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APTMA Punjab urges government to bear Rs 3.63 electricity surcharge

RECORDER REPORT

The All Pakistan Textile Mills Association (APTMA) Punjab Chairman Syed Ali Ahsan has urged the Punjab government to take the burden of Rs 3.63 electricity surcharge to save the Punjab-based textile inndustry from a total collapse He said already 30 percent of the production capacity has been shut down besides 30 percent decline in exports in terms of quantity across the value chain.

Furthermore, he said, 30 percent decline in cotton production during the last two crop seasons has added to the miseries of textile industry, which is in addition to ever growing energy price disparity within the country," he added. He said the energy is being made available to the industry in other provinces at Rs 6 a kWh as against Rs 11 a kWh to the Punjab-based industry with additional burden of Rs 100 billion annually.

He said the Lahore High Court has already declared the electricity surcharge as illegal. However, the matter is yet pending with the apex court since last two years. He said the textile industry cannot sustain unjust burden and it is neither the source of theft nor non-recovery/line losses. He urged the Chief Minister Punjab to take textile industry in confidence in order to ensure either federal government to provide relief of Rs 3.63 to the exporting industry or else the Punjab government bear the burden for the revival of industry.

It is pertinent to mention that the textile industry has very important backward and forward linkages with the agriculture and cottage industry in the country. It is more important in terms of value and job creation. He said not only the closed capacity would get revived but the sector would also attract investors to undertake further investment decisions if the issue of energy price parity is addressed, especially in the wake of creating synergies and joint ventures with Chinese counterparts under CPEC.

He said the Prime Minister's Textile Industry Trade Growth Package was announced on 10th January but the industry was yet looking for the finance minister to allocate and release funds to the State Bank of Pakistan for payment to the exporting companies against realisation of export proceeds. He said it is need of the moment for the government to honour its commitment as announced by the prime minister.

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Govt struggles to arrest grim export slide

MUSHTAQ GHUMMAN

ISLAMABAD: Commerce Ministry's top officials are engaged in internal discussions on whether the newly appointed Secretary Commerce, Younus Dagha, would be empowered to arrest and reverse declining exports.

The country's exports declined by 12 percent during the first eight months of the current fiscal year as compared to the same period last year but contraction is above 17 percent if compared with $ 25.13 billion of 2014.

Commerce Ministry is engaged in identifying the pros and cons of domestic and international factors that are acting as impediments to exports and invariably shift the major responsibility for the decline in exports on other Ministries including Finance Ministry and Federal Board of Revenue under its administrative control as well as Ministry of Water and Power and Petroleum and Natural Resources.

Commerce Ministry believes that the Pak rupee is overvalued. Since November 2013, many currencies have significantly depreciated- Indian Rupee by 7 per cent, Chinese Yuan by 8 per cent, and South Korean Won by 10 per cent; however Pakistan's currency remains over valued with the objective of understating the rising external indebtedness, a policy supported by the Ministry of Finance and which has had a major negative impact on our exports.

In addition, exporters have been priced out of the international market due to delays in refunds by FBR which have compelled exporters to procure loans from commercial banks for operating expenses – loans that have driven up the cost of production making our export items uncompetitive internationally.

Pakistan's exports performance has witnessed a declining trend since 2015. After a positive growth of 2.75 percent, exports registered a negative growth of 4.88 percent in FY 15 and 12.11 percent in FY 2016.

Minister for Water and Power, Khawaja Asif, stated that Younus Dagha had been transferred to the Commerce Ministry, to arrest and reverse declining exports. Younas Dagha in a message to his friends after the transfer from Water and Power Ministry said "the new assignment as Secretary Commerce is even a tougher challenge in view of falling exports".

The sources told Business Recorder that the day the newly appointed Secretary Commerce was to attend his new office Commerce Minister Engineer Khurram Dastgir arrived at his office at the official opening time of 8 o'clock but found no official present in the Ministry.

Commerce Ministry recently conducted an analysis of the effectiveness of Trade officers in Pakistani Missions abroad, a posting that cost the exchequer Rs 1.71 billion in 2016-17 – reflecting a year on year increase of 27.3 per cent. The bulk of the expenditure went on salaries, repair and maintenance of offices. However, Senate Standing Committee on Commerce headed by Senator Syed Shibli Faraz argued that Trade Officers' performance was not up to the mark despite expenditure of billions of rupees.

"The decline in export performance is an outcome of a combination of both endogenous and exogenous factors. Apart from these two broad categories of factors, there are certain product specific issues that have led to the decline," the sources continued.

According to Commerce Ministry, a major factor constraining Pakistan's exports growth has been the slowdown in the economies of its key importing partners- China and the EU. China has experienced the lowest growth over the last 25 years. The demand for consumer items from

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Pakistan like seafood and leather products has also declined as the overall Chinese economy slowed down.

Another reason, Commerce Ministry claims was a steep decline in exports of Singapore, China and Afghanistan. China has continued to reduce its demand for Pakistani yarn and fabric as competing countries are undercutting their prices significantly.

Another significant factor is that China's imports are now more inclined towards high-tech products instead of low-tech products like textile and footwear.

Other factors which impacted on Pakistan's exports are: (i) change of taste and preferences; (ii) supply side constraints; (iii) low investment in export sector; (iv) market concentration; (v) lack of value addition; (vi) trade facilitation ; (vii) narrow export basket; (viii) petroleum top naphtha; (ix) jewellery; (x) agriculture products; (xi) cotton and textile; (xii) cement; and (xiii) Basmati rice.

Interestingly, both Strategic Trade Policy Framework (STPF) 2015-18 and recently announced Prime Minister's export package have so far failed to arrest the decline in exports.

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THE RUPEE: Minor changes

RECORDER REPORT

KARACHI: Little changes were seen on the money market on Tuesday as the rupee almost sustained its overnight levels against the dollar on Tuesday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee shed one paisa in relation to the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, they said.

OPEN MARKET RATES: The rupee was unchanged in terms of the dollar for buying and selling at Rs 106.10 and Rs 106.30 respectively, they said. It extended overnight fall, losing 40 paisas in terms of the euro for buying and selling at Rs 113.000 and Rs 114.50 respectively, they said.

Open Bid	Rs. 106.10
Open Offer	Rs. 106.30

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pakistani rupee remained strong for the second consecutive day against the major currencies including the US dollar and the British pound in the local currency market on Tuesday.

According to the currency

In the second Asian trade, the safe-haven Japanese yen gained broadly on Tuesday as a risk-averse mood spread through the broader markets, while the Australian dollar retreated to a three-week low after the country's central bank raised concerns about domestic labour conditions.

Investor appetite for risk has been dulled this week by a number of factors, including an anxious wait for an upcoming meeting between US President Donald trump and Chinese President Xi Jinping and a suspected suicide bombing in St Petersburg, Russia.

The dollar is feeling pressure against the yen from an interest rate spread point of view, with Treasury yields dealer, the US dollar resumed trading on a negative note and remained under selling pressure amidst lack of buyers' interest in the market. Consequently, it further slid to 106.05 and Rs 106.30 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 106.10 and Rs 106.40 respectively, they added.

Likewise, the local currency also followed the same suit versus the pound sterling. The pound's buying and selling rates further depreciated from Monday's closing rates of Rs 131.08 and Rs 132.08 to Rs 131.00

having fallen to one-month lows as Wall Street despite decent data, said Shin Kadota, senior strategist at Barclays in Tokyo.

The dollar extended overnight losses and was down 0.4 percent at 110.440 yen after hitting 110.370, its lowest in a week. The euro lost 0.5 percent and the Australian dollar fell 0.7 percent against the yen.

The dollar was trading against the Indian rupee at Rs 65.02, the greenback was at 4.4300 versus the Malaysian ringgit and the US currency was at 6.8835 in relation to the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Tuesday: 79.70-79.70 (previous 79.70-79.70).

and Rs 132.00 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee remained firm against the dollar at the open currency markets of Islamabad and Rawalpindi here on Tuesday.

The dollar opened at Rs 106.50 (buying) and Rs 107 (selling). It closed at the same rate.

Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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IMF mission overly security conscious?

ZAHEER ABBASI & FAZAL SHER

ISLAMABAD: The International Monetary Fund (IMF) has not come to Pakistan for Article-IV consultations due to security reasons, said an official of the Fund on condition of anonymity.

Talking to Business Recorder on telephone, the IMF official said that discussions are being held in Dubai and security clearance was not given to the mission due to the recent spate of terror attacks in various parts of the country.

Security sources told Business Recorder that there are no fresh threats of terrorism in the twin cities of Rawalpindi and Islamabad, however the possibility of terrorism cannot be ruled out.

They further stated that subsequent to Lahore and Sehwan Sharif terrorist attacks on February 13 and February 16, respectively, National Counter Terrorism Authority (NACTA) had last issued a security alert for the twin cities of Rawalpindi and Islamabad on February 17, 2017.

The 13th Economic Cooperation Organisation (ECO) Summit was attended by leaders of nine countries including five presidents and four prime ministers on March 1 in the federal capital and this was possible, informed sources stated, due the law enforcement agencies making level one security arrangements for this mega event.

This event was followed by another major event, the Asian Parliamentary Assembly (APA), on March 14 which was attended by parliamentarians from 23 countries including India.

The discussions, started under Article-IV in Dubai on March 28, 2017 and are expected to conclude today (Wednesday), he said.

On Friday, Finance Minister Ishaq Dar left for Dubai to join the Pakistan delegation for the ongoing Article-IV consultations with the IMF team led by Harald Finger, IMF Mission Chief for the completed $6.64 billion Extended Fund Facility to Pakistan.

According to Finance Division, the Minister was given a detailed briefing by senior members of the Pakistan delegation soon after his arrival in Dubai on the first round of the three-day discussions from March 28 to April 5.

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OTCA ends strike as provinces agree to defer move till June 30

WASIM IQBAL

ISLAMABAD: The provincial governments have agreed to defer the imposition of double sales tax till June 30 to end up the strike announced by the Oil Tankers Contractors Association (OTCA).

The OTCA announced to end the strike on Tuesday after its successful negotiations with the Ministry of Petroleum and Natural Resources, according to OTCA Chairman Raja Saeed.

The Oil Tanker Contractors Association was earlier on a strike against the service sales tax. The government assured the association that recovery of the tax has been postponed until June 30.

Talking to media persons after the meeting of National Assembly Standing Committee on Petroleum and Natural Resources, Shahid Khaqan Abasi said that the imposition of ‘double taxation’ on services is a provincial matter. He said imposition of double general sales tax on inter-city transportation on POL products is a matter between two provinces. He suggested that provincial government should evolve a strategy to resolve the taxation issue permanently.

Abbasi assured that there is no fuel crisis in the country. He revealed that 21 days storage of fuel is available.

In his separate statement, Director General Oil Abdul Jabbar Memon said that stock of 280,000 tons petrol is in storage which can meet the demand of whole country for 17 days.

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PSO ensures fuel supply across country

KARACHI: The country's leading oil marketing company, Pakistan State Oil (PSO), has informed that it ensured fuel supply across the country and maintained ample stock levels so as to meet the consumer needs amid the strike called by the Oil Tankers Association. PSO informed that there is no shortage of fuel anywhere in the country as it ensured seamless fuel supply to all retail outlets 24/7.

The Oil Tankers Association observed a strike to protest imposition of sales tax by provincial tax authorities, which was called off yesterday after successful talks with the government. Quashing fears of any fuel shortage, sale of fuels continued as normal at all PSO outlets, unaffected by the said strike. Pakistan State Oil has ensured seamless supply of fuel and is committed to maintaining it at all times in order to effectively meet the nation's energy needs.—PR

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CNG stations closed in Punjab for four days

LAHORE/ISLAMABAD: The supply of gas to CNG stations across Punjab and in Islamabad was suspended early Tuesday for a period four days.

The Sui Northern Gas Company apprised the CNG Association that the supply of gas will remain suspended due to maintenance of LNG terminal.

Sources said that the government seeks to conserve gas this way and supply it to power stations for generating electricity as the power shortfall has reached 5500 MW.

They said that generation of hydel power has been reduced in the country due to shortage of water in dams and the government has decided to supply gas to the power plants on urgent basis to meet the shortfall.

The fuel stations will reopen at 7am on April 8.—INP

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Draft HS 2017 version of PCT:

FBR asks stakeholders to give comments by 20th

RECORDER REPORT

ISLAMABAD: The Federal Board of Revenue (FBR) has given deadline of April 20, 2017 to the stakeholders to give comments on the draft HS 2017 version of Pakistan Customs Tariff for accurate classification of imported goods for assessment of duties and taxes.

It is learnt that the FBR has issued the draft HS 2017 version of Pakistan Customs Tariff and it is uploaded on FBR website for feedback/input of all the stakeholders which may be sent to Customs Wing of FBR up to April 20, 2017. The new HS 2017 version of Pakistan Customs Tariff is expected to be issued in coming budget.

According to sources, the HS 2017 version of Pakistan Customs Tariff has mentioned PCT codes and description of the items/goods. It has given description of 9,706 items of the Pakistan Customs Tariff.

Sources said that Pakistan Customs follow the HS Code (Harmonised System Codes) or PCT Codes (Pakistan Customs Tariff Codes) for classification of goods. These codes consist of 8 digits where first two digits represent chapter and second 2 represent sub- chapter and after decimal place 4 digits represent code of item.

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Gwadar free Zone:

Chinese, Pakistani engineers complete 60pc of work

BEIJING (China): Chinese and Pakistani engineers have completed 60 percent of the first-phase construction of Gwadar's free zone which was expected to be completed by the end of this year, Deputy General Manager of Gwadar Free Zone Company Hu Yaozong said.

"Chinese engineers and their Pakistani counterparts are working round the clock in the construction site with the hope of seeing the free zone is open to operation as early as possible," he told 'China Daily' in an interview on Tuesday.

The free zone is a key step towards developing the Gwadar Port into an important regional hub that will benefit not only south Asia, but also the countries in Central Asia and the Middle East.

The free zone covers about 923 hectares of land and will be developed in four phases. It is designed to take advantage of Balochistan's rich fishery and mineral resources to develop relevant industries for overseas market and to develop light industry for the domestic consumption.

As a part of the light industry plan, China's Linyi overseas market, a comprehensive shopping mall project, will soon be introduced into the free zone.

"The Linyi market in Gwadar will develop an overseas warehouse so as to make their goods not only available in the Pakistan market, but also in markets around the region," Hu said.

According to Hu, the first round of investment has almost completed with projects on fishery and electric motors settled and business center enterprises moved in.

The second-phase construction of the free zone is featured with a huge stainless steel factory, which, Hu added, would create a considerable number of jobs for locals in Gwadar, which has a population of less than 100,000.

With the further development of the port and free zone, work forces in other villages around Gwadar are expected to flow into Gwadar.

According to Hu, a training school donated by China will be completed soon. After short-term training, local people are expected to find a position in the developing Gwadar, he said.

Director General of Gwadar Port Authority (GPA) Munir Ahmad Jan also shows high expectations on Gwadar's future.

Besides Chinese and Pakistani investors, a lot of investors from other countries have come to the GPA to consult on business opportunities in the free zone, he said.

In 2016, the Pakistani government issued a financial act which ensured a 23-year tax exemption policy for the Gwadar free zone in a bid to attract more international investors.

Jan said as business people have seen the bright future of the Gwadar port, a lot of Pakistani real estate investors came to Gwadar to purchase land.

He said the land prices now in Gwadar are increasing fast and real estate related industries have witnessed real momentum in the small city.

"We feel that Gwadar's free zone area needs further expansion and we have requested for more area," he said.

"China and Pakistan have an equally long history, but China developed rapidly due to sincere Chinese leadership and now it has become the leading economy in the world. We shall try to maximize our experiences, cooperation and assistance from China to develop our own country and improve common people's lives," Jan told Xinhua.

The development of the Gwadar port is not only in the economic field, but also at a broader social level.

A vessel carrying construction material from a China-donated emergency center reached Gwadar in March.

The medical center, which will

come into service as early as in May, is designed to carry out basic diagnosis and treatment, conduct small surgeries and emergency rescues.

It will initially be operated by Chinese medical teams and be gradually handed over to the Pakistani side in the future.

In September last year, a China-donated primary school came into use in Gwadar. The school had planned to enroll about 150 pupils, but more than 300 students of different grades attend the school as many locals believed that the school had better teachers and facilities.

“We are very thankful to the Chinese people who have long been very active in Pakistan’s infrastructural development. I think our relationship will be further strengthened with the passage of time because of the sincere leadership on both sides,” Jan concluded.—APP

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US trade deficit falls from two-year high

- **Exports rise 0.2pc; imports decline 1.8pc**

WASHINGTON: The US trade deficit fell from a near two year high in February as slowing domestic demand weighed on imports and stronger global growth boosted exports of American goods.

The politically sensitive trade gap with China narrowed sharply by 26.6 percent from January to $23 billion ahead of a summit between President Donald Trump and China's Xi Jinping this week, although seasonal factors were likely behind the dramatic drop, economists said.

The Commerce Department said on Tuesday the trade deficit declined 9.6 percent to $43.6 billion, also as exports increased to their highest level in more than two years, after rising to a near two-year high of $48.2 billion in January.

"The U.S has its work cut out for it if it is going to try to alter the pattern of trade that has developed between China and US companies over the last 10 to 20 years," said Chris Rupkey, chief economist at MUFG Union Bank in New York.

Economists had forecast the overall trade gap falling to $44.8 billion in February. When adjusted for inflation, the deficit decreased to $59.7 billion, with exports of goods the highest on record as an earlier drag from a strong dollar fades.

The real trade deficit was $65.1 billion in January.

Despite the decline in the real trade deficit, trade will probably be either neutral or impose a small drag on gross domestic product in the first quarter after subtracting 1.82 percentage points from fourth-quarter growth.

In addition to trade, weak consumer spending also likely constrained the economy in the first three months of the year.

The Atlanta Federal Reserve is forecasting GDP rising at a 1.2 percent rate in the first quarter, a deceleration from the 2.1 percent pace logged in the October-December period.

A second report from the Commerce Department on Tuesday showed new orders for US-made goods increased for a third straight month in February on growing demand for machinery and electrical equipment, suggesting the manufacturing-led recovery was broadening.

In February, imports of goods and services fell 1.8 percent to $236.4 billion amid declines in imports of cell phones and motor vehicles. Imports had risen in recent months, in part on higher oil prices.

Some of the decline in imports in February likely reflects slower consumer spending. Data on Friday showed real consumer spending decreased for a second straight month in February, the first back-to-back monthly decline since April 2009.

Still, food imports hit a record high in February and imports of capital goods were the highest in nearly two years.

Exports of goods and services increased 0.2 percent to $192.9 billion, the highest level since December 2014 as shipments of automobiles and parts hit their highest level since July 2014. Exports of industrial supplies and materials were the highest since December 2015.

The nation exported more goods to Germany, the United Kingdom, Canada, Japan and Italy. However, exports to China fell 2.7 percent and Mexico saw a 7.1 percent drop in goods sourced from the United States.—Reuters

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Budget 2017-18:

PBA submits recommendations to FBR

KARACHI: The Pakistan Banks' Association (PBA) has submitted, this year, as well, its recommendations for federal budget 2017-2018 for the banking sector to the FBR.

Pakistan's banking sector is one of the largest contributors to the Exchequer. In the year ended Dec 31, 2016, it paid total taxes of over Rs 140 billion and collected and paid to the FBR over Rs 134 billion as withholding tax. Therefore, the total contribution to the exchequer from members of the PBA was over Rs 274 billion.

This has enabled the banking industry to continue playing an integral role in the economic development of the country and supporting major initiatives of the government, the FBR and the SBP.

Some of the PBA's key recommendations for Federal Budget 2017-18 are:

Deletion of Section III (4) of ITO 2001 and amendment of Pakistan Economic Reform Act (PERA 1992) by excluding all persons resident in Pakistan, as this section presently provides immunity to a tax payer on the source of an amount which has been remitted from outside Pakistan in foreign exchange through the banking channels. In PBA's view, the provisions are often misused as some businessmen may remit undeclared income through unofficial channels, which is then brought into Pakistan in foreign exchange through banking channels. While no taxes are paid on such (undeclared) income, it can be laundered into white money at a small cost of 3 to 4 percent. This recommendation of the PBA will help curb the practice of whitening of money under the umbrella of PERA.

While the Government took a very positive step by progressively reducing income tax rates for business income of corporate sector from 35 percent to 34 percent for tax year 2014 which is now down to 30 percent for tax year 2018, no such reduction has been provided for banks. In fact, the lower tax rate on capital gains and dividend income of banks has been raised to a uniform rate of 35 percent from tax year 2015.

PBA has recommended that the tax rates for banks should also be reduced to 30 percent for tax year 2018, in line with the corporate sector and the tax rate be made uniform and equitable.

As for Advance tax on banking transactions other than cash, under Section 236P, vulnerable groups such as widows, pensioners, retirees, students, etc., receive very low compensation/income that falls below the taxable threshold and they are not liable to pay tax. But withholding tax is deducted on their savings whenever they make withdrawals, which is unfair as they cannot claim credit for the deducted amount.

Such tax is also likely to adversely affect the National Financial Inclusion Strategy and lead to financial exclusion. PBA suggests that Section 236P should be removed or exemption should be provided to the vulnerable groups and the threshold of transfer/ transactions increased to Rs 100,000.

In line with its earlier discussions with FBR, PBA has been consistently suggesting that Sections 165 and 165A of Income Tax Ordinance, 2001, which is a part of general law, cannot override special laws including Protection of Economic Reform Act (PERA), SBP Act, Banking Companies Ordinance and SBP's regulations. It should, therefore, be dispensed with and the law amended.

PBA is of the view that the purpose of the provisions in Banking and other laws is to maintain confidence in the banking system and unnecessary submission/disclosures of customer information should be avoided.

PBA has also recommended that to enable banks to comply with Section 165B, introduced via Finance Bill 2016–2017, the special laws dealing with banking secrecy matters i.e. section 3 read with section 9 PERA, 1992, Section 33A of BCO may be suitably amended.

For Islamic Banks, PBA has proposed to add a new sub-rule to Rule (3) of the seventh schedule, specifically mentioning Musharakah, Modaraba, Murabaha (including Commodity

Murabaha), Musawama, Ijarah, Istisna and Salam and any other sharia compliant transaction as a financing transaction and not as trading activity i.e. sale/purchase transaction. A similar amendment is also required in Sales Tax Act 1990.

To encourage mobilization of deposits for the Mirco Finance Banks (MFBs), tax exemption for "Not for Profit" organizations on profit on debt from scheduled banks should also be applicable on profit on debt from MFBs. Similarly, all Provident Funds/Gratuity may also be allowed to deposit funds with MFBs, as scheduled banks and MFBs are both regulated by SBP.

As per PBA, as always in the past, the banking sector is ready to support the FBR in its efforts to grow the taxation and revenue base in a fair and equitable manner. PBA's recommendations, if incorporated in the forthcoming Federal Budget, would help in achieving this objective.—PR

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Encouraging exports of textile sector

RECORDER REPORT

Country's export sector has come under a great deal of stress in recent past. In order to improve the situation, Jawed Bilwani, Chief Coordinator, Pakistan Hosiery Manufacturers and Exporters Association (PHMA), in a letter to the Prime Minister, has asked for his direct intervention to salvage the ailing textile sector and warned the government that a widening trade deficit would certainly hit country's foreign exchange reserves. "It is critical that your business-friendly government should also take immediate cognisance of elements which are hampering the pace of textile exports which earn major amount of foreign exchange and revenues for the government." Jawed Bilwani requested the PM to order immediate disbursement of refunds within next ten days. The multiple challenges faced by the textile industry, including a deepening liquidity crunch, high cost of imports and manufacturing and a cut-throat competition with regional countries also calls for intervention to support the textile sector on a priority basis. If refunds of all pending sales tax, customs rebate and WHT were instantly released, it would provide a great relief to textile exporters. Raw material for exports must not be subject to any duty/regulatory duty. Yarn should also be allowed to be imported for manufacturing of goods meant for exports. The government should also reduce rates of utilities, especially power and gas at par with regional competing countries, with declining export sector as separate head of account in tariff structure. Supply of utilities should be ensured to the export-oriented industries throughout the year. He urged the federal government to fix a number of gazetted holidays for workers and expressed concern over frequent Sindh government holidays which hurt the manufacturing sector.

The concerns of Chief Coordinator of PHMA over dwindling exports are clearly understandable. If exports of the country continue to fall at the present rate, its implications in terms of foreign exchange reserves, valuation of the rupee, rate of inflation, fiscal position of the country, etc, are not difficult to gauge. Obviously, if such a position continues to persist, a day will soon come when foreign exchange reserves of the country would not be sufficient to sustain the present level of imports of capital goods, raw materials for industry and other essential items. This will badly hurt industrial output and undermine the growth prospects besides worsening unemployment situation and poverty indicators. However, while the concerns of Jawed Bilwani appear to be valid and genuine, his suggestions to raise the level of exports, particularly of textile exports, call for a closer scrutiny. For instance, his proposal to settle the refund claims immediately is right on the spot. It is clear that when the scheme of refund claims was introduced, the government was supposed/bound to carry out its job efficiently and promptly. Besides, the liquidity crunch faced by the manufacturers and exporters due to claims withheld has now started to undermine the growth and export potential of the country. Value-added textile industry is of course the backbone of Pakistan's industry and instant release of refund claims would provide much-needed relief to the textile exporters who would then be more focused on increasing their output. The demand for duty-free import of raw materials for manufacturing goods meant for exports is also quite justified. We also totally agree with the proposal of fixing of the number of gazetted holidays within a year and not announce unnecessary holidays thereafter to keep the wheel of industry moving constantly. The unfortunate aspect is that frequent strikes and sit-ins also add to the problems of industry and cause impediments towards meeting production deadlines. However, the demand for reduced rates of utilities like gas and power, particularly at par with regional countries, and ensuring uninterrupted supply of these inputs cannot be considered for obvious reasons. Clearly, reduced rates of utilities in a particular sector would necessitate higher tariff rates on other sectors to compensate for the lower collections from that sector. Such a policy would become all the more difficult to sustain when power utilities are already facing huge losses. So far as continuous supply is concerned, this obviously cannot be ensured till the country is facing huge shortages in the supplies of gas and power. Jawed Bilwani has, nonetheless, not mentioned the growing protectionism in the world and overvaluation of the rupee which could worsen the potential of export sector a great deal. It was better if he should have also given some attention to these challenges.

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Liquidity crisis causes decline in textile export: FCCI

KHALID ABBAS SAIF

The liquidity crisis is the fundamental cause of decline in textile export and government must arrange immediate payment of all refund claims to harvest the benefits of exempting 5 major export sectors including textile and textile package of Rs 180 billion.

Engr Muhammad Saeed Sheikh, president Faisalabad Chamber of Commerce and Industry (FCCI) expressed these views. Highlighting the problems of Textile Sector, he warned that continuous decline in national exports will foment unemployment in addition to further widening the import export deficit. He said that despite of the fact that European Union had granted GSP-Plus status to Pakistan from 2014, we have failed to give any support to our declining exports. The government has also ensured uninterrupted power and gas supply to industrial sectors but still the declining trend in export is continue. He said textile is the main stay of national economy and despite of worst situation, it has successfully maintained its position as leading export sectors of the country. It has also privilege to provide job to 38 percent population but they have been left at the mercy of Federal Board of Revenue (FBR). He said the refund claims of exporters are piling up with the FBR and they have to get fresh loans at high mark up rate to fulfil the needs of working capital.

He said the chambers of commerce and industry and textile associations have been pin pointing these issues since long. Government has also given assurance to clear all pending claims but the factual position is that more and more refund claims are piling up with the payment of just a peanut of the total number of claims. He said Prime Minister Nawaz Shares and Finance Minister Ishaq Dar had openly acknowledged this issue. They had also assured that a comprehensive strategy will be evolved to permanently settle the refund issue. He said despite of these assurances, they are still facing problems which are further being complicated with each passing day. He said that during this financial year, the 5 major export sector including textile were exempted from the sale tax but despite of this fact, the sale tax is being deducted on almost all exportable inputs and now this amount has been increased to unbearable proportions and is badly effecting there export businesses.

He said that government should announce a clear policy to finally clear all the pending refund claims positively during the month of April so that the declining trend in the export could be checked. He warned that the decline in export will continue if immediate remedial steps were not taken.

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Sluggish business on cotton market

RECORDER REPORT

Thin business was seen on the cotton market on Tuesday due to lack of buying interest, dealers said. The official spot rate was unchanged at Rs 6750, they said. In ready session, nearly 2400 bales of cotton finalised at Rs 6700-7000, they said. Market sources said that most of the buyers were on the sidelines due to less buying interest. Some of growers were under fear that hot weather and water-shortage may damage the cotton crop.

Besides, cotton analyst, Naseem Usman said that cotton sowing in Punjab will now start before April 15. According to reports, the Agriculture Department has lifted a ban on cotton cultivation before April 15, and also advised growers to start sowing process immediately. Naseem Usman said that the department urged growers to use approved varieties of seed to save the crop from pest attack.

Reuters adds: ICE cotton futures shed 2.5 percent on Monday in the biggest one-day percentage decline in nearly seven months, as markets reassessed the implications of last week's federal crop plantations report amid a stronger dollar. The May cotton contract on ICE Futures US settled at 75.47 cents per lb, down 2.41 percent, posting the biggest daily percentage loss since September 2016. The following deals reported: 400 bales of cotton from Rajanpur sold at Rs 6700, 1400 bales from Ahmedpur at Rs 6950 and 400 bales from Rahim Yar Khan finalised at Rs 7000, they said.

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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 03.04.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,750	135	**6,885**	**6,885**	NIL
40 Kgs	7,234	145	**7,379**	**7,379**	NIL

BUSINESS
RECORDER
Wednesday, 5th April, 2017

Cotton extends fall to touch lowest in 10-weeks

RECORDER REPORT

ICE cotton futures extended their decline on Tuesday and dropped to the lowest in nearly 10-weeks as index funds and speculators rolled their positions ahead of the first notice day for the May contract due in three weeks. The May cotton contract on ICE Futures US settled 0.82 percent lower at 74.85 cents per lb, after touching the lowest since Jan. 26 at 74.55 cents earlier. The contract marked its biggest one-day percentage decline in nearly seven-months on Monday. "There's not a lot of buying interest on May because we only have a limited time for this contract to be active before first notice day," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group. "We're going to see some weakness ahead of the first notice day on April 24," Rose added.

The May cotton contract on ICE Futures US settled down 0.62 cent, or 0.82 percent, at 74.85 cents per lb. It traded within a range of 74.55 and 75.72 cents a lb. Total futures market volume fell by 8,245 to 50,285 lots. Data showed total open interest gained 354 to 280,256 contracts in the previous session.

New York cotton

RECORDER REPORT

The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	75.43	75.72	74.55	74.85	14:45 APR 04	74.85	-0.62	33266	75.47
Jul'17	77.23	77.37	76.34	76.61	14:45 APR 04	76.61	-0.51	19036	77.12
Oct'17	-	73.44	75.05	73.44	14:45 APR 04	73.44	-0.34	-	73.78

BUSINESS
RECORDER
Wednesday, 5th April, 2017

FDI: Lost cause?

SHABIR AHMED

In fiscal 2008, Pakistan attracted FDI of about $5.5 billion. In 2016, it was $1.28 billion, half of it in the power sector. This fiscal it is not likely to get any better - if you adjust for the Dutch purchase of Engro Foods and the Turkish of Dawlance, it could be below last year, despite CPEC.

What has changed since 2008?

If anything, the drivers of FDI - market size, 'cheap' labour, political stability, macroeconomic fundamentals, domestic investment - are said to be better now than ten years ago. Our FDI regime continues to outshine our comparators, and the flow of FDI to the developing countries maintains its upward trajectory -from $35 billion in 1990 to close to a trillion dollars now.

We are tempted to lay our lacklustre FDI performance at the Accountant's door - nothing grows under his towering shade except what he lords over - but that will be bit over the top. Darnomics may have FDI-unfriendly priorities, but that doesn't explain it all.

The explanation is in an analysis of FDI inflows during the Shortcut days. The main pullers in 2008 were financial business, telecom, oil and gas, and 'others'. These sectors accounted for$4 billion inflows. Fast forward to 2016 and the total tally for these sectors is only half a billion dollars.

The intervening years too show that FDI has been largely restricted to these very sectors, albeit on a declining scale. (Unsurprisingly, there has been a resurgence of the power sector during the last two years) What this tells us is that FDI in Shortcut days had more to do with lucrative 'opportunities' than government policies or investment climate, both of which remain largely unchanged.

In terms of FDI origins, we see a marked shift from the traditional sources (the US, the UK, Switzerland, Japan and Norway) to China. The UAE and the UK also make small contributions, possibly the Pakistani diaspora there being the conduit. There are some instructive takeaways from this quick look at the numbers. First, we have not had a broad-based FDI, and almost none in the manufacturing sector. Second, it has largely flowed towards sectors that offered extra-ordinary returns (sometimes government guaranteed) and quick exit potential, suggesting a tendency on our part to 'buy' FDI. Third, China is acquiring near exclusivity as our FDI source.

FDI is not an unqualified blessing. It has its downsides too: MNCs, often the lead sponsors of FDI inflows, appropriate bulk of the profits and rarely share their innovative capabilities with the host country; it can actually hurt a country's current account balance, both through heavier imports and repatriation of profits and capital; and it can be quite fickle, ready to migrate to another destination when pressed.

It also has its benign impact. It brings in capital, often acting as surrogate for host country's low savings rate; it brings in know-how and technology and superior management practices; it can have significant spillover effects (greater competition and learning through 'demonstration effect'); it promotes backward and forward linkages and 'crowding in' of domestic investment.

It is in manufacturing that the positives of FDI are best leveraged. In our context, the experience of having Exxon (Engro Fertiliser) and Unilever (a raft of consumer goods) is quite illustrative; as is the significant contribution of Pharma Multinationals to the development of our 'National' pharmaceutical industry.

All countries vie for FDI, but not all have our kind of 'open door' policy. For strategic, as well as reasons of limited economic impact, many countries place restrictions on foreign investment in certain sectors - like financial (banking and insurance, particularly), telecommunications, and shipping.

The real race now is for export-oriented FDI (eFDI). The incentives are compelling: forward and backward linkages, neutralising effect of FDI related import bill, greater market access (because of the foreign investors' 'network'), higher quality standards (to meet the stringent social and environmental demands of the consumer), production management upgrades, and greater economies of scale.

There is also this new kid on the block: Global Value Chain; the high value added club that eFDI buys. GVC integration is measured by 'trade in value-added' (TVA) that takes into account share of value added in a country's exports as also its share in global value-added exports. Contemporary literature reaffirms that countries with low value added products - not much of a supply chain (like yarn or rice) - are destined to remain poor.

No prizes for guessing where Pakistan is in the TVA rankings. Pakistan has no eFDI to speak of. Ethiopia has it, Malaysia has lots of it, Vietnam is getting more and more, and China is the undisputed champion. The real surprise, though, comes out of Uzbekistan. It exports several hundred thousand vehicles a year! Also, its engine plant in Tashkent (GM has a 52% stake) produces more than 225,000 engines for use in GM small passenger cars around the world. Wonder what our auto assemblers and parts manufacturers will have to say about that?

We have a Board of Investment. We do not know what it does, despite the weight it thinks it draws from being a part of the PM's office. More importantly, what can it do - other than having the PM occasionally ask the various Ministries to draw up 'investment codes'?

More intriguingly, what do the provincial BoIs do?

What they can do is not hide behind ready excuses - quick to cite Pakistan's position on Competitiveness, Human Development, and Ease of Doing Business indices as the cause of low FDI levels. These indices were not much different ten years ago. Further, even if these indices improve, and of course, we should spare no effort to do so, we are unlikely to see significant FDI growth unless BoIs learn to think differently.

If FDI should be directed towards the manufacturing sector in general and eFDI in particular, as we contend, it won't do to have the same across-the-board incentives (power sector excepted), as our current FDI policy does. We need to put more fuel into the manufacturing tank.

We can't do it in the absence of an Industrial Policy. For starters, BoI should join the battle against the unconscionable protection levels and an out of whack exchange rate, the twin foes of FDI. Otherwise be prepared for borrowings to make up for descending exports, remittances, and FDI.

DAWN

Wednesday, 5th April, 2017

FBR misses tax target by Rs10bn

MUBARAK ZEB KHAN

ISLAMABAD: The revenue collection witnessed 14.6 per cent year-on-year growth in March owing to an increase in the prices of petroleum products.

It amounted to Rs340bn last month against Rs297bn collected over the corresponding month of the preceding year, according to provisional figures available with Dawn.

However, the revenue collection missed the target by Rs10bn as it was projected to be Rs350bn in March. The shortfall was attributed to lower income tax and customs duty collection during the month under review.

In July-March, the Federal Board of Revenue (FBR) collected Rs2,258bn against Rs2,093bn a year ago, reflecting an increase of 7.88pc.

The government has set a revenue collection target of Rs3,620.8bn for the year ending June 30, 2017. The FBR will have to collect revenue to the tune of Rs1,362.8bn in the next three months.

A tax official said it will be difficult for the government to achieve the target in the last quarter of 2016-17. The government will have no option but to revise the revenue target downward, the official added.

The FBR blamed the shortfall on the Ministry of Finance, which did not consider the impact of revenue measures in the budget while setting the tax collection target for 2016-17.

Special Assistant to Prime Minister Haroon Akhtar Khan told Dawn he has worked out the negative revenue impact of the decisions that the government took after setting the annual target.

As a result of these decisions, he said the FBR witnessed a shortfall of Rs120bn until February 23. Failing to increase petrol prices resulted in a shortfall of Rs90bn while the impact of a downward revision in the duty on fertilisers was Rs14bn, he said. Similarly, the kitty lost Rs14bn because of the abolition of zero-rating on five sectors while lower rates on pesticides led to a loss of Rs2bn.

“I have already shared the analysis with the finance minister,” Mr Khan said. A tax-wise breakup shows the collection under the head of income tax amounted to Rs148bn in March against Rs131bn a year ago, reflecting an increase of 13pc. However, it missed the target by around Rs7bn last month.

The collection of sales tax reached Rs127bn in March against Rs117bn in the same month of 2016, indicating an increase of 8.54pc. Its collection marginally surpassed the monthly target. It improved owing to growth in the domestic sales tax collection.

The collection of customs duty amounted to Rs47bn in March against Rs36bn last year, showing growth of 30.5pc. It missed the target by Rs1bn last month.

The collection of federal excise duty in March was Rs20bn against Rs18bn a year ago, indicating growth of 11pc. The target for the collection of excise duty was achieved last month.

DAWN

Wednesday, 5th April, 2017

French companies keen to invest in Pakistan

APP

A delegation of France-Pakistan Business Council in Islamabad — APP

ISLAMABAD: More than a dozen French companies on Tuesday expressed their desire to invest in Pakistan.

"Pakistan has a favourable financial position and the security situation has improved tremendously during the last three years," said M. Thierry Pflimlin, chairman of the France-Pakistan Business Council of MEDEF International and president of Total Global Services, while speaking to the media at the residence of the French ambassador.

Mr Pflimlin is heading a delegation of 16 French companies. The delegation is visiting Pakistan after a gap of 12 years from April 4 to 6.

"We have identified fields of cooperation... agriculture, food processing, hydroelectric and renewable energy, digitisation of the industry, electronics, information technology, LNG storage and re-gasification etc," he said.

He said the objective of the visit is to understand Pakistan and the business opportunities it offers. He lauded the China-Pakistan Economic Corridor (CPEC), adding that Europe could also bring in investment for increased cooperation with Pakistan.

The three-day visit will provide the French companies with the opportunity to better understand Pakistan's economic priorities.

The visit follows a meeting organised at the MEDEF International headquarters in Paris in September 2016 between the French companies and Finance Minister Ishaq Dar, who was accompanied by Board of Investment (BoI) Chairman Miftah Ismail.

Mr Pflimlin said he and other delegates had "very deep and fruitful conversation" with BoI officials and the ministries of petroleum, planning, commerce and food. He also appreciated Pakistan for its highly professional and educated people.

The French delegation called on President Mamnoon Hussain and exchanged views on matters of mutual interest. The delegation will visit Karachi on Wednesday and meet the representatives of the Pakistan Business Council.

Meanwhile, the French delegation met Minister for Planning and Development Ahsan Iqbal on Tuesday. Its members told the federal minister that they are aware of the rapidly changing situation as the CPEC is creating huge investment opportunities in Pakistan.

The minister invited the French businessmen to exploit these opportunities, saying they should also help Pakistan modernise its industrial sector.

He said the government is taking measures to enhance its trade volume with France.

DAWN
Wednesday, 5th April, 2017

Banks demand reduction in tax rate

THE NEWSPAPER'S STAFF REPORTER

ISLAMABAD: In its proposals for the upcoming federal budget, the Pakistan Banks' Association (PBA) demanded that the government should reduce the tax rate to 30 per cent for 2017-18.

The budget proposals, submitted to the Federal Board of Revenue (FBR), called upon the government to make the tax rate uniform and equitable for the banking sector. They highlighted that the tax rate on capital gains and dividend income of banks has been raised to a uniform rate of 35pc from tax year 2015.

The PBA has said the banking sector is one of the largest contributors to the national exchequer. In the year ended Dec 31, 2016, it paid total taxes of over Rs140 billion and collected and paid to the FBR over Rs134bn as withholding tax.

Therefore, the total contribution to the exchequer from members of the PBA was over Rs274bn.

The PBA's key recommendations for the upcoming budget include the deletion of Section III (4) of ITO 2001 and amendment of Pakistan Economic Reform Act (PERA) 1992 by excluding all persons resident in Pakistan, as this section presently provides immunity to a taxpayer on the source of an amount that has been remitted from outside Pakistan in foreign exchange through the banking channels.

In PBA's view, the provisions are often misused as some businessmen may remit undeclared income through unofficial channels, which is then brought into Pakistan in foreign exchange through banking channels.

While no taxes are paid on such undeclared income, it can be laundered into white money at a small cost of 3-4pc. This will help curb the practice of money whitening under the umbrella of PERA.

The PBA also proposed that a new sub-rule should be added to Rule (3) of the seventh schedule, specifically mentioning musharakah, modaraba, murabaha (including commodity murabaha), musawama, ijarah, istisna and salam and any other Shariah-compliant transaction as a financing transaction and not as trading activity that is a sale/purchase transaction. A similar amendment is also required in Sales Tax Act 1990.

DAWN

Wednesday, 5th April, 2017

Cotton market steady

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The cotton market on Tuesday stood steady but activity could not expand as both buyers and sellers have adopted approach. However, undertone was firm and outlook uncertain.

The limited stocks held by ginners and delay in arrival of new cotton crop did cause some panic buying from spinners, but trading remained limited due to sluggish demand for yarn on the world market. Ginners were also reluctant to sell in anticipation of higher prices in the coming days.

The Punjab government, which banned early sowing and imposed Section 144, has now allowed growers to start early sowing of cotton because of the rising mercury.

The US Agriculture Department has estimated 21 per cent higher planting of cotton crop next season and this put pressure on New York cotton market which closed US 1.5 cents lower.

Indian cotton markets remained mixed while Chinese markets remained closed due to festival holidays.

The Karachi Cotton Association left its spot rates unchanged. Major deals on the ready counter were: 400 bales from Rajanpur at Rs6,700, 1,400 bales from Ahmedpur at Rs6,950 and 400 bales from Rahimyar Khan at Rs7,000.

<table>
<tr><th colspan="4">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</th></tr>
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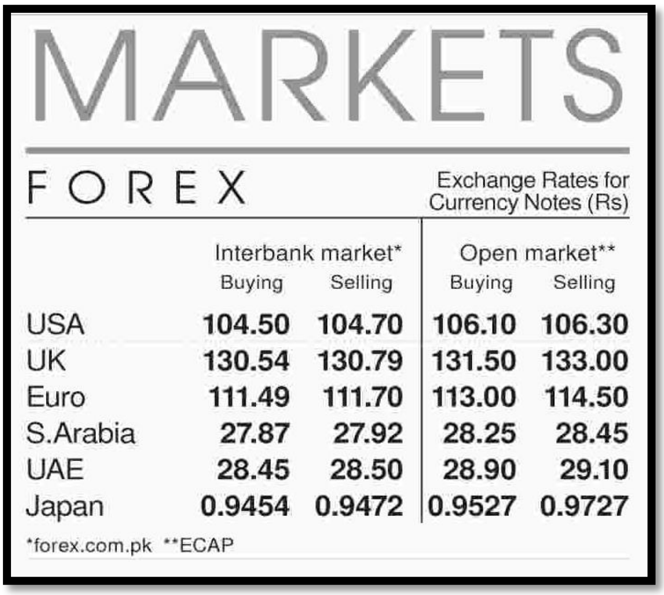
</table>

DAWN

Wednesday, 5th April, 2017



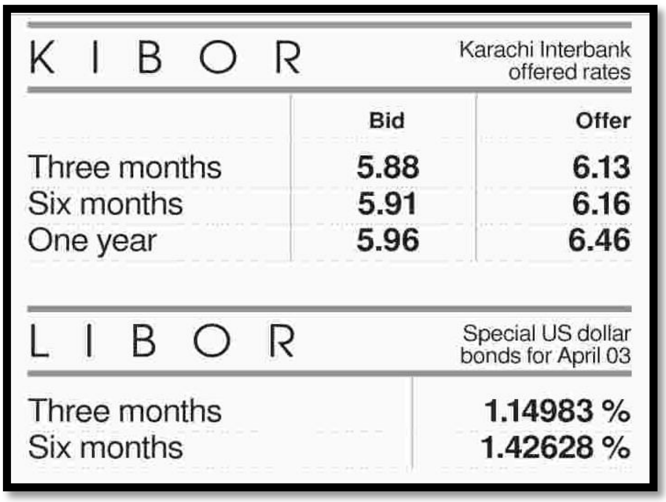
MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	106.10	106.30
UK	130.54	130.79	131.50	133.00
Euro	111.49	111.70	113.00	114.50
S.Arabia	27.87	27.92	28.25	28.45
UAE	28.45	28.50	28.90	29.10
Japan	0.9454	0.9472	0.9527	0.9727

*forex.com.pk **ECAP



KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.88	6.13
Six months	5.91	6.16
One year	5.96	6.46

LIBOR

Special US dollar bonds for April 03

Three months	1.14983 %
Six months	1.42628 %

THE NEWS

Wednesday, 5th April, 2017

Govt. to raise Rs1.9trln in Apr-June

KARACHI: The government has planned to raise Rs1,900 billion through the sale of treasury bills to banks during the last quarter for the current fiscal year in order to meet the budgetary financing

The State Bank of Pakistan (SBP), in an auction target report on Tuesday, said the government intended to borrow Rs1,750 billion through market treasury bills and Rs150 billion through Pakistan investment bonds during the April-June period. Experts attributed the hefty borrowing during the last quarter to an expected increase in development expenditures.

The government wanted to allocate Rs1,000 billion under public sector development programme for the next fiscal year of 2017/18 as against Rs655 billion in the current fiscal year.

The experts said the banks would be glad to lend funds to the government at the prospect of rebound in interest rate, driven by an untamed inflation. March consumer price inflation reached two-year high of 4.9 percent due to surging food prices. The SBP, however, kept its key policy rate for April-May unchanged at 5.75 percent. The experts said the government would turn to banks' liquidity as it entirely relied on the central bank for debts in the past.

The latest monetary aggregate data revealed that the government borrowed Rs1,028 billion from the SBP during the first nine months of the current fiscal year as against the repayment of Rs347 billion in the same period a year ago.

In July-March, the government retired total outstanding loan of Rs102 billion of banks as against Rs1,079 billion borrowing in the corresponding period of the last year.

THE NEWS

Wednesday, 5th April, 2017

France eyes business opportunities offered under CPEC

ISLAMABAD: France is keen to invest in various economic sectors of Pakistan in order to avail business opportunities in the country in view of China-Pakistan Economic Corridor (CPEC) projects, a foreign delegation said on Tuesday.

“French companies are interested in investing in infrastructure, energy, agriculture, defence, and digital technology sectors,” said Thierry Pflimlin, president of Pakistan France Business Council.

“Everyone wants to benefit from new business opportunities being offered under the CPEC framework.”

Pflimlin, at a meeting with the planning minister Ahsan Iqbal, said economic reforms have increased investment opportunities.

He was leading a French business delegation visiting Islamabad and Karachi to explore investment opportunities.

Minister Iqbal said French companies should invest in Pakistan’s robust industrial sector and bring in new technologies.

“It will help add value on different levels of production processes and increase production in general,” he added. “Pakistan has a huge potential to generate quality exports if right and focused investments are made.”

Iqbal said peace and stability efforts helped GDP grow 0.5 percent.

He said the recent political and economic stability has restored the trust of foreign investors, attracting heavy investment from the leading business companies. “The entire world is expressing its interest to reap the CPEC benefits.”

Meanwhile, commerce minister Khurram Dastgir Khan, at a meeting with the delegation, said a ‘Pakistan-France Business Opportunities Conference’ should be organised to ensure business to business interaction and to further boost the bilateral trade.

“Pakistan attaches immense importance to its relations with France,” Khan said. “Pakistani market is mostly unexplored and has huge potential, thus offers lucrative investment opportunities.”

The minister asked the delegation to invest in the high potential sectors, like e-commerce, information technology, logistics and infrastructure.

Pakistan’s exports to European Union (EU) have been showing an upward trend since the award of generalised scheme of preferences plus status to the country by EU.

Pakistan’s exports increased to 6.01 billion Euros in 2015 from 4.53 billion Euros in 2013, depicting a growth of 33 percent.

Pakistan’s export to France rose to 423.9 million Euros in 2015 from 375.9 million Euros in 2013, up 12 percent. —Mehtab Haider

THE NEWS

Wednesday, 5th April, 2017

$1 billion MFF for railway mainline

ADB to co-finance projects with China's lenders in Pakistan

ISLAMABAD: The Asian Development Bank (ADB) plans to work with China's lenders to jointly finance railway network and other projects of regional connectivity in Pakistan, sources said on Tuesday.

Sources said Manila-based ADB is considering $1 billion loan under multi-tranche financing facility (MFF) for upgrading Mainline (ML-1) along with Chinese financing of $5.5 billion.

"The ADB top team is scheduled to visit Islamabad next week for finalising funding for railway network and other projects of regional connectivity," a source said.

Under the ADB's umbrella, the initiative of Central Asia Regional Economic Cooperation (CAREC) programme has diverted its focus on improving rail linkages among the regional states, and a high-powered mission, led by its DG Safdar Pervez, is scheduled to visit Pakistan next week for finalising the rail investment programme.

"The ADB may withdraw its proposed funding, as some Chinese banks may overtake this whole initiative related to Pakistan Railways because they want to accomplish this project as early as possible," said an official at the Economic Affairs Division (EAD). The official also said "things would be finalised after holding consultations with the upcoming CAREC mission of the ADB's top officials."

The ADB's working done so far stated that the proposed MFF will improve the railway sector in Pakistan by making the railway transport system more efficient and competitive.

The outcome will be improved railway corridor of Lahore-Peshawar and improved institutional efficiency. The outputs will be (i) approximately 411 kilometres of upgraded and dualised railway track for the Lahore-Peshawar section of ML-1 together with new signalling and telecommunications system (including power supply for these systems) and upgraded passenger facilities at Lahore, Rawalpindi, and Peshawar stations; (ii) 52km of newly constructed double-track rail line linking Kaluwal and Pindora; and (iii) Pakistan Railway's modernised and IT-based accounting system, and the accounting data and information transformed and migrated into the new accounting system.

ADB views that despite recent improvements, the railway sector needs to upgrade its infrastructure on a large scale to provide more competitive transport services, regain the market share lost to roads, and ultimately rebalance the unbearably unbalanced modal share between rail and road in the country.

The MFF would be aimed at rehabilitating and dualising the Lahore-Peshawar (460 Km) railway track with realignment of its 53 kilometre section in the hilly tract from Kaluwal to Pindora. Except for the realignment sections of the hilly tract, it was likely that all works for rehabilitation and up gradation of the physical infrastructure would be limited to the PR owned right-of-way.

Under the proposed MFF, tranche-1 would include rehabilitation and dualisation of the 173 kilometre railway track from Peshawar to Rawalpindi with installation of modern signalling and communication systems.

Pakistan Railway's secured right-of-way (30 to 50 meter in average for plain and hilly regions) was adequate for smooth execution of the project works, but at two locations in the hilly region, proposed new tunnels for double track might require realignment of the approaching tracks.

This would necessitate permanent acquisition of right-of-way through uninhabited hilly land, which was mostly state-owned.

In other areas, the impacts could be particularly along the existing railway stations or in the areas where the railway tracks passes through settlements or at level crossing locations.

Nonetheless, such impacts would mostly be limited to the railways owned infrastructure, and it could be that the right-of-clearance in such areas would impact about 15 residential and commercial structures.

THE NEWS

Wednesday, 5th April, 2017

FBR receives 80,000 tax returns in March

KARACHI: The Federal Board of Revenue (FBR) received more than 80,000 income tax returns during March, which brought the total number of return filers in the active taxpayers list (ATL) for the tax year 2016 to 1.09 million, sources said on Tuesday. The sources said the FBR issued the ATL on March 1, 2016 on the basis of returns filed during the tax year 2016. The number of active taxpayers was 1.01 million at the time of the ATL issuance.

An FBR official said the ATL is expanding due to enforcement and audit drive launched by the revenue body.

The official said the tax department has issued notices to the taxpayers who failed to file their returns for the tax year under review. Besides, the notices have also been issued to the potential taxpayers, who were identified through broadening of tax base drive, the official added.

The official said the FBR aims to increase the number of return filers to 1.5 million by June and 1.8 million before issuing the new ATL in March 2018. The appearance of name in the ATL is mandatory for availing the reduced withholding tax rate imposed on various transactions.

Three years back, the government created a gap in the tax rates for filers and non-filers to increase the cost of transactions done by non-compliant individuals.

The government imposed 0.6 percent withholding tax on banking transactions other than through cash from July 1, 2015, payable by income tax returns non-filers. The rate was reduced to 0.3 percent from July 11, 2015, but it was increased to 0.4 percent from March 2016. The rate was applicable up to 31 March. The number of return filers in the tax year 2015 was 1.2 million as per the updated ATL issued by the end of February this year.

The FBR sources said the returns grew 22 percent year- on-year in April. The increase in return filing was imminent as the FBR initiated action against 100,000 non-filers individuals and 21,000 corporate entities, which were identified through motor vehicle, property and banking transactions.

THE NEWS
Wednesday, 5th April, 2017

Govt urged to withdraw immunity on income source for forex recipients

KARACHI: Banks on Tuesday asked the government to withdraw an exemption from declaring income source given to Pakistani residents who receive remittances from abroad, saying the immunity is presently being misused.

Pakistan Banks' Association (PBA), in its budget proposals for the next fiscal year of 2017/18, the law is often misused “as some businessmen may remit undeclared income through unofficial channels (outside the country), which are then brought into Pakistan in foreign exchange through banking channels.”

“While no taxes are paid on such (undeclared) income, it can be laundered into white money at a small cost of three to four percent,” said the association, having 45 members.

The association urged the government to delete section III (4) of the Income Tax Ordinance 2001 and make amendment into the Protection of Economic Reforms Act (PERA) 1992. This section exempts all the individuals who bring foreign exchange into Pakistan from declaring their sources of income.

The PBA said the immunity should be withdrawn for the people living in the country “to curb the practice of whitening of money under the umbrella of PERA.”

It further proposed the government to remove section 236P, which requires banks to deduct an enhanced withholding tax from banking transaction by non-filers, or exempt widows, pensioners, retirees and students from paying the withholding tax.

The section was inserted into Income Tax Ordinance 2001, through the finance bill of 2015/16.

PBA said the ‘vulnerable groups’ receive very low compensation/income that falls below the taxable threshold and they are not liable to pay tax.

“But, withholding tax is deducted on their savings whenever they make withdrawals, which is unfair as they cannot claim credit for the deducted amount,” it added. “Such tax is also likely to adversely affect the national financial inclusion strategy and lead to financial exclusion.”

The PBA sought a reduction in tax rate on capital gains and dividend income of banks to 30 percent, which was given to corporate sector for tax year 2018.

It said the banking sector paid more than Rs140 billion in taxes in the year ended December 31, 2016, while it also collected and contributed Rs134 billion as withholding tax to national exchequer.

The association proposed measures to the government to encourage deposits for microfinance banks (MFBs).

It said tax exemption for not-for-profit organisations on profit on debt from scheduled banks should also be applicable on profit on debt from MFBs. Similarly, all provident funds/gratuity may also be allowed to deposit funds with MFBs, as scheduled banks and MFBs are both regulated by SBP.

The PBA further said sections 165 and 165A of Income Tax Ordinance 2001, which is a part of general law, cannot override special laws, PERA, State Bank of Pakistan (SBP) Act, Banking Companies Ordinance and SBP’s regulations. “It should, therefore, be dispensed with and the amended law,” it added.

The association proposed the government to avoid unnecessary submission/disclosure of customer information.

THE NEWS

Wednesday, 5th April, 2017

Oil transporters call off strike after govt defers sales tax

KARACHI: Oil transporters on Tuesday called off a three-day strike after the government agreed to defer a tax to be collected by them from oil marketing companies, bringing a relief to the panicky motorists who were rushing to fuel stations to avert an impending shortage, officials said.

Recently, provincial governments imposed 16 percent sales tax on tankers transporting petroleum products nationwide. The tax drew irk of Oil Tanker Contractors Association, which called a strike on April 1.

Shoaib Ashraf, a representative of the association, said they had called off the strike after the tax was deferred till June.

“Fuel would be able within four hours in cities and 20 hours in rural area and up-country,” Ashraf said. “The imposition of 16 percent sales tax by provincial governments on transporters has been deferred till June 30, 2017… a mechanism would be formulated wherein the tax would be directly collected from the oil marketing companies.”

The decision was reached at a meeting, in Islamabad, attended by representatives of oil tankers, director general oil, representatives of provincial board of revenues and officials of ministries.

Ashraf said the association is not against the imposition of tax, “but we are not willing to collect it from oil marketing companies and deposit it with the government.”

“Sales tax on services is a ‘pass-on’ in nature and government should devise a formula to add it to the cost of fuel and collect from the companies,” he said. “We will not be their withholding agents.”

The sales tax was imposed a few months ago in the current fiscal year, but its collection was put off to avoid any oil crisis in the country.

The ministry of petroleum and natural resources, in a letter dated March 30, had advised chief secretaries of Punjab and Sindh to extend the date of applicability of the tax till June 30, 2017. However, provincial governments did not issue any notification and tankers opted for the strike.

State-run Pakistan State Oil (PSO) said it ensured fuel supply across the country and maintained ample stock levels “so as to meet the consumer needs amid the strike called by the oil tankers association.”

“There is no shortage of fuel anywhere in the country as it ensured seamless fuel supply to all retail outlets 24/7,” it said in a statement. “Sale of fuels continued as normal at all PSO outlets, unaffected by the said strike.” It said the company has ensured seamless supply of fuel and “is committed to maintaining it at all times in order to effectively meet the nation’s energy needs.”

Abdul Sami Khan, chairman of Pakistan Petroleum Dealers Association said more than 50 percent of the fuel stations were dried-up by Tuesday evening. “Long queues on fuel stations and motorists, carrying empty bottles and cans, are, however, just because of panic,” Khan said. “Fuel is still available at several fuel stations.”

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Cotton flat

Karachi

Slow trading was witnessed at the Karachi Cotton Exchange on Tuesday while spot rate remained unchanged.

Spot rate remained unchanged at Rs6,750/maund (37.324 kg) and Rs7,234/40-kg. Ex-Karachi rates also stood firm at Rs6,885/maund and Rs7,379/40-kg after addition of Rs135 and Rs145 as upcountry expenses, respectively.

One analyst said slow activity showed that only few stocks were left with the ginners. However, they were eager to make their warehouses empty as soon as possible, as weight of lint gets reduced in hot weather, he said.

Karachi Cotton Exchange recorded only three transactions of around 2,200 bales in Rs6,700/maund to Rs7,000/maund. Rajanpur's 400 bales were sold at Rs6,700/maund, 1,400 bales of Ahmedpur at Rs6,950/maund while 400 bales of Rahimyar Khan were sold at Rs7,000/maund.

New York Cotton Market witnessed negative impact on all futures.

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FCCI chief urges govt to clear refund claims

Our Staff Reporter

FAISALABAD - Faisalabad Chamber of Commerce and Industry (FCCI) President Engineer Muhammad Saeed Sheikh has said that liquidity crunch is a fundamental cause of decline in textile export and urged the government to immediately pay all refund claims of businessmen.

Faisalabad Chamber of Commerce and Industry (FCCI) President Engineer Muhammad Saeed Sheikh warned that continuous decline in national exports will foment unemployment in addition to further widening the import export deficit. He said, “Despite of the fact that European Union had granted GSP Plus status to Pakistan from 2014, we failed to give any support to our declining exports.”

He said the government has also ensured uninterrupted power and gas supply to industrial sectors but still the declining trend in export is continuing. He said that textile is the main stay of national economy and despite of worst situation, it has successfully maintained its position as leading export sectors of the country. It has also privilege to provide job to 38 percent population but they have been left at the mercy of Federal Board of Revenue (FBR), he added.

He said that the refund claims of exporters are piling up with the FBR and they have to get fresh loans at high mark-up rate to fulfil the needs of working capital. He said that the chambers of commerce and industry and textile associations have been pin pointing these issues since long. The government has also given assurance to clear all pending claims but the factual position is that more and more refund claims are piling up with the payment of just a peanut of the total number of claims, he added.

He said that Prime Minister Nawaz Sharif and Finance Minister Ishaq Dar had openly acknowledged this issue. They had also assured that a comprehensive strategy will be evolved to permanently settle the refund issue, he added. He said that despite of these assurances, they are still facing problems which are further complicated with each passing day. He said that during this financial year, the five major export sector including textile were exempted from the sale tax but despite of this fact, the sale tax is being deducted on almost all exportable inputs and now this amount has been increased to unbearable proportions and is badly effecting there export businesses.

He said that the government should announce a clear policy to finally clear all the pending refund claims positively during the month of April so that the declining trend in the export could be checked. He said that the decline in export will continue if immediate remedial steps were not taken.

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Minister lauds PRA for expanding scope of tax receipts

Our Staff Reporter

LAHORE - Provincial Finance Minister Dr Ayesha Ghaus Pasha has said that the Punjab Revenue Authority (PRA) is the first agency which is collecting tax at provincial level.

She expressed these views while addressing the MoU signing ceremony among Punjab Revenue Authority, Australian Foreign Affairs & Trade Department and Mckinsey & Company. The MoU was signed by the PRA chairman, Mckinsey & Company Managing Director Salman Ahmad and Finance Secretary Hamid Yaqoob Sheikgh. Australian High Commissioner Jurek Juszczyk was also present on the occasion.

The minister said that the PRA is collecting hundred million rupees against expenses of Rs1 million. She expressed the hope that due to technical assistance of Australian experts, the working capacity of the PRA and Finance Department will enhance and the target to be set for 2018 will be achieved easily.

She said that since the establishment of the PRA in 2012, the services and business to be included in tax net has been increasing 25 percent every year. The minister said that in 2012, the government had been collecting tax on 14 services and 474 businesses while presently 25,542 businesses and 58 services are paying their outstanding taxes as a result of which the receipts graph has reached from Rs34 billion to Rs85 billion.

It is a good omen that the PRA has achieved this success through expanding the scope of tax receipts instead of increasing tax rate, she added. Dr Ayesha said that due to unbiased attitude and corruption free system of the PRA, the trend of business among investors is increasing.

Punjab Revenue Authority (PRA) Chairman Dr Raheel Ahmed Siddiqui told the minister that under this agreement, Mckinsey & Company, an agency of international repute providing consultancy in administrative matters, will analyse the existing system of the PRA through the funding of Australian Foreign Affairs & Trade Department. He said besides identifying the shortcomings, Mckinsey & Company will also provide practicable consultancy for bringing reforms.

He said that the company will send a consultancy team headed by Stephan Hall, senior project leader of public sector to Pakistan, for this purpose which will accomplish the agenda of bringing reforms in tax system within six to eight weeks. Dr Raheel further told that earlier Punjab Revenue Authority has been ensuring setting up of offices, dispatch of mobile registration vans, establishment of audit and complaint units, simplification of rules and regulations, unnecessary interference of other agencies, public relations and launching of effective awareness campaign at district level for increasing the registration of formal and non-formal business being made in the cities.

The PRA chairman, Mckinsey & Company Managing Director Salman Ahmad and Finance Secretary Hamid Yaqoob Sheikgh signed the MoU. Australian High Commissioner Jurek Juszczyk was also present on the occasion. Australian High Commissioner congratulated the minister on signing the MoU and also assured full cooperation.

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Sales tax on oil tanker services 'deferred till June'

Fawad Yousafzai

ISLAMABAD - The government has deferred imposition of sales tax on services on oil tankers till June 30.

"Our negotiations with the federal and provincial governments were successful therefore we are announcing an end to the strike," said President (South) Oil Tanker Contractors Association (OTCA) Babar Ismail while talking to the media after negotiations with the government. A meeting, which was presided over by the petroleum and natural resources secretary, was attended by representatives of three provinces -- Punjab, Sindh and Khyber Pakhtunkhwa. The Balochistan government had participated in the meeting via phone, Babar Ismail said.

Since imposition of sales tax on services, it was the fifth strike called off by the Oil Tanker Contractors Associations (OTCA). The provincial and federal governments had failed to come up with a solution to the issue since then. "The government has accepted our demands, deferred the imposition of tax till June 30 and constituted a committee to resolve the issue of double taxation," Babar Ismail said.

It is pertinent to mention here that the provinces have levied sales tax on services of inter-city transportation or carriage of goods by road but they have failed to work out a distribution and collection formula. Punjab is demanding the tax to be recovered on the basis of destination of the transport carriage while Sindh seeks to fix the point of origination as base of tax collection. Every province wants to levy its own percentage of sales tax which will make it too expensive, Baber Ismail said. One province wants to charge 14 percent, other 15 percent and another 16 percent," he said. "There is a dispute in the mode of collection and distribution formula among the provinces," he said.

The government has asked the provinces to not create problems in clearing the cartage bills of the oil tanker associations, Baber claimed.

The OTCA president said the ministry provided the platform and played the role of a mediator between the provinces and the oil tankers associations. All the provinces have agreed to form a committee consisting of one representative from each province and four members of the Oil Tanker Associations. The director general (oil) will head the committee, he said.

Now it has been decided that all provincial governments will resolve the issue of double taxation, evolve a common strategy for collection and distribution of sales tax on services and get legislation passed by the respective provincial assemblies, he said.

"A tanker travelling from Sindh to Peshawar will have to pay at least three sales tax on services to the provinces of Sindh, Punjab and KP," Nauman Ali Butt, secretary general of the Oil Tanker Contractors Association, said. He said that it would make things worse for oil tankers operators.

Some parts of the country faced oil shortage on Tuesday caused by the oil tankers' strike. However, talking to media persons, Khaqan Abbasi said that there was no shortage of diesel or petrol in the country. "All storages are full, we have around 21-days of storage and even the fuel oil storage is more than the required. There is no apprehension of supply disruption in the backdrop of the oil tankers associations' strike. If there comes any hurdle, it will be sorted out."

Shahid Khaqan Abbasi said the federal government had nothing to do with the sales tax and it was between the provinces and the tanker associations to resolve the issue. It's a tax issue – not a petroleum ministry issue, he said.

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Pakistan to become Asia’s premier trade corridor, says Mamnoon

France-Pakistan Business Council chief expresses desire to further enhance bilateral ties

Our Staff Reporter

ISLAMABAD - Thierry Pflimlin, chairman of the France-Pakistan Business Council of MEDEF International, called on President Mamnoon Hussain on Tuesday and said that France is keen to further expand bilateral relations with Pakistan.

During the meeting, President Mamnoon expressed the hope that Pakistan would soon become Asia’s premier trade, energy and transport corridor because of its location. He said that Pakistan is the gateway to various regions which makes Pakistan a market of unlimited opportunities.

The president highlighted that Pakistan has adopted a very liberal and investor-friendly investment policy which allows 100 percent repatriation of capital, profits and dividends as well as exemption of taxes on import of plant, machinery and equipment. He further stated that all sectors of economy are open for investment and level-playing field is provided to local and foreign investors whereas visa on arrival facility is allowed for 69 countries.

There are over 1,000 multinational companies profitably operating in Pakistan which consider Pakistan as a most profitable country, he added. He said that abundant investment opportunities are available for foreign investors in the development of Pakistan’s communication sector especially the Railways, international airports, highways and motorways under public private partnership.

He stated that Foreign Direct Investment is fully protected under federal law. The president urged foreign investors to take advantage from lucrative investment policy of Pakistan by investing in its various sectors to the mutual benefit of all.

The president said that Pakistan’s population of approximately 195 million people offers a huge consumer market with a trained labour force. He stated that the agriculture sector is a vital component of Pakistan’s economy as it provides raw materials to industries and helps in poverty alleviation. He said that Pakistan has impressive dairy industry which can be exploited to its real potential as it is the 4th largest milk producing country in the world.

The president said that Pakistan and France enjoy excellent bilateral relations and recalled that Pakistan is the second largest export partner for France in South Asia. He expressed optimism that bilateral ties between the two friendly countries will reach new heights in future through cooperation in various fields.

Thierry said that Pakistan’s economy is reviving which is also being acknowledged by leading financial institutions of the world. He stated that Pakistan has the potential to emerge as a leading regional economy, adding that France is keen to further expand bilateral relations with Pakistan.