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Sindh seeks to collect ST on goods as well

ANWAR KHAN

KARACHI: Chief Minister Sindh, Syed Murad Ali Shah on Tuesday sought powers to collect sales tax on goods, saying that the federal government shuns a discourse with the province in this connection.

"I didn't want to talk on NFC award, but I am asked so let me say it [NFC] has become a sore point with me and it is the federal government's failure that has not yet constituted a new one," he told a post budget press conference at Sindh Assembly's auditorium.

He said that the federal government shunned even a discussion on handing over sales tax on goods to Sindh, saying that the centre has 'underperformed' to accumulate taxes to meet its revenue target during the current fiscal year. Resultantly, he said, Sindh suffers a shortfall of revenues by Rs68 billion for low NFC disbursement, until now.

"I reckon the shortfall in NFC disbursement to Sindh will grow to Rs108 billion by June. We cannot see the NFC [full] disbursement to happen," he said, adding that the federal government immediately slashed Sindh's share from Rs493 billion to Rs480 billion that caused a financial setback to the province.

The Sindh government has scaled up the collection target of sales tax on services to Rs100 billion for 2017-18 from Rs78 billion this fiscal year. He also made it clear that the government rolls out Ramazan Package disbursing Rs3.2 billion among 1.7 million of the 'poorest' population in the province as each individual will receive Rs2000 ahead of Eidul Fitr.

On K-Electric privatization, he said his government is not part of the negotiations, as federal water and power ministry is the sole authority to decide power supplying company's fate. "Sindh government has nothing to do with it [K-Electric privatization]," Murad said, adding that without the K-Electric exception, other power distributors in Sindh such as Hesco and Sesco are the worst insofar as supply of electricity to people is concerned.

To a question, he accepted that the government is looking forward to the next general election as it is always ready to contest polls. The CM Sindh added that the government's primary focus is on the execution of development projects. He however termed the growing roadside encroachment issue as the 'biggest menace', saying that greater control on it is needed.

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IPPs accused of 'blackmailing' govt

MUSHTAQ GHUMMAN

ISLAMABAD: Ministry of Water and Power has accused Independent Power Producers (IPPs) of blackmailing the government under the garb of overdue receivables at a time it is trying to ensure power supply during Iftar and Sehr in Ramazan. Talking to Business Recorder, a senior official of Water and Power Ministry said that consultation with the Ministry of Finance is under way for partial payment to IPPs.

IPPs Advisory Council (IPPAC), in an advertisement, warned the government that since outstanding amounts continue to accumulate, many IPPs are likely to shut down intermittently constrained by their cash flow. The Association "once again urge(s) Prime Minister to release funds now to avoid an increase in load shedding."

IPPs had issued a call on the GoP guarantees but withdrew the call as a goodwill gesture when Secretary indicated a desire to mutually discuss and resolve all pending issues.

Though Ministry of Water and Power corresponds with the IPPAC officially the Water and Power Minister Khawaja Asif recently declared the Association illegal. PPIB, which deals with the private sector power projects, had also issued a contempt notice to IPPAC.

Water and Power Ministry, the official said, has already requested Finance Ministry to release Rs 50 billion to pay outstanding dues to IPPs, adding that as the amount is made available it will be released to IPPs.

IPPs have held two meetings with the new Secretary Water and Power, Yousaf Naseem Khokhar.

According to the IPPAC, as of May 15, 2017, the payables to 21 member IPPs are around Rs 191 billion due to which the industry is once again reaching a point where cash flow crises are starting to affect operations.

However, the official of the Water and Power Ministry claimed that the payables are Rs 121 billion not Rs 191 billion, which shows a gap of Rs 70 billion.

The official confirmed that IPPs were facing payment issues and acknowledged that their dues are accumulating but argued that this doesn't mean they should start pressurizing the government.

According to IPPAC, issues fall in four categories: (a) overdue receivables, (b) contractual violations, (c) tax issues, and (d) legal disputes in arbitrations/courts.

IPPAC with reference to contractual issues states that a meeting has been held with NTDC/CPPA teams to resolve the issue bilaterally and to ensure compliance with the contracts. On the tax issues, Secretary had promised that he would follow up with FBR and Ministry of Finance and try to find solutions, through the Finance Bill or otherwise. IPPs are waiting for further instructions on that matter. On the issue of arbitration, the Secretary had indicated limited ability to resolve at the level of Ministry of Water & Power and IPPs had simply reiterated that they would remain available if the GoP, as a whole, wishes to resolve this issue bilaterally.

In the last meeting with the IPPs, both Secretary and the Minister for Water & Power had promised some major payments prior to Ramazan. "As of May 15, 2017, the payables to member IPPs (21) are around PKR 191 billion. The industry is therefore, once again reaching a point where cash flow crises are starting to affect operations. We further submit that all the IPPs have major debt repayments coming due next month which they may default, if not paid soon," said one of the IPPs' representatives.

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Country's GDP growth to be closer to 5pc: Moody's

TAHIR AMIN

ISLAMABAD: Pakistan GDP growth is expected to be closer to five percent in both fiscal year 2017 and 2018, while fiscal deficit would be wider than government's expectation owing to higher spending due to election year and slippage in revenue collection is expected, says Moody's Investors Service.

The credit rating agency in a report on Pakistan, "budget commitment to moderate deficit is credit positive; targets are ambitious," stated that the budget is based on a real GDP growth target of six percent for fiscal year 2018, after 5.3 percent in fiscal year 2017 - which was revised down from 5.7 percent - driven by a significant increase in development spending related to the China-Pakistan Economic Corridor (CPEC) project, primarily for energy and transportation infrastructure.

"We expect real GDP growth to be closer to five percent in both fiscal year 2017 and fiscal year 2018, due primarily to CPEC project implementation risks and capacity constraints on government development spending," maintained in the report.

Besides somewhat lower GDP growth than assumed in the budget, it is expected the fiscal deficit to be wider than the government forecasts, at about 4.7 percent of GDP in fiscal year 2017 and 5 percent of GDP in fiscal year 2018. In particular, we expect further revenue collection shortfalls and pressure to increase current spending before the 2018 general election.

Pakistan government's (B3 stable) re-assertion of its commitment to moderate deficits when it released its fiscal year 2018 budget is credit positive for the sovereign, but the level of execution risk for the budget is high.

In his budget speech on 26 May, Finance Minister Ishaq Dar announced a 4.1 percent of GDP fiscal deficit target for fiscal year 2018, similar to the 4.2 percent provisional estimate for fiscal year 2017, and much lower than a peak of more than 8.1 percent of GDP in fiscal year 2013.

Commitment to moderate deficits is credit positive for Pakistan whose debt burden, at nearly 67 percent of GDP in 2016, and large gross borrowing requirements, at nearly 32 percent of GDP, are constraints on the sovereign rating.

Implementation of the budget measures — as stated in the federal budget for the fiscal year ending June 2018 — would support Pakistan's credit profile by helping to relieve supply-side infrastructure bottlenecks, which constrain the country's economic development.

However, budget execution risk is high, given ambitious GDP growth and revenue assumptions, as well as limited institutional capacity to spend development funds.

On the revenue side, the government projects an approximate 11 percent increase in fiscal year 2018 over fiscal year 2017 (a 3 percent increase over fiscal year 2017 budgeted revenues). The increase will stem from tax revenues, which are projected to grow by about 14 percent from estimated fiscal year 2017 collections and 9.5 percent over the fiscal year 2017 budgeted amount. At this stage, no material details are available to account for relatively high revenue growth.

"Given our forecast of about 10 percent nominal GDP growth in fiscal year 2018, this implies a tax buoyancy of around 1.4, which would indicate a high degree of tax revenue responsiveness to movements in GDP. The government's nominal GDP growth assumptions are likely higher, implying more moderate tax buoyancy, broadly in line with international experience," states the report.

Realization of the revenue targets will be challenging.

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Factors that will weigh on revenue collection include a cut to the corporate tax rate to 30 percent from 31 percent, as part of a phased reduction, and duty breaks for selected export-oriented sectors, as announced in January 2017.

The report further states that the government projects about a two percent increase in current expenditure and a 40 percent increase in development spending relative to downwardly revised estimates for fiscal year 2017.

In his budget speech, Finance Minister Dar emphasized the government's intent to keep current expenditure under tight control. Higher spending on infrastructure, education, health services and Kashmir affairs is driving the rise in development spending.

In years past, limited capacity to spend budgeted development funds restricted such expenditure, particularly at the provincial level.

"We believe it will be difficult for the government to fully realize its ambitious development spending targets this year, absent material institutional strengthening. Meanwhile, much of the CPEC project runs through difficult terrain along the Afghanistan border, which is vulnerable to periodic terrorist attacks that can disrupt construction," the report concludes.

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THE RUPEE
Firm trend

RECORDER REPORT

KARACHI: No major changes were seen on the money market on Tuesday as the rupee sustained its levels versus the dollar in the process of trading, dealers said.

OPEN MARKET RATES: The rupee maintained overnight level against the dollar for buying and selling at Rs 105.90 and Rs 106.10 respectively, they said.

The rupee also managed to hold overnight levels against the euro for buying and selling at Rs 118.80 and 119.80 respectively, they said.

INTER-BANK MARKET RATES: The rupee shed two paisas in relation to the dollar for buying and selling at Rs 104.86 and Rs 104.88 respectively, dealers said.

In the second Asian trade, the dollar hit a six-week low against the safe-ha en yen as caution mounted ahead of Britain's election, a European Central Bank meeting, and former FBI Director James Comey's testimony to a Senate committee-all of which are set for Thursday. The dollar was down 0.6 percent at 109.770 yen, its lowest since April 25.

Initially buoyed by an overnight bounce in US yields, it had briefly risen to 110.510 early in the session.

The greenback has been firmly on the defensive since Friday's weaker-than-expected US non-farm payrolls report prompted investors to pare back expectations of future interest rate increases by the Federal Reserve.

Comey, the FBI director fired by US President Donald Trump in May, will be grilled by the Senate Intelligence Committee on whether Trump tried to get him to back off an investigation into alleged ties between the president's 2016 campaign and Russia.

The dollar was available against the Indian rupee at Rs 64.333, the greenback was at 4.255 in terms of the Malaysian ringgit and the US currency was at 6.797 in terms of the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Tuesday: 80.59-80.60 (previous 80.57-80.59).

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.86
Offer Rate	Rs. 104.88

RUPEE IN LAHORE: The Pakistani rupee moved both ways against the US dollar in the local currency market on Tuesday.

According to currency dealers, the dollar commenced trading on its overnight trend of Rs 105.85 and Rs 106.10 as its buying and selling rates, respectively.

At the close, it moved by five-paisa on both sides and ended at Rs 105.90 and Rs 106.05 respectively, they added.

Furthermore, the local currency failed to hold its strength as it registered reduction versus the pound sterling.

The pound's buying and selling rates went up from Monday's closing rates of Rs 133.70 and Rs 136.50 to Rs 136.20 and Rs 137.00 respectively, they said.

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

The dollar opened at Rs 105.90 (buying) and Rs 106 (selling) against same last rate. It closed at the same rate.

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New CNG-based 1200MW plant to be set up

ZAHEER ABBASI

ISLAMABAD: A meeting of the Cabinet Committee on Energy (CCOE) has approved, in principle, setting up of a new LNG-based 1200MW power plant in the country to tackle the energy problem.

Sources said Prime Minister Nawaz Sharif, who chaired the CCOE meeting on Tuesday granted approval to the LNG-based power plant, however, the location is yet to decide. The Prime Minister wanted the power plant to be set up close to the LNG gas pipeline so that its cost could be minimized.

The meeting, he said that agenda items of circular debt and load management plan were deferred for the next meeting. Secretary Water & Power Division briefed the meeting on progress of decisions made in the previous meeting including working of the inter-ministerial committee of Finance, Water & Power and Petroleum & Natural Resources ministries, power supply and demand analysis till September 2018 and utilization of idle power plants.

The Prime Minister emphasized that proactive planning should be exercised regarding power supply and demand. It is very unfortunate that planning by relevant authorities is undertaken without inculcating important contingency factors that could not be ruled out, added the Prime Minister.

Ministry of Water & Power was directed to undertake power supply and demand analysis till the year 2023 so as to undertake integrated long-term planning with regard to fulfilling energy requirements of the country over the foreseeable future.

The Water and Power Minister was also directed to work-out shifting of scheduled outages of power plants on account of repairs and maintenance from summer season to winter season so that maximum power is provided when most required during months of peak power demand.

The committee unanimously approved that provinces' requests for power shutdowns for carrying out development scheme should be entertained during Ramazan.

The meeting also decided that all the factors including increased use of electric appliances by power consumers should be taken into account for projecting power demands for the coming years.

Minister for Finance Muhammad Ishaq Dar, Minister for Water & Power Khawaja Muhammad Asif, Minister for Petroleum & Natural Resources Shahid Khaqan Abbasi, Minister for Planning & Development Ahsan Iqbal, Chief Minister Punjab Muhammad Shahbaz Sharif, Minister of State for Information and Broadcasting Ms. Marryum Aurangzeb and other senior officials attended the meeting.

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Services of intermediary

Individuals, firms and companies to get registered with SECP

SOHAIL SARFRAZ

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) will make it mandatory for individuals, firms/companies engaged in providing services of intermediary to companies for filing of documents with the commission to obtain registration from the SECP.

In this regard, the SECP has issued draft Intermediaries (Registration) Regulations 2017 through an SRO # 424 here on Tuesday. According to the regulations, the individuals, firms or companies already engaged by the companies for filing of applications, document and reports on their behalf shall obtain certificate of registration within three months of coming into force of these regulations. After the period of three months of notification of these regulations, only authorised intermediaries shall be eligible to file applications, document and reports.

Eligibility requirements for registration: An individual or firm or a company may apply to the Commission for registration as intermediary for providing services in respect of filing of applications, documents and reports with the Commission or the registrar concerned on behalf of the companies in terms of provisions of section 455 of the Act. In case of an individual, he should have a valid certificate of practice from Institute of Chartered Accountants of Pakistan (ICAP) or a valid certificate of practice from Institute of Cost & Management Accountants of Pakistan (ICMAP).

He is a practicing member of Association of Chartered Certified Accountants, certified Public Accounts, Certified Management Accountant or recognised foreign accountancy organisation as notified by the Commission; or LLB duly registered with the bar council; or masters of business administration with specialisation in finance, masters of commerce and masters law with at least two years of experience in handling corporate affairs; or possess any other qualification as notified by the Commission.

In case of a company or a firm, it shall have at least one year of experience in handling corporate affairs. Provided that where at least one partner of the firm meets the qualification and experience mentioned, no prior experience shall be required for the firm. The individual, partners of the firm or employees of the company who are members of any professional institute are compliant with the continuous learning requirements outlined by the relevant institute/ body.

It shall have a national tax number, has an established office in Pakistan with adequate physical infrastructure including telephone/ mobile phone facility and a valid email address and has information technology infrastructure complying with the following minimum requirements in case the authorised intermediary utilises e-services facility of the commission.

A minimum of two computers/ laptops in case of an individual and five computers laptops in case of a firm or company having compatibility with the e-services system of the Commission.

The SECP said that an application to act as a registered intermediary shall be made to the commission along with non-refundable fee as specified in Schedule-I and requisite documents.

The Commission, while considering the application for registration may require the applicant to furnish such other information or clarification as it deems appropriate.

Any subsequent change in the information provided to the Commission at the time of filing of application under sub-regulation (l) shall be intimated to the Commission within a period of seven days from the date of such change on Annexure-I.

The Commission on being satisfied that the applicant is eligible for registration may grant a certificate of registration to the applicant as per Annexure-II subject to such additional conditions as it may deem fit to impose. The certificate of registration shall be limited to the authorisation for filing of documents under the Act with the Commission or the registrar concerned and shall not be regarded as conferring a licence on the intermediary or as providing any recognition of any qualification of the intermediary.

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Senators raise serious questions over budget sans NFC award

ZULFIQAR AHMAD

ISLAMABAD: Serious questions were raised on Tuesday in the Senate on the constitutional status of the budget sans the new National Finance Commission (NFC) Award, as opposition senators said the government has no strategy to generate revenue and stop reliance on loans.

The opposition and treasury senators lamented that the budget did not envisage any plan to ensure provision of clean drinking water to masses and provide health and education facilities to them.

JUI-F Senator Hafiz Hamdullah while taking part in the ongoing budget debate questioned if the budget was constitutional without the NFC and pointed out under Article 160, there is a question mark on its constitutional position.

“There is question mark on the budget as the resignation of Nehal Hashmi is doubtful,” taunted the senator from Balochistan. He asked from where the funds would come and where they would be spent.

Hamdullah contended that after the budgetary allocations for defence, debt retirement and Rs 1400 billion deficit budget, the budget has nothing to offer to the common man. “There is just Rs 1.6 billion Ramazan package for 20 billion people and for each Pakistani, there are Rs 7 for the whole 30 days, with which one can’t buy even a samosa,” he noted.

The JUI-F senator proposed that Rs 102 billion for BISP, Rs 20 billion for laptop scheme and the funds for Prime Minister’s discretion should be diverted for schooling of 25 million out of school children.

He claimed as per a recent report, Khyber Pakhtunkhwa government failed to spend 46 per cent of its budget while Peshawar High Court had also observed that not a penny was spent on education in that province with regards to reforms.

Hamdullah continued that funds to the tune of Rs 33 billion lapsed in Balochistan and some 25,000 vacant posts could also not be filled. He noted that Rs 200 billion are allocated for Lahore only, while Sindh government allocated Rs 20 billion for Karachi.

Referring to the call by Finance Minister Ishaq Dar for forging unity, he wondered how could he support a budget that is based on interest, which was like waging a war against Allah and the Holy Prophet (Peace Be Upon Him).

Senator Khalid Parveen of PPPP called for creation of a separate Seraiki province to end miseries of the people there, as they continue to face discrimination and exploitation at the hands of rulers. She added that 50 million people in the Seraiki belt need to have a province of their own to get rid of ‘thana and patwari culture,’ plaguing their life.

She said the government has obtained more loans than any previous regime and these stand at $ 32 billion after four years of its rule, wondering how these would be paid back.

The PPPP senator assailed the government for its, what she called, failed projects like Nandipur power project and Quaid-e-Azam Solar Park. She also questioned how a poor country could afford luxury vehicles for its rulers and noted tiny nation like Sri Lanka spends four times more than that of Pakistan on health.

Samina Abid of PTI claimed the budget carries no relief for the common man, as it is the budget of the rich for the rich. She said the country’s loans have surged to an unprecedented height in the tenure of present government. She pointed out there is no programme in the budget for the welfare of children and women.

PPPP’s Hari Ram from Sindh said no subsidy has been given to the agriculture

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sector; similarly, industry is not performing well and no attention has been given to this aspect. He added industrial growth is directly linked to agriculture sector.

He complained Pakistan is facing worst kind of electricity load-shedding and shortage of gas and added that five percent quota reserved for non-Muslims is not being implemented in true letter and spirit.

Kalsoom Parveen of PML-N said that smaller provinces should be given their due share, enabling them to make progress. She emphasised that interest on agricultural loans for Balochistan farmers should be waived off.

She lamented that in one province, there are metro bus and orange line train while in the other one (Balochistan), there is no provision of mobile phone service even.

Chairman Senate Mian Raza Rabbani disposed of an adjournment motion by PPPP's Karim Ahmed Khawaja and directed the Senate Secretariat to include his name in the calling attention notice of Tahir Hussain Mashhadi about media reports that 41 out of Pakistan's 64 banned outfits are operating on Facebook. The notice was under process and would be taken up in the House accordingly. Karim's motion was also of the same nature.

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FPCCI demands amendments to SRO 1125/2011

RECORDER REPORT

KARACHI: Vice President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Chairman of Indenters Association of Pakistan (IAP), Saqib Fayyaz Magoon, has expressed concern over non-inclusion of the proposals of industrial raw material commercial importers in the financial budget for 2017-18 and urged the Finance Minister Ishaq Dar and Chairman Federal Board of Revenue (FBR) to remove the budget anomalies.

"Commercial importers of industrial raw materials have been badly ignored in the federal budget and it may cause bad effects on industries also," Magoon said in a meeting with a delegation of industrial raw material commercial importers.

He said that field staff asked the registered persons to verify the sales and supply made by them, under SRO 1125/2011, to an unregistered person. He said that in the absence of any legal requirement to force buyers to provide their particulars, it is practically not possible for suppliers or tax officials to prove verification of unregistered persons.

"It is also important to note that the items listed in SRO 1125 are in majority used within five export-oriented sectors," he said, adding that this condition was abused by the field staff and encouraged corruption.

Magoon urged that necessary amendments be made to the said SRO and the FBR field force be directed to stop on the pretext of verification.

Saquib Fayyaz hailed federal government for increasing about 21% in different heads of education sector, which, he thinks, will bring improvements in broader aspects of economy and development of the country.

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Cotton prices rise on modest trade

RECORDER REPORT

KARACHI: Prices showed slight gains on the cotton market on Tuesday in the process of modest trade activity, dealers said.

The official spot rate was unchanged at Rs 6800, they said. In the ready session, 1600 bales of cotton changed hands between Rs 7000-7050, they said.

Market sources said that new crop in sizeable quantity has started arriving in the market.

A good quantity of cotton has reached the markets but in the absence of incentives, the leading participants were not able to purchase cotton in huge quantity, other experts said.

Cotton analysts, Naseem Usman said that some ginning factories will become functional before Eid-ul-fitr. However, other analysts said that sowing is also underway in some areas of Sindh and Punjab, whereas cotton growers were facing water shortage which hampering the sowing problem.

Textile sector is facing a lot of problem due to lack of facilities by the government, experts said.

Adds Reuters: ICE cotton futures fell on Monday on a stronger dollar and favourable conditions for planting of the natural fibre.

The most-active December cotton contract on ICE futures US settled down 0.51 cent, or 0.70 percent, at 72.61 cents per lb. It traded within a range of 72.43 and 73.28 cents a lb.

The July cotton contract on ICE Futures US fell half a percent to 76.31 cents per lb. Prices earlier touched a more than three-week low of 76.28 cents per lb.

Total futures market volume rose by 983 to 28,739 lots. Data showed total open interest fell 2,766 to 240,680 contracts in the previous session.

The following deals reported: 800 bales of cotton from Rahim Yar Khan finalised at Rs 7000-7020 and 800 bales from Yazman Mandi at Rs 7050, dealers 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 05.06.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,800	135	**6,935**	**6,935**	NIL
40 Kgs	7,288	145	**7,433**	**7,433**	NIL

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Cotton falls on strong dollar, favourable planting

NEW YORK: ICE cotton futures fell on Monday on a stronger dollar and favourable conditions for planting of the natural fibre.

"Planting progress is very much on schedule across the Northern Hemisphere and the big US acreage is viewed as in line with the five year average," O.A. Cleveland, consulting economist at Cotton Experts, wrote in a note.

"The south plains of Texas continue to be marginally dry, but rainfall is advancing across most of the acreage."

The most-active December cotton contract on ICE futures US settled down 0.51 cent, or 0.70 percent, at 72.61 cents per lb. It traded within a range of 72.43 and 73.28 cents a lb.

The July cotton contract on ICE Futures US fell half a percent to 76.31 cents per lb. Prices earlier touched a more than three-week low of 76.28 cents per lb.

"We don't think there is lot of interest from the speculators in getting long they may be liquidating but not exactly rolling," said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group.

Rose expects July prices to remain volatile ahead of the monthly World Agricultural Supply and Demand Estimates (WASDE) report due on Friday and the June acreage report to be released later this month.

"There's not going be a lot of strong interest in buying or even selling. We may see some volatility and further liquidation from specs if they are not index buyers on July, ahead of these reports."

The dollar index was up 0.10 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.38 percent.

Total futures market volume rose by 983 to 28,739 lots. Data showed total open interest fell 2,766 to 240,680 contracts in the previous session.

Speculators cut a bullish stance in cotton by 8,566 lots to 88,575 lots in the week to May 30, US Commodity Futures Trading Commission (CFTC) data showed on Friday.—Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	76.31	76.66	76.00	76.01	14:20 JUNE 06	-	-0.30	15179	76.31
Jul'17	74.87	74.88	74.76	74.76	14:20 JUNE 06	-	0.22	11	74.54
Oct'17	72.53	72.96	72.48	72.64	14:20 JUNE 06	-	0.03	12133	72.61

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Sindh Budget

Sindh Budget presented by Chief Minister Syed Murad Ali Shah who also happens to be the finance minister envisages an all-time high outlay of Rs 1.043 trillion and focuses largely on health, education, security, maintenance and upgradation of infrastructure in the province. Total receipts of the province for FY18 have been estimated at Rs 1.02 trillion against an expenditure of Rs 1.043 trillion, depicting a deficit of Rs 14.32 billion. Receipts from federal government on account of revenue assignment, straight transfers and grants are estimated at Rs 627.3 billion for FY18, up from Rs 61.5 billion in 2016-17. These receipts would be 61.5 percent of the total receipts of the province. Receipts of federal PSDP are estimated at Rs 27.3 billion for the next fiscal year while receipts on account of foreign project assistance, budgetary support loans and grants are estimated at Rs 42.7 billion. Receipts from province's own sources, including tax and non-tax receipts, are estimated at Rs 199 billion as against the revised estimates of Rs 166.03 billion in the outgoing year. On the expenditure side, current expenditures have been estimated at Rs 699.11 billion, including a current revenue expenditure of Rs 666.47 billion, and a current capital expenditure of Rs 32.64 billion. Current expenditures will constitute 68.2 percent of the total provincial budget, showing an increase of 14 percent over the estimates of Rs 572.7 billion during FY17. Development expenditures have been pitched at Rs 274 billion which is an all-time high. Commenting on the development budget, Murad Ali Shah claimed that "Sindh has witnessed a decade of sustainable development. We are committed to taking Sindh to new heights of progress and prosperity."

Sector-wise, the Sindh government has proposed to increase the allocation for education by 24 percent to Rs 202.2 billion from Rs 163.12 billion during FY17. The allocation from health sector has been raised by 26 percent from Rs 79.88 billion to Rs 100.32 billion, including an amount of Rs 15.50 billion for ADP. The budgetary share of Home Department, including police, jails, rangers and other law enforcing agencies, has been proposed at Rs 92.91 billion for the next fiscal year, denoting an increase of 10 percent over Rs 84.26 billion for the next fiscal year. ADP allocation of Rs 25.77 billion has been proposed for the real sector while Rs 5 billion is allocated for the maintenance of road infrastructure. Rehabilitation of Karachi circular railway is included in the CPEC with an investment of dollar 2.4 billion. The Chief Minister claimed that no new taxes are imposed and only slight amendments have been made in the Stamp Act, Registration and Sindh Sales Tax Act with the objective to widening the tax net. There is a proposal to rationalise rate of Sindh sales tax on telecom services and bring it at par with other provinces by increasing it from 19 percent to 19.5 percent. Sales tax on travel agents and tour operators is proposed to be reduced from 10 percent to 8 percent while on services provided by specific class of indenters and call centres, it is proposed to be reduced from 13 percent to 3 percent and from 8 percent to 3 percent on the services of renting immovable property services.

A special feature of the Sindh budget this time is criticism of the federal government on the delay of 9th NFC Award. According to the Chief Minister, "the failure of the federal government to grant the 9th NFC Award yet again is a proof of the inefficiencies plaguing the system at such a high level." He added that "the federal government is the major contributor to Sindh's finances comprising 75 percent in its entirety. It is a fact that these shares inevitably fall short of estimates we provide every year. As a result, there is ambivalence and inconsistency in achieving our outlined targets. We have always extended the maximum possible support to the Federal Government but this continuous oversight is disheartening to say the least."

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A detailed review of the Sindh budget would reveal that the provincial government has made several over-optimistic revenue assumptions but tried to prioritise spending according to the needs of the province. For instance, revenue receipts have been projected to increase and no major increase has been proposed in the provincial tax heads. Lower receipts than targeted would increase the deficit of Sindh government and raise the overall deficit of the country. It may be mentioned that provinces are expected to generate a surplus of Rs 347.3 billion during 2017-18 and if other provinces follow the same pattern, it would be impossible to achieve the overall deficit target. A peculiar aspect of the Sindh budget continues to be lack of any effort to tax the agriculture sector, heavy reliance on the receipts under NFC Award and dependence on urban centres for the revenues for tax purposes. This was mainly due to large number of parliamentarians for the rural areas sitting in the provincial assembly who dictated the fiscal strategy of the province but such a tendency is of course against the fundamental principle of equity in taxation and is a reason for great frustration in the urban centres of the province. It goes to the credit of the Chief Minister that he has tried to avoid putting extra burden of taxation on the urban centres of the province and also made an attempt, however feeble, to exhort the landlords to contribute something to the provincial exchequer. He told the assembly that agriculture income tax collection during FY2016-17 stood at only Rs 393 million. In consultation with the leading agriculturists, farmers and parliamentarians, the target for this tax is proposed at Rs one billion for the coming year. Although, even the proposed amount is a kind of joke yet the very fact that he realises the importance of tax collection for the agriculture sector could be appreciated. May be next time he will be more bold and just. Another good thing about the budget is the right stress on the priority areas. Both education and health sectors are in poor shape, particularly in the rural areas of the provinces, and a higher allocation of resources could play a commercial role in reforming the relevant institutions and providing better services to the common man. Higher allocation for improving the security situation is also a must in order to sustain the relatively calm law and order condition and attract investors from the rest of the country and abroad. It is also good to see that the provincial government has proposed to create 49,000 new jobs. Of these, 10,000 personnel will be recruited in Sindh Police while 25,000 will be absorbed as lady health workers. We only urge upon the provincial government to induct the new employees in the government service purely on merit and without any political interference.

The decision of the Sindh government to raise the salaries and pensions of government employees by 15 percent, more than 5 percentage points than the federal employees, makes no real sense and is hard to understand, especially when there is no such a demand and the rate of inflation in the country is much lower than this raise. We know that this is a populous measure and could benefit the Pakistan People's Party in an election year but it would increase the fiscal burden on the provincial exchequer and force the private sector to do the same, thus raising the cost of production. It would have been better for the Sindh government to follow the trend set by the federal government. However, we are happy to note that Murad Ali Shah has announced a record development budget. This an all-time high allocation could only yield the desired results if corruption and inefficiency in the system are rooted out. He also wanted to take credit that Sindh had witnessed "a decade of sustainable development" when crumbling roads, vanishing water supplies, fleeing investors and deaths of newborn babies in Thar tell a different story. We recognise that the induction of the new Chief Minister has made some difference but it would still take a long time and a major effort to make such claim. So far as criticism on the Federal government for delaying the 9th NFC Award and postponing receipts is concerned, Murad Ali Shah may be justified in his assertions but the provincial

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governments are also to be blamed to a certain extent for their insistence on getting higher shares from the divisible pool on one pretext or the other.

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The future of global economy

M Ziauddin

Pakistan will regale impressive growth rates within three decades, surpassing developed nations like Canada and Italy to become the world's 16th biggest economy by 2050, forecasts a top global consultancy PricewaterhouseCoopers (PwC) in its latest report.

"The South Asian country's economy's GDP at purchasing power parity (PPP) ranked 24, it would score 20th rank, replacing Thailand by 2030 and till 2050 the country's economy would make its way to 16th position, replacing the current Spain," PwC's data shows.

The forecast sounds too good to be true because as of today the country lacks the three most important ingredients - capital, energy and technology - needed for achieving even a modicum of respectable annual average growth rate and sustain it for a reasonable length of time as well.

And while the world is poised on the brink of what is called the Fourth Industrial Revolution Pakistan continues to lack the major driving force propelling this revolution - digitization. We are at present located on the poorer side of the global digital divide.

The pathetic state of affairs in Pakistan's education sector is perhaps the main reason for the country's very low global standing in digitization. Pakistan is the second country in the world with the highest number of children who do not go to school. A large number of students who make it to schools, however, drop out by class five. About 72 percent make it to grade five which means a dropout rate of 28 percent. This significant figure further brings down the chunk of the population that makes it to school. Such a large number of students outside school mean that they are deprived of the opportunity to learn and acquire skills for playing a meaningful role in society.

The emphasis in education is still on a general and liberal type of BA or MA degree. The change towards scientific and technical education has still not taken place. The quality of education is low; the teachers are under-paid, under-trained and dispirited. The students are apathetic as they see no relationship between education and higher earnings or status in the society.

Pakistan's planners continue to allocate insufficient resources for education. Moreover, the money allocated is not effectively spent. The hostility of the feudal and the indifference of the educated elite are responsible for the gross neglect of education in the country.

Pakistan is currently suffering from an acute shortage of both capital, energy and it also lacksthe enabling base (Education) that helps produce a critical mass of technologically savvy manpower. With such a state of affairs there is hardly any hope of Pakistan travelling to other side of digital divide even by 2050.

In order to know the distance that we need to cover to enter the positive side of the digital divide it is essential to know how the economies of those located on the other side of the divide are shaping up.

Like the revolutions that had preceded it, the digitized Fourth Industrial Revolution led by Circular Economy (CE) on the platform of Internet of Things (IoT) is said to possess the potential to raise the global income levels and improve the quality of life for populations the world over. Transportation and communication costs will drop, logistics and supply chains will become more effective, and the cost of trade will diminish, all of which will open new markets and drive global economic growth.

The CE is said to be replacing a large part of the traditional model of the linear economy. The CE, in comparison, which involves resources and capital goods reentering the system for reuse instead of being discarded is said to save on production costs, promote recycling, decrease waste, and enhance social performance.

When CE models are combined with IoT, internet connected devices that gather and relay data to central computers, efficiency is said to skyrocket. As a result of finite resource depletion, the future economy is said to be destined to become more circular. The economic shift toward CE is expected to be hastened by the already ubiquitous presence of IoT, its profitability, and the positive public response it yields.

Unlike the linear economy which is a "take, make, dispose" model, the circular economy is said to be an industrial economy that increases resource productivity with the intention of reducing waste and pollution. The list of main value drivers of CE are said to include (1) extending use cycles' lengths of an asset (2) increasing utilization of an asset (3) looping/cascading assets through additional use cycles (4) regeneration of nutrients to the biosphere.

The IoT is said to be the inter-networking of physical devices through electronics and sensors used to collect and exchange data. The nexus between CE's and IoT's values' drivers greatly enhances CE. If an institution's goals are profitability and conservation, IoT enables those goals with big data and analysis. By automatically and remotely monitoring the efficiency of a resource during harvesting, production, and at the end of its use cycle all parts of the value chain is said to become more efficient.

One way to change traditional value chain is said to be the IoT enabled leasing model. Instead of selling an expensive appliance or a vehicle, manufacturers can willingly produce them with the intention of leasing to their customers. By imbedding these assets with IoT manufacturers can monitor the asset's condition; thereby dynamically repairing the assets at precise times. In theory the quality of the asset will improve, since it's in the producer's best interest to make it durable rather than disposable and replaceable.

Even today, many sectors are said to be already benefiting from IoT in resource conservation. In the energy sector, Barcelona is said to have reduced its power grid energy consumption by 33%, while GE is said to have begun using "smart" power meters that reduce customer's power bills 10–20%. GE is also said to have automated their wind turbines and solar panels; thereby automatically adjusting to the wind and angle of the sun.

In the built environment, cities like Hong Kong have implemented IoT monitoring for preventative maintenance of transportation infrastructure, while Rio de Janeiro is said to monitor traffic patterns and crime at their central operations center. Mexico City is said to have installed fans in the buildings which suck up local smog. In the waste management sector, San Francisco and London have installed solar-powered automated waste bins that alert local authorities to when they are full; creating ideal routes for trash collection and reducing operational costs by 70%.

As the CE expands into different sectors of the economy farmers may remotely monitor their crops and use GPS guided tractors to perfectly plow and harvest, Governments can prevent depleting fish stocks by tracking fishing boats with IoT, energy companies can share their energy production responsibilities by attaching a connectivity-enabled solar panels on city roofs, in the infrastructure sector GPS guided driver-free smart cars can reduce congestion by taking optimal routes, in health care $1.1 trillion a year of value can be created with remote health care in monitoring chronic-disease patients, etc.

Estimates are that the potential profits from institutions adopting CE models could, it is believed, decrease costs by 20%, along with waste. The increase in efficiency combined with the goodwill generated by conservation is said to be a win-win proposition for innovation.

The IoT is a system of

interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.

A thing, in the Internet of Things, can be a person with a heart monitor implant, a farm animal with a biochip-transponder, an automobile that has built-in sensors to alert the driver when tire pressure is low - or any other natural or man-made object that can be assigned an IP address and provided with the ability to transfer data over a network.

IoT has evolved from the convergence of wireless technologies, micro-electromechanical systems (MEMS), microservices and the internet. The convergence is said to have helped tear down the silo walls between operational technology (OT) and information technology (IT), allowing unstructured machine-generated data to be analyzed for insights that will drive improvements.

IoT is essentially a system of machines or objects outfitted with data-collecting technologies so that those objects can communicate with one another. The machine-to-machine (M2M) data that is generated is said to have a wide range of uses, but is commonly seen as a way to determine the health and status of things - inanimate or living.

In one case, IoT is being used to stymie deforestation in the Amazon rainforest. A Brazilian location-services company called Cargo Tracck is said to have placed M2M sensors from security company Gemalto in trees in protected areas. When a tree is cut or moved, law enforcement agency receives a message with its GPS location, allowing authorities to track down the illegally removed tree.

For the IoT to work in data centers, platforms from competing vendors need to be able to communicate with one another. This requires standard APIs that all vendors and equipment can plug into, for both the systems interfaces as well as various devices.

Currently, the G20 countries as well as the Netherlands and Belgium are said to be in various stages of IoT development process. And the top ranking countries in acquiring a high level of IoT are: 1. US, 2. South Korea, 3. United Kingdom, 4. Australia and 5. Japan. (Gleaned from Turning the linear circular: The future of global economy—published in the Agenda (World Economic Forum) on May 26, 2017)

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Textile exporters irked by fall in funds for duty drawbacks claims

The Newspaper's Staff Reporter

ISLAMABAD: Textile exporters on Tuesday showed concerns over less allocation of funds for duty drawback claims to exporters under prime minister's export package.

The reservation was raised during the sixth meeting of the Federal Textile Board led by its Chairman Minister for Commerce Khurram Dastgir Khan.

An official statement issued after the meeting said a senior officer of the Finance Division assured that funds will be released for duty drawback from allocations under federal budgets as well as supplementary grants based upon the claims submitted in the State Bank of Pakistan.

The industry representative also requested to resolve the disparity issue of energy cost between north and south, and demanded separate industrial feeders. It was also requested to resolve the issue of pending refund claims.

During the meeting, misuse of DTRE scheme, smuggling and issue of worn clothing were also raised.

Mr Dastgir assured that measures will be taken in consultation with the industry. He informed the meeting that a free trade agreement (FTA) with Turkey is at developed stage, whereas pacts with Iran and Indonesia are also under consideration. It was agreed to prepare proposals for market and brand focused exports.

He claimed that an increasing trend in exports is observed after the announcement of prime minister's package and hoped for further increase in coming days.

During the meeting, federal budget 2017-18 and allocations made there under for various schemes of textile sector were discussed.

The meeting was attended by representatives of ministries of commerce, national food security, industries and production and finance division. Aptma, APTPMA, TMA, PHMA, PRGMEA, PTEA, APBUMA and other associations also attended the meeting.

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Commercial importers of raw material 'ignored in budget'

From the Newspaper

KARACHI: Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and Indentors Association of Pakistan (IAP) said the government has ignored the budget proposals of industrial raw material commercial importers.

Vice President of FPCCI and Chairman of IAP Saqib Fayyaz Magoon said commercial importers are the backbone of industries and they give assurance of continuous supplies of raw material to industries.

He said, "There should be a similar tax rate on import of raw material between industries and commercial importers to provide them with a level playing field as few industries are importing raw material more than their consumption and selling in the market. As a result many items are not feasible to import commercially."

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Foreign firms resent tax measures

Nasir Jamal

LAHORE: Major foreign companies operating in Pakistan have resented several tax measures proposed in the budget for the next financial year, urging Finance Minister Ishaq Dar to "review and reverse them in the interest of encouraging foreign direct investment" (FDI) in the country.

In a letter sent to Mr Dar, Overseas Investors Chamber of Commerce and Industry (OICCI) chief executive Abdul Aleem has argued that some of the taxation measures proposed in the Finance Bill 2017-18, including a few surprises, may hamper government's efforts to build trust for existing foreign investors and attract new FDI other than under the China-Pakistan Economic Corridor.

The chamber, which represents foreign investors in the country, said that implementing predictable, consistent and transparent economic policies was a prerequisite for attracting investment, creating jobs and growing the economy.

Irked by the continuation of 'super tax', which was initially imposed for one year in 2015-16 on large corporations, the OICCI pointed out that it would have serious impact on the views of the existing and potential foreign investors irrespective of the fact it is still justified or not. A fair chunk of "super tax, we understand, is collected from OICCI members whose headquarters management takes a negative view of such ad hoc measures and surprises every year", the letter said.

The chamber also took exception to the abolition of tax credit that was introduced to encourage documentation of the economy. The credit was enhanced to 3pc during the last fiscal year and the OICCI had proposed to increase it to 5pc in its proposals for the next year's budget. The chamber said "it is a matter of surprise that without any noticeable increase in the broadening of the tax base or documentation of the economy, this incentive has been withdrawn abruptly, which will be counterproductive and may encourage non-filers and those working against the documentation of the economy".

The OICCI warned that the proposed 10pc tax on companies, which do not distribute 40pc of their profit as dividend, will work against capital formation in the economy required for growth and investment, and will also lead to multiple taxation on the same income. It also eliminates the option in the current law of paying dividends up to 50pc of its paid-up capital and removes the mandatory distribution subject to accumulation of 100pc reserves, it said.

The chamber termed the increase of minimum tax from 1pc to 1.25pc as harsh, especially for high turnover but low-margin businesses such as chemical companies. "If not corrected, this may substantially increase the effective tax rate beyond the corporate rate of 30pc for large manufacturing companies," it said.

Calling upon the minister, the OICCI said: "… we are confident that our concerns (on tax proposals) will be considered seriously and duly addressed before the Finance Act 2017-18 is approved."

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Chinese shy away from buying industrial land in Karachi

Aamir Shafaat Khan

KARACHI: Chinese investors have not shown any interest so far in acquiring land in old industrial areas of Karachi including the Sindh Industrial and Trading Estate (Site).

Though Chinese are investing in the auto sector, they do not appear particularly keen on setting up manufacturing plants in other sectors.

Market watchers consider the cost of industrial plots as one of the factors discouraging Chinese investment in the port city's industrial base.

Chinese are active in the auto sector – especially dealing in light commercial vehicles, cars and vans.

Some five Chinese auto companies in collaboration with local partners have applied for greenfield investment in setting up plants in Pakistan (three in Lahore and two in Karachi).

Chairman Pakistan Association of Automotive Parts and Accessories Association (Paapam), Mashood Ali Khan said his members are entering into joint venture deals with Chinese. "What we find alarming is that Chinese are entering the area of bike parts' manufacturing without involving Pakistani partners," he said.

He added that he has informed the government of this development.

"We will be happy if Chinese make us partners with 10-20 per cent stake as it will generate jobs in the country," he said.

Chairman Site Association of Industry Asad Nisar Barkhurdaria said Chinese investors are procuring cheap land that is not available in Site area where prices hovers between Rs150 million to 200 million per acre.

"The Chinese are more interested in trading in various goods like tyres, consumer goods and plastic items instead of setting up factories," he said. He went on to add the Chinese investors are looking towards the Port Qasim Industrial Area where land price is comparatively lower than Site and Korangi Industrial Area.

Mr Asad said in Site area, some Chinese investors have been present for the past several decades with diversified businesses.

Chinese supervisory staffs and petty contractors are more visible in KII and KIII projects, he added.

Chairman Korangi Association of Trade and Industry (KATI) Masood Naqi reconfirmed that Chinese have kept out of Korangi industrial area where rate ranges between Rs200m to Rs300m per acre.

"The Chinese are taking interest in the installation of waste treatment plant, RO plants, sewerage system, water desalination and some other mechanical and engineering works," he said.

Meanwhile, Chairman Pakistan Apparel Forum (PAF) Jawed Bilwani said, "No Chinese companies have approached our forum for any trade and business deal."

"I do not see any future scope in joint venture between China and Pakistan in the apparel sector when Chinese garments are cheaper," he added.

Chairman F B Area Association of Trade and Industry (FBATI) Jawed Suleman said, "So far not a single Chinese company has shown interest in our area despite two meetings with Chinese Consul General."

Chairman North Karachi Association of Trade and Industry (NKATI) Akhtar Ismail also shared similar views when reached for comment.

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Deadline for export financing extended

The Newspaper's Staff Reporter

The State Bank of Pakistan (SBP) on Tuesday said the limits sanctioned by banks to individual exporters under Part-II of the Export Finance Scheme (EFA) for 2016-17 will continue up to Aug 31, to enable exporters to avail financing facilities under the plan.

The export refinance limits sanctioned in favour of banks for the year 2016-17 are due to expire on June 30.

Under the present system, exporters are required to submit EE-1 statement for the year 2016-17 duly verified by the State Bank's Foreign Exchange Operations Department latest by Aug 31.

The banks would, therefore, not be in a position to work out revised entitlement of limits for each exporter under Part-II of the Scheme for the year 2017-18 in time.

To get the statements verified and subsequently submit the same to the concerned SBP BSC Offices within deadline, all exporters are directed to submit the statements duly complete in all aspects concerned to SBP through their banks well in time.

The banks were advised to inform exporters that they should ensure timely submission of exports related statements in their own interest and avoid delaying submission of these statements in expectation of extension in deadline.

The facility under Part-II is self regulating and exporters should be able to work out correctly their export earnings during FY 2016-17.

They are able to estimate the quantum of their entitlement of limit for the year 2017-18 and accordingly adjust their existing borrowings on or before June 30, 2017 to avoid utilisation of excess facilities under the scheme during the period of roll over which would be subject to non-refundable fine.

Requests from banks for limits under the EFS and Islamic Export Refinance Scheme (IERS) for the year 2017-18 should be submitted to the SBP separately up to June 30, 2017 to enable the central bank to finalise limits for the year 2017-18, said the State Bank.

“Banks should ensure submission of their requests for limits within due time. Further, the existing limits of banks under EFS/IERS will continue till fresh limits for FY 2017-18 are notified,” said the SBP.

Despite this cheaper money incentive for exporters, Prime Minister Nawaz Sharif in January this year had announced incentives worth Rs180 billion in a bid to boost Pakistan’s sagging exports.

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Cotton market listless

From the Newspaper

MULTAN: Cotton trading was listless on Tuesday in the absence of buying interest. The Karachi Cotton Association kept its spot rate unchanged.

Chairman of Cotton Ginners Forum Ehsanul Haq said the start of the ginning season in Punjab was going to be delayed as the provincial government had imposed a ban on the early cotton sowing.

He said that cotton season, which normally starts in the second week of June in Haroonabad, Bahawalnagar and other adjoining cities, could be late for a month due to the ban.

Cotton broker Syed Mudabir Shah said weaving mills and wholesale dealers held large stocks of cloth which were likely to be cleared by Eidul Fitr, giving a boost to the cotton market.

He said prices in the yarn market were stable as the textile units were facing loadshedding of 10 to 12 hours.

He said that as many as 35 spinning mills were using fibre being prepared with used plastic bottles. Deals of about 1,800 maunds of phutti took place in Badin, Umerkot, Chohar Jamali and Jhadu. Major deals on the ready counter were: 800 bales from Yazman Mandi at Rs7,050 per maund (around 37 kilograms), 800 bales from Rahim Yar Khan at Rs7,000/7,020, 200 bales from Sadiqabad at Rs6,900, 200 bales from Ghotki at Rs6,875, and 200 bales from Khanpur at Rs7,000.

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

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epaper.dawn.com/Advt.php?StoryImage=07_06_2017_010_008

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.90	106.10
UK	135.10	135.36	136.25	137.25
Euro	117.80	118.03	118.80	119.80
S.Arabia	27.86	27.92	28.20	28.40
UAE	28.45	28.51	28.85	29.05
Japan	0.9514	0.9532	0.9613	0.9813

*forex.com.pk **ECAP

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epaper.dawn.com/Advt.php?StoryImage=07_06_2017_010_008

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for June 5

Three months	1.21956 %
Six months	1.41822 %

GLOBAL MARKETS

DOW JONES	21,162.27	▼ 0.10%

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THE NEWS
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Post-budget seminar

'Tax, structural reforms to maintain balance between revenues, expenditures'

LAHORE: Tax and structural reforms and broadening the tax net are the most appropriate solutions to maintain balance between revenues and expenditures, as budget deficit forces the government to depend on borrowing that eats up major part of the federal budget.

These views were expressed by experts from trade, industry and academia, while speaking at a brainstorming post-budget seminar 2017/18, jointly organised by the Lahore Chamber of Commerce and Industry (LCCI) and the Institute of Cost and Management Accountants of Pakistan (ICMAP).

Businesses require incentives and facilitation for growth, the experts said, adding that industries in Pakistan are facing multifarious challenges, which included stiff competition from the regional countries, power outages and stability in the economic conditions.

But the major bottleneck is unfriendly taxation system, they said, adding that the industry contributes 76 percent to the tax revenues, while agriculture contributes only two percent and the rest is from the services sector.

According to the latest tax directory, the number of personal income taxpayers has increased from 752,695 in 2000 to over 1,074,418 in 2015, but it remains small as compared to 40 million people employed outside the agriculture sector.

Similarly, the number of active cooperate income tax (CIT) filers is 27,334 of more than 60,000 companies registered for CIT and a mere 0.8 percent of the number of commercial / industrial electricity users, the experts added.

With regard to the sales tax regime, the number of entities registered for the GST is 178,190 of around 1.4 million retailers and 3.4 million commercial and industrial electricity users.

The experts also said that the revenue collection is highly centralised with the federal government collecting over 92 percent of the total tax revenues; with provincial governments own revenues, contributing the remaining 7.7 percent.

There has been a huge increase in the share of withholding taxes in the income tax regime from 48.7 percent in 2006/07 to 68 percent in 2015/16. Within withholding taxes, levies on exports and imports, contracts, salary, cash withdrawal and telephone and electricity bills are likely to be more regressive in nature, whereas, contracts, imports and salary contribute 59.1 percent in withholding taxes for FY15/16.

LCCI president Abdul Basit said that the share of direct taxes is not increasing in the federal and provincial tax systems.

The share was 38 percent in 2007/08 and in 2015/16; it has marginally increased and contributed 38.34 percent, he said, adding that it is imperative to take special measures that will facilitate businesses and restore the confidence of local businessmen by announcing relief measures for them.

Basit said that the food sector should also be given zero-rated facility to get due share in the international halal food market. Kalabagh Dam is entirely neglected in the Federal Budget 2017/18, he said, adding that this mega project should be built at any cost, as it would give benefits of billions of dollars to the national economy.

THE NEWS
Wednesday, 7th June, 2017

Export Finance Scheme extended till August 31

KARACHI: The State Bank of Pakistan (SBP) has extended export finance scheme till August 31 to help continue supply of funds to exporters under the scheme, the bank said in a circular issued on Tuesday.

“The export refinance limits sanctioned in favour of banks for the year 2016/17 are due to expire on June 30, 2017.” “Under the present system, exporters are required to submit EE-1 statement for the year 2016/17 duly verified by the Foreign Exchange Operations Department latest by August 31, 2017,” it added.

The State Bank also advised banks to inform exporters that they should ensure timely submission of EE-1/EF-1 statements in their own interest, avoiding delaying submission of these statements in expectation of extension in deadline. The facility was self-regulating and exporters should be able to work out correctly their export earnings during FY17.

The banks were also advised to estimate the quantum of their entitlement of limit during the current fiscal year and accordingly adjust their existing borrowings on or before June 30, 2017.

This move is aimed at avoiding utilisation of excess facilities under the scheme during the period of rollover, which would be subject to non-refundable fine. Meanwhile, the SBP also notified the existing Islamic Refinance Scheme and long-term financing facility limits to continue till fresh limits for FY17.

The SBP asked the banks to determine limits under the Export Finance Scheme, Islamic Export Refinance Scheme and long-term financing facility for the next fiscal year and submit them to it up to June 30, 2017.

THE NEWS
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CNG price to go up Rs3/kg if proposed with holding tax not reversed

ISLAMABAD: CNG Association has informed the Senate Standing Committee on Finance that CNG price would go up by Rs3/kg if the Federal Board of Revenue (FBR) did not reverse its proposed amendment to increase withholding tax on all incidental charges.

“We will become uncompetitive with increased tax burden and will be forced to close down our CNG pumps,” the representatives of the CNG Associations told the Senate Panel, which met under the chairmanship of Senator Saleem Mandviwalla at Parliament House on Tuesday.

The FBR proposed changes in collection of advance tax as earlier four percent tax was charged as final tax from CNG pumps. Under the proposed mechanism, the FBR would add incidental charges and then tax, which according to CNG association will increase tax burden from four percent to 6.5 percent.

The FBR high-ups explained that there was confusion over this clause, so the FBR made explanation through Finance Bill 2017-18.

The Ministry of Finance and the association agreed on the amount of Gas Infrastructure Development Cess (GIDC) to the tune of Rs12 billion from 2011 to 2015. The Finance Ministry demanded payment of 60 percent (Rs7.2 billion) upfront out of the total outstanding liabilities.

However, the CNG Association said they could only pay only 30 percent (Rs3.1 billion) upfront within this month. Finance Ministry’s Additional Secretary Budget told the committee that the government asked them to pay 60 percent upfront amount within the outgoing fiscal year ending on June 30, 2017 and the remaining 40 percent could be negotiated in shape of instalments.

There are 3,000 members of CNG association and they can easily manage to collect Rs7 billion in one go, said the Finance Ministry official. The government had provided maximum relief and no further incentives could be offered without prior approval of Finance Minister or Secretary Finance, they official added.

The Senate Panel proposed that this upfront amount should be fixed at Rs4 billion which the CNG association should pay within the ongoing month, while the remaining instalments would be finalised for the next financial year. “But the CNG association will have to provide guarantee that they will withdraw cases from the courts.”

On import of raw material for plastic industry, there is zero percent duty in case of industrial importers if they provide exemption certificate, while commercial importers will pay six percent tax. Since the manufacturing units were importing more raw materials and selling into markets, misuse of concessionary regime has been on the rise.

The ruling party MNA Qaiser Ahmed Sheikh, who is also holding portfolio of chairman National Assembly Standing Committee on Finance, appeared before the Senate panel to plead the case of the plastic industry, and told Senators that the FBR had agreed to bring down tariff on 25 items, including raw material of plastic industry.

Keeping in view huge revenue impact, the FBR reduced duty structure only for raw material of plastic industry.

THE NEWS
Wednesday, 7th June, 2017

Moody's supports govt commitment to moderate fiscal deficit in 2017/18

KARACHI: US credit rating agency Moody's on Tuesday supported the government's ability to keep up with the fiscal deficit target set for the next fiscal year, but it doubted the possibility of growth target's attainability due to uplift fund constrains at the provincial level.

"The Pakistan government's (B3 stable) re-assertion of its commitment to moderate deficits when it released its FY2018 budget is credit positive for the sovereign, but the level of execution risk for the budget is high," Moody's Investors Service said in a news statement.

Finance Minister Ishaq Dar, in his budget speech on 26 May, announced a 4.1 percent of GDP fiscal deficit target for 2017/18, similar to the 4.2 percent provisional estimate for the current fiscal year, and much lower than a peak of more than 8.1 percent in FY13.

Moody's termed the country's commitment to moderate deficits as credit positive. "…debt burden, at nearly 67 percent of GDP in 2016, and large gross borrowing requirements, at nearly 32 percent of GDP, are constraints on the sovereign rating," it warned however.

"In particular, we expect further revenue collection shortfalls and pressure to increase current spending before the 2018 general election," it said. Moody's said the budget targets higher development spending-led growth.

"Implementation of the budget measures -- as stated in the federal budget for the fiscal year ending June 2018 -- would support Pakistan's credit profile by helping to relieve supply-side infrastructure bottlenecks, which constrain the country's economic development," it added.

"Budget execution risk is high, given ambitious GDP growth and revenue assumptions, as well as limited institutional capacity to spend development funds." The government set a 6 percent growth target for FY18 compared with an estimate growth of 5.3 percent in FY17.

APP adds: Pakistan's economy will grow five percent during the next fiscal year, Moody's said in a report titled, "Budget Commitment to Moderate Deficit Is Credit Positive; Targets Are Ambitious".

"We expect real GDP growth to be closer to 5.0 percent in both FY2017 and FY2018, due primarily to CPEC (China-Pakistan Economic Corridor) project implementation risks and capacity constraints on government development spending," it said. Moody's expected the fiscal deficit to be wider than the government forecasts, at about 4.7 percent of GDP in FY17 and five percent of GDP in FY18.

On the revenue side, the government projected approximately 11 percent increase in revenue in FY18 over FY17. "Given our forecast of about 10 percent nominal GDP growth in FY2018, this implies a tax buoyancy of around 1.4, which would indicate a high degree of tax revenue responsiveness to movements in GDP," it said.

Moody's Investors Service further said the government projects around a two percent increase in current expenditure and a 40 percent increase in development spending relative to downwardly revised estimates for FY17.

In past years, limited capacity to spend budgeted development funds restricted such expenditure, particularly at the provincial level. "We believe it will be difficult for the government to fully realise its ambitious development spending targets this year, absent material institutional strengthening," it added.

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Cotton unchanged

Slow trading was recorded at the Karachi Cotton Exchange on Tuesday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,800/maund (37.324kg) and Rs7,288/40kg. Ex-Karachi rates also stood firm at Rs6,935/maund and Rs7,433/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively. An analyst said new cotton crop would arrive this month, ahead of expectations because of heat level. “One mill in Sindh has started partial ginning, while others are expected in a few days,” he said.

KCE recorded two transactions of 1,600 bales at a price in between Rs7,000 to Rs7,050/maund. Rahimyar Khan’s 800 bales were sold in between Rs7,000 and Rs7,020/maund, while 800 bales of Yazman Mandi exchanged hands at Rs7,050/maund. NY cotton market recorded decline on all its futures. July futures decreased 0.38 cents to 76.31 cents/pound and October futures fell 0.70 cents to 74.54 cents/pound.

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Effective steps being taken to boost exports: Dastgir

NNI

ISLAMABAD - Commerce Minister Khurram Dastgir has said that prudent economic policies of the government have put the country on the path of development and effective steps are being taken to boost the exports.

In an interview with state-run PTV on Tuesday, the Minister expressed the hope that under the Prime Minister Package of 180 billion rupees as duty drawback to exporters, the country will witness further improvement in the export sector.

He said the economic growth will create millions of job opportunities, which is seemed to be possible after ensuring peace and availability of energy in the country.

Meanwhile, 6th Meeting of the Federal Textile Board (FTB) was held on June 5th, 2017 at Ministry of Textile Industry under the chairmanship of Federal Minister for Commerce Engineer Khurram Dastgir Khan.

Representatives of Ministry of Commerce, Ministry of National Food Security, Ministry of Industries and Production, Finance Division and APTMA, APTPMA, TMA, PHMA, PRGMEA, PTEA, APBUMA and other associations attended the meeting. The representatives of textile associations appreciated efforts of Federal Minister for Commerce to resolve various issues of textile industry at various forums. The Federal Minister for Commerce acknowledged that an increasing trend in exports has been observed after the announcement of Prime Minister package and hoped for further increase in coming days. During the meeting, federal budget 2017-18 and allocations made there under for various schemes of textile sector were discussed.

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MPs offer mediation on GIDC issue

Conflict between finance ministry & CNG association

Imran Ali Kundi

ISLAMABAD - The Senate Standing Committee on Finance on Tuesday offered mediation between the Ministry of Finance and All Pakistan CNG Association (APCNGA) on the issue of outstanding amount of Rs12 billion on account of GIDC against the Compressed Natural Gas (CNG) stations.

The committee proposed that APNCGA should pay 40 percent advance on account of GIDC against the government demand of 60 percent. The Senate Special Committee on Gas Infrastructure Development Cess (GIDC) in February 2017 had recommended to the government to recover an outstanding amount of Rs12 billion against the CNG stations. However, the government and CNG station owners were at loggerheads over the payment of GIDC.

The Senate's Standing Committee on Finance yesterday discussed the budget proposals of APCNGA. A representative of APCNGA informed the Senate's committee that they were ready to pay 30 percent as advance of the outstanding amount of Rs12 billion on account of GIDC. However, the Ministry of Finance is demanding 60 percent as advance. Therefore, the Senate's committee on finance proposed that CNG stations should pay 40 percent as advance to the government in order to resolve the issue. The APCNGA accepted the proposal.

However, the Ministry of Finance additional secretary has sought time to discuss the committee's proposal with Finance Minister Ishaq Dar and Finance Secretary Tariq Bajwa before taking any decision on it. The APCNGA also demanded of the Senate's committee to ask government to withdraw taxes recently increased in the budget, which would enhance the CNG cost by Rs3 per kg. Giving details, the APCNGA president said that they were paying only 4 percent tax to the Federal Board of Revenue (FBR) before the current budget. However, the recent measures introduced by the government have increased the aforesaid taxes to 6.5 percent that would push the CNG prices on higher side. The increase in CNG price would affect the business, as 2200 stations out of 3000 had already been shut down in Punjab due to several issued, he added.

The Senate committee, which held under the chair of Senator Saleem Mandviwalla, has firmed up recommendations for presenting into the Upper House of Parliament which will be forwarded to National Assembly for making it part of budget 2017-18. The Senate's committee has reviewed the budget proposals of the senators and local industry in detailed. The committee would have to give its budget recommendations within 14 days on the Finance Bill 2017, which was announced by Finance Minister Ishaq Dar in the parliament on May 26. However, the Senate's recommendations are not binding on the National Assembly in case of Money Bill. The committee is likely to present the budget proposals on the floor of Senate today (Wednesday).