Treaty sets forth distinct procedures to handle issues which may arise. Therefore, Pakistan asked the World Bank, which is also a signatory to the treaty, to set up a court of arbitration to look into its concerns about the designs of the two hydroelectric power projects.

In contrast and visibly as a move to stall whole process, officials said India asked for the appointment of a neutral expert for the same purpose. Both India and Pakistan failed to resolve the differences at the platform of the Permanent Indus Commission and through government-to-government talks. During several months prior to December 12, 2016, the World Bank sought to fulfill its procedural obligations with respect to both the court of arbitration and the neutral expert.

THE NEWS
Thursday, 3rd August, 2017

India cuts rates by 25 basis points

Mumbai: India´s central bank Wednesday cut interest rates for the first time in almost a year amid sluggish growth and record-low inflation in the world´s fastest growing economy.

The Reserve Bank of India announced the benchmark repo rate -- the level at which it lends to commercial banks -- would be cut by 25 basis points to 6 percent, a near seven-year low. The interest rate last sat at 6 percent in September 2010.

The cut -- the first since last October -- was predicted by 41 of 57 economists polled by Bloomberg News, with the rest anticipating no change.

Finance Minister Arun Jaitley called for a reduction in the key policy rate in June after retail inflation fell sharply from 2.18 percent to 1.54 percent -- the lowest since the government started tracking it in its current form in 2012.

New Delhi has kept an inflation target of 4 percent, with room for a 2 percent increase or decrease. The June data was the first time the lower end of that band has been breached, experts said. Rates are set by a six-member committee at the central bank.

RBI governor Urijit Patel said four voted for a cut of 25 basis points, while one pushed for double that and another for rates to remain unchanged.

Patel said low inflation and the successful rollout of the national Goods and Services Tax on July 1 helped steer the decision. "These factors... opened up some space for monetary policy accommodation," he told reporters.

THE NEWS
Thursday, 3rd August, 2017

EFP rejects SESSI governing body nominees

By Our Correspondent

KARACHI: Employers Federation of Pakistan (EFP) has rejected the employer nominees on the governing body of Sindh Employees' Social Security Institution (SESSI).

EFP president Majyd Aziz in a communication to Sindh Labour Department Secretary wrote the nominations violated the constitution of the governing body of SESSI.

The EFP taking note of the SESSI notification dated July 14, 2017, said under Section 5 (2) of the SESSI Act 2016, the employer representatives should be chosen from a list of names submitted in the prescribed manner by the Organisations of Employers recognised by the government for that purpose.

The EFP said two out of three nominees were from Karachi Wholesale Grocers Association which was not even in the list of 19 employer organisations recognized by SESSI. It alleged that the decision makers had nominated “puppets” who were small traders rather than genuine industrialists.

Aziz said the social security institution was run on the sole financial contributions made by industrial employers, and the amount was meant to be used for providing benefits to the industrial workers.

“It is difficult to understand how the government could even consider it relevant to seek protection of the interest of the industrial employers and workers from a grocers association from where 2 out of 3 employer representatives have been nominated.”

He said this spoke volumes about the mala fide and ill-intentions behind the nominations, and the resultant scandals, financial miss-administration, and huge misappropriation continuously being reported and suspected with contributions collected from industrial employers.

Aziz also said EFP has always been raising its voice for the ppointment of representative employer organisations on the Governing Body of Statutory entities under the Labour Laws for ensuring good governance and accountability.

The Sindh government, by ignoring the EFP’s nominations on the SESSI governing body, has given the message that it has no intention to follow the constitutional protocol provided in the national and international instruments as envisaged by ILO through International Labour Standards.

EFP president also pointed out that Pakistan has ratified ILO Convention 144 Tripartite Consultation (International Labour Standards) Convention 1976. “Under this convention the federal and provincial governments are under obligation to interact only with the representative employers and workers organisations in the country that are constituents of the tripartite consultative mechanism.”

The EFP demanded that the illegal notification dated July 14, 2017 be immediately cancelled and the reconstitution of the governing body of SESSI be made in full compliance with the requirements of legislation and international instruments.

THE NEWS
Thursday, 3rd August, 2017

Cotton firm

Karachi

Active trading was witnessed at Karachi Cotton Exchange on Wednesday while spot rate remained unchanged.

Spot rate was unchanged at Rs6,350/maund (37.324 kilogramme) and Rs6,802/40kg. Ex-Karachi rates also remained firm at Rs6,495/maund and Rs6,960 a 40kg after addition of Rs145 and Rs155 as upcountry expenses, respectively.

One analyst said more than 60 ginning factories started operation in Sindh and around 10 in Punjab.

Karachi Cotton Market recorded nine transactions of around 5,000 bales at a price of Rs6,350 to Rs6,700 a maund. Of which, 600 bales were traded from Sanghar, 400 bales (Hyderabad), 1,600 bales (Tando Adam), 1,000 bales (Shahdadpur), 400 bales (Sinjhoro), 200 bales (Burewala), 100 bales (Gojra), 100 bales (Chichawatni) and 200 bales were traded from Haroonabad.

The Nation on Web
The Nation
Thursday, 3rd August, 2017

Senate body expresses displeasure over increase in GST on oil products

Let Ogra fix POL prices or abolish it: MPs

Govt missed tax collection target for FY2016-17 by Rs259b

IMRAN ALI KUNDI

ISLAMABAD - The Senate standing committee on finance and revenue on Wednesday expressed displeasure on the bureaucracy's move to enhance general sales tax (GST) on high-speed diesel (HSD) and petrol without getting approval from the Prime Minister and federal cabinet.

The Federal Board of Revenue (FBR) on Tuesday increased the GST rate on high-speed diesel (HSD) and petrol to 40 per cent and 23.5pc respectively to generate windfall revenues for the government by not passing on the benefit of a fall in international oil prices to consumers. The Senate committee, which met under the chair of Senator Saleem Mandviwalla, noted that how bureaucracy could enhance taxes sans approval of the Prime Minister and federal cabinet.

"Sales tax on petroleum products could not be increased without approval of the competent authority," said Senator Mohsin Laghari. He further said that FBR's decision of increasing taxes on oil products deprived people from the lower prices of HSD and petrol.

Mandviwalla said that Oil and Gas Regulatory Authority (OGRA) should determine oil prices in the country. The government should abolish OGRA if government fixes petroleum products prices, he added.

The committee members and FBR chairman Tariq Pasha exchanged hot words on the issue.

Chairman Committee Senator Saleem Mandviwalla said that Chairman Senate has asked the FBR to provide tax details of Sharif's family in the committee, which was presented in the Joint Investigation Team (JIT) that probed Panama papers case. He further said that Chairman Senate has asked the FBR to provide the aforesaid record. Chairman FBR said that they would present the record to the committee.

Chairman FBR Tariq Pasha informed the Senate standing committee that government had missed the tax collection target by Rs259 billion during previous financial year 2016-17. The target was missed due to lower taxes on oil products, seeds and fertilizers. He informed the committee that FBR had collected Rs3362 billion during the year 2016-17 as against the original target of Rs3621 billion, which was later revised to Rs3521 billion. Despite missing the target, the collection had shown growth of 8 percent on yearly basis, he added.

Sharing details, Pasha informed that FBR had suffered shortfall of Rs111 billion due to reduced General Sales Tax (GST) on oil products, Rs16 billion due to reduced GST on fertilizers and Rs7 billion due to lesser tax on seeds.

The committee also discussed the recent rupee depreciation against US dollar in a single day. Governor State Bank of Pakistan Tariq Bajwa said that they could not share the reasons of rupee depreciation in the presence of media, as it would lead to speculations for dollars value. Later, the committee held in-camera session on this issue.

Deputy Governor Riaz Riazuddin, who was acting governor when dollar value was increased, told the committee that there was no pressure from the government on it.

Committee chairman Senator Saleem Mandviwalla said that government is trying to control the dollar value. He further said government has artificially controlled the dollar value.

The Senate standing committee on finance and revenue was informed that Auditor General of Pakistan had conducted audit of cellular companies including PTCL during 2013-14. The officials informed that there were some issues relating to withholding tax and Federal Excise Duty. We had presented the report in the Public Accounts Committee, they added.

The committee has also discussed the role of State Bank of Pakistan in JIT that probed Panama Papers case. Chairman committee asked from the Deputy Governor SBP whether they received directions from ministry of finance regarding Panama Papers case. However, the Deputy Governor SBP refused it. The PML-N Senators said that committee should not discuss the issue as Supreme Court had already announced its decision on case.

The Nation on Web
The Nation
Thursday, 3rd August, 2017

Implementation of textile policy priority of govt

ISLAMABAD - The government is working to implement the textile policy 2014-15 on priority in its true spirit and for maximum benefit of the industrial sector.

Ministry of Textile through implementation of the policy will provide incentives worth Rs 162 billion for the modernization and development of textile sector, a senior official of Ministry of Textile told APP here on Wednesday.

"Textile sector will get Rs 162 billion out of the Rs 180 billion "Trade Enhancement Package" announced by Prime Minister Muhammad Nawaz Sharif." The package is for a duration of 18 months starting from January 2017 to June 2018.

The government had given relaxation on the import of textile machinery to enhance the capacity of the textile sector, he added.

The official said that through this package cost of doing business would decrease which would lead to further boost in business activities. Replying to a question, he said, "We introduced 16 new varieties for cotton."

He said the Ministry had started a training programme for cotton growers to help them control pest and better manage crops.

About 5,000 progressive farmers and workers of field extension sections of the provincial agriculture departments were initially trained to control pest and manage crops, he added.

The Nation on Web
The Nation
Thursday, 3rd August, 2017

ICCI welcomes PM's plan to widen tax net

ISLAMABAD - The Islamabad Chamber of Commerce and Industry (ICCI) on Wednesday welcomed the announcement of newly elected Prime Minister Shahid Khaqan Abbasi to widen the tax base of the country by bringing every affluent individual, including those sitting in the parliament, into the tax net in order to improve the tax revenue and ensure better socio-economic development of the country.

Khalid Iqbal Malik, President ICCI, said the announcement of new Prime Minister that "those who do not pay tax and are living a luxurious life will have to pay tax now" was very encouraging as our country badly needed enhanced tax revenue to improve infrastructure and uplift living standards of its people.

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He said that Pakistan has great scope to mobilize additional tax revenue as according to Federal Board of Revenue's own analysis, our country has the potential to collect Rs.5500 to Rs.6000 billion tax revenue. However, he wondered why no serious efforts were made so far to exploit this huge tax potential.

ICCI President said that according to FBR's own report, active taxpayers for the year 2015 were only 1.20 million out of which almost half were salaried persons. He was of the view that Pakistan could not achieve better economic development without bringing all potential taxpayers into the tax net.

He said that National Database and Registration Authority (NADRA) had reportedly offered to share a list of around 795,000 potential taxpayers with FBR who were not on the tax role and had asked for a specific percentage of tax collected from these cases as its share. He called upon the Prime Minister to issue directions to NADRA that being a government organization, it should fully cooperate with FBR in efforts aimed at identifying new taxpayers.

Khalid Iqbal Malik said that the prevailing complicated tax system was one of the major constraints in promoting tax culture and urged that FBR should focus on simplification of tax system to make it fair and just. He assured that ICCI would fully cooperate with the government in efforts aimed at broadening tax net in the country

The Nation on Web
The Nation
Thursday, 3rd August, 2017

Ministry of Textile Industry trains 4,514 cotton growers

ISLAMABAD (APP): Ministry of Textile Industry, in collaboration with other stakeholders, has trained about 4,514 cotton growers in order to enhance the output of major cash crop across the cotton growing areas of the country. As many as 103 training programmes were conducted across the crop growing belt, in addition to airing 17 radio programmes and TV shows to create awareness among the farming community, said Cotton Commissioner, Dr Khalid Abdullah. Talking to APP here on Wednesday, he said that the farmers were provided training about off-season crop management, pink ballworm management and cotton verities selection for the cultivation. They were also trained about the soil preparation to achieve higher per acre cotton crop output to maximize the farm income by producing the clean cotton crop, he added. He further informed that 52 training programmes were organized in Punjab province and trained 2,162 farmers about the off-season crop management.

Meanwhile, 24 training sessions were conducted in Sindh and 27 in Khyber Pakhtunkhwa and Balochistan provinces respectively to create crop management awareness among the farmers of these areas, he added.

Dr. Abdullah said that about 1,322 farmers of Sindh Province were provided training about off-season crop management. Besides, 1,030 farmers from Khyber Pakhtunkhwa and Balochistan were also trained respectively.

He said that besides these training programmes 3 Kissan melas were also organized to create awareness about off-season crop management to overcome the threats of pest attacks on cotton to avoid possible damages for the crop.