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CCAC likely to downward revise cotton production

TAHIR AMIN

The Cotton Crop Assessment Committee (CCAC) is likely to downward revise cotton production estimates by around 1.5 million bales for the current season (2017-18), it is learnt. Official sources told *Business Recorder* that cotton sowing target has been missed by a wide margin of 12 percent in the current crop season (2017-18), and as a result Pakistan would miss the production target set at 14.04 million bales by around 1.5 million bales. The CCAC is scheduled to meet on Thursday to assess cotton production estimates.

Official sources at the Textile Industry Division revealed to *Business Recorder* that cotton has been sown on 6.75 million acres against the target of 7.68 million acres. Cotton crop prospects for the current season (2017-18) are not very bright and the production is expected to remain at around 12.5 million bales.

They said that due to uncertainty of cotton prices, increased sugarcane cultivation in the cotton growing areas and shortage of water, cotton sowing registered a decline. The government has revised downward the cotton production target and set it at 14.04 million bales for 2017-18, after missing the production target of 14.1 million bales for 2016-17 by around 25 percent.

The Federal Committee on Cotton (FCC) fixed the cotton area and production target for the year 2017-18 according to which Punjab was expected to cover 5.97 million acres to produce 10 million cotton bales, Sindh had to cover 1.606 million acres and produce 4 million cotton bales, Balochistan had to cover 0.093 million acres and produce 0.038 million bales and Khyber Pakhtunkhwa had targeted to sow cotton on 0.00247 million acres and produce 0.002 million bales.

The sources said that the decline in cotton sowing was recorded in Punjab which is the major cotton producing province. Punjab which produces about 70 percent of the total cotton has been hit hard as 5.3 million acres has been covered against the target of 5.97 million acres. It is 88 percent of the target set for current season but higher by 19 percent compared to 4.48 million acres during the previous season.

They said that sugarcane crop has overtaken the cotton rich areas of the province including Rahim Yar Khan, Rajanpur, Muzaffargarh and Lodhran. Cotton sowing also declined due to lower prices of cotton nationally and internationally during the last four years that discouraged growers and they opted to cultivate maize, sugarcane and rice crops in some districts of Punjab due to their better market returns.

Officials said that it would take around 3-4 years to recover cotton areas. However, they said that due to better availability of certified seed and dry weather cotton, sowing improved in the current season 2017 as compared to the last season 2016. Cotton sowing normally starts in the first week of April in upper Sindh, which produces around 1.5-2 million bales every year. Due to water shortage, Indus River System Authority (IRSA) observed closure of water releases this year and resultantly the area suffered water shortage and missed the sowing target. Sindh has covered 1.5 million acres in the current season against the target of 1.606 million acres and missed the target by 6 percent.

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Gulpur hydropower project:

PPIB says decision to suspend work made in sheer haste

MUSHTAQ GHUMMAN

Private Power and Infrastructure Board (PPIB) said on Monday that Engineering, Procurement & Construction (EPC) contractor for 102MW Gulpur Hydropower Project made a decision in haste to suspend work and vacate the project site.

"With a security alert the requirement is to be vigilant and re-enforce security at the site. However, the contractor made a premature decision to stop work and vacate the site. PPIB is pursuing with concerned quarters for resolution of the matter at the earliest," said, Sami Rafi Siddiqui, a spokesman for PPIB.

On July 28, 2017, National Counter Terrorism Authority had written a letter to all relevant departments of the federal and AJ&K government, including heads of intelligence agencies, about threats to 102MW Gulpur Hydropower Project, saying that "it has been leant that Indian Border Action Team (BAT) is planning to target the project by using Improvised Explosive Devices (IEDs)".

The 102MW Gulpur Hydropower Project is located in district Kotli of Azad Jammu & Kashmir and so far forty percent of project progress has been achieved. The project is being implemented by Mira Power Limited, a subsidiary of KOEN, Daelim and Lotte.

The company was informed that BAT claimed to have photographs of foreigners working on the project in addition to site maps and threatened to demolish the project with IEDs. On Monday, a team of Gulpur Hydropower Project held a detailed meeting with Chief Secretary AJ&K, Dr Munir Ijaz in Kashmir House, Islamabad, and explained the reasons for vacating the project. The meeting was also attended by senior police officials who are responsible for providing security at the project site.

The sources said, the AJ&K government team heard the viewpoint of the Project Company with patience and assured it that the project site will be searched carefully and police strength will be doubled to secure the site. "AJ&K government has assured that the project site will be handed over to the company after a thorough search within a couple of days," the sources added. The project company will also increase its strength of security personnel at the site.

A letter was issued by National Counter Terrorism Authority (NACTA) to Chief Secretary AJ7K and Inspector General of Police (IGP) Azad Jammu and Kashmir (AJK) with the subject title: "Threat alert- 443 to Gulpur Hydropower project, Kotli" with copies forwarded to the President, the Prime Minister, Inter-Services Intelligence (ISI), Military Operation, Military Intelligence (MI), Intelligence Bureau (IB), and Ministry of Interior.

Pakistan Army declined to comment and advised *Business Recorder* to approach Ministry for Water and Power on the subject. Foreign Office spokesperson Nafees Zakaria was not available for comments despite repeated text messages and telephone calls on his cell phone till the filing of this report. When contacted, an official of Interior Ministry said that the Ministry was not aware of this development.

Gulpur Hydropower Project is the third independent hydropower project in Pakistan. The Korean company has also been awarded other contracts to build hydropower plants in the country on BOOT basis including 150 MW Patrind Hydropower Plant and 100MW Kotli Hydropower Project. Construction of Gulpur Hydropower Plant commenced in September 2014 and the project is expected to be completed in early 2019. The total cost of the project is about Rs 34 billion. Gulpur Hydropower Project is part of the least-cost energy generation plan of the Government of Pakistan. It is being executed on a priority basis to harness indigenous hydropower resources to improve the ratio of hydel electricity in the national grid and help provide relief to consumers.

On its completion, Gulpur Hydropower project will generate about 465 Gwh of inexpensive electricity annually to earn a revenue of about Rs 1 billion. Being an environment friendly hydropower project, it will help reduce dependence on expensive thermal power, thereby saving foreign exchange amounting to $36 million (equivalent to Rs 3 billion) to the country. According to estimates, Gulpur hydropower project will add about Rs 10 billion per annum to the national economy through socio-economic uplift in the country caused by the project.

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Cheap oil to help government generate over Rs 3 billion

ABDUL RASHEED AZAD & SOHAIL SARFRAZ

The government will generate over Rs 3 billion by not passing on the fluctuation in the international price of petroleum and petroleum products - an additional Rs 3.26 billion would be generated by not passing on the full impact of the decline in the international price of petrol and High Speed Diesel (HSD) while it would extend a subsidy of Rs 230 million on kerosene and light diesel oil (LDO) by not passing on the raise in their international price.

Calculations based on General Sales Tax (GST) ratio on petrol and HSD in July 2017 and the revised GST on these two major high consuming petroleum products in Pakistan effective 6 August 2017 revealed that the Ministry of Finance"s decision not to pass on the full benefit to end consumers will generate about Rs 3 billion additional revenue in the current month.

Average monthly petrol consumption in the country is around 500,000 tons or 500 million liters while average HSD consumption is around 600,000 tons or 600 million liters.

Oil and Gas Regulatory Authority (Ogra) recommended the government to reduce petrol price by Rs 3.67 per litre - from Rs 71.30 to Rs 67.65, and HSD by Rs 5.7 per litre - from Rs 79.9 to Rs 74.20 but the government reduced petrol price by Rs 1.8 per litre and retained Rs 1.87 per litre while it reduced HSD price by Rs 2.5 per litre and retained Rs 3.20.

The government has maintained kerosene oil prices at Rs 44 per litre but the commodity is not available at government fixed price in any part of the country for various reasons including adulteration of kerosene oil.

Had the government reduced the oil prices as per OGRA recommendations the government would have faced a loss of revenue of Rs 1.68 billion of which Rs 660 million would have been on account of petrol and Rs 1.026 billion on account of HSD.

Had the government approved Ogra"s recommended price for petrol it would have been compelled to reduce GST (which is currently at 20.5 percent) by Rs 0.91 per litre. Had the government passed on Ogra"s recommended price for HSD it would have been compelled to reduce GST (which is currently at 35.5 percent) by Rs 1.9 per litre.

The Federal Board of Revenue (FBR) has reduced sales tax on motor spirit from 23.5 percent to 20.5 percent, showing a decrease of 3 percent from August 6, 2017. According to the SRO.757(I)/2017 issued by the FBR, sales tax rates have been reduced on the following certain petroleum products from August 6, 2017: Sales tax on high speed diesel oil has been decreased from 40 percent to 35.5 percent, reflecting a decrease of 4.5 percent. Sales tax on kerosene would continue to remain zero percent during August 2017. As per the SRO, sales tax rate on light diesel oil has been decreased from 1.5 percent to zero percent.

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China providing soft loans, says Ahsan

AAMIR SAEED

China is giving soft loan to Pakistan for different infrastructure projects and its interest rate is from 1 percent to 1.5 percent while other $35 billion are pure investment in the energy projects under China-Pakistan Economic Corridor.

Minister of Interior Ahsan Iqbal informed this to National Assembly on Monday in response to a question during the Question Hour. He said that a specific lobby in Pakistan has been working against the CPEC and their sole purpose is to make the project controversial by twisting the facts. The minister said that not a single dollar is being invested in Pakistan under the CPEC that could jeopardize national interests.

He said that Pakistan is getting soft loans from China for different infrastructure projects and the interest rate for these loans is from one percent to 1.5 percent. To another question, Minister for Communication informed the house that Pakistan Post earned Rs 9,126.597 million in 2013-14 and its expenses were Rs 15,715.137 million; in 2014-15 it earned Rs 9,673.512 million and its expenses were Rs 16,004.578 million. In 2015-16, Pakistan Post"s income was Rs 10,231.383 million and its expenditure was Rs 17.720.307 million, he said. The minister informed the house that Pakistan Post incurred a loss of Rs 6,588.540 million in 2013-14; Rs 6,331.066 in 2014-15 and Rs 7,488.924 million in 2015-16.

Minister for Defence Khurram Dastgir informed the house that a total of 319 ceasefire violations have been committed by Indian troops since November 1, 2016 and 66 civilians embraced martyrdom and 228 got injured due to unprovoked firing by Indian forces since January 2013. He said Indian army is deliberately targeting civilians along the Line of Control. Pakistan Army is responding in a befitting manner and is taking all necessary safeguards to protect the life and property of citizens, he added. The minister said the objective of the Indian firing is to divert the attention of the world community from the gross human rights violations committed by Indian forces in Occupied Kashmir.

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THE RUPEE: Slight decline

RECORDER REPORT

The rupee slid against the dollar on the money market on Monday in the process of trading, dealers said. The rupee was unchanged versus the dollar for buying and selling at Rs 105.39 and Rs 105.40 respectively, they said.

INTER-BANK MARKET RATES: OPEN MARKET RATES: The rupee shed 10 paisas in relation to the dollar for buying and selling at Rs 106.70 and Rs 106.90 respectively, they said. The rupee gained 30 paisas in terms of the euro for buying at Rs 125.30 and it also picked up Rs 1.70 for selling

Open Bid	Rs. 106.70
Open Offer	Rs. 106.90

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The Pak rupee moved both ways against the greenback in the local currency market on Monday.

According to the currency dealers, the greenback continued to fluctuate on both

at Rs 126.30 respectively.

In the first Asian trade, the dollar held the bulk of its gains after an upbeat US jobs report lifted it off 15-month lows, with data lined up this week seen as key to whether the greenback's rebound could be sustained in the longer term.

The dollar, which briefly sank below 110.00 yen to a seven-week low last week, was steady at 110.695 yen after going as high as 111.050 on Friday.

The dollar index against a basket of six major currencies ways amid divergent trend in the currency market.

Consequently, it ended at Rs 106.60 and Rs 107.00 on buying and selling side, respectively, as compared to the last closing trend of Rs 106.50 and Rs 107.30 respectively, they added.

Furthermore, the local currency showed strength as it appreciated versus the pound sterling.

The pound's buying and selling rates drifted from Saturday's closing rates of Rs 138.50 and Rs 139.40 to Rs

was a shade lower at 93.330 after climbing 0.75 percent on Friday. The rally pulled it away from 92.548, its lowest level since May 2016 marked on Wednesday.

The dollar was trading against the Indian rupee at Rs 63.678, the greenback was at 4.280 in terms of the Malaysian ringgit and the US currency was at 6.724 in relation to the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Monday: 80.69-80.70 (previous 80.68-80.68).

138.40 and Rs 139.00 respectively, they said.

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

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

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Warehousing sector:

FBR refuses to grant reduction in minimum tax

RECORDER REPORT

The Federal Board of Revenue (FBR) has refused to grant reduction in minimum tax to warehousing sector. The FBR has issued a clarification to Chairman, Pakistan International Freight Forwarders Association, Karachi for reduction of minimum tax on warehousing sector in line with other service sectors.

According to the FBR, Pakistan International Freight Forwarders Association has sought clarification regarding the scope of activities covered under the services rendered or provided by the freight forwarding agencies in terms of the Clause (94) of Part-IV of the Second Schedule to the Income Tax Ordinance, 2001.

It is stated that as provided in the definition of business and law dictionaries referred in your aforementioned letter, any warehousing services rendered or provided by a freight forwarding agency as a part of the composite freight forwarding services are not liable to be treated separately and shall form a part of the services rendered or provided by freight forwarding agency, the FBR said. On the other hand any warehouse which is exclusively established for standalone warehousing by any person not carrying out any Freight Forwarding activity cannot avail reduction in tax liability as explained, the FBR added.

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SBP Services Corporation (Amendment) Bill, 2017 introduced in NA

NAVEED BUTT

The government on Monday introduced "SBP Banking Services Corporation (Amendment) Bill, 2017" to appoint external auditors and acting managing director of State Bank of Pakistan. The government also introduced "The Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Bill, 2017," "The Private Power and Infrastructure Board (Amendment) Bill, 2017," Auditor-General"s (Functions, Powers and Terms and Conditions of Service) (Amendment) Bill, 2017" and "The National University of Technology Bill, 2017" in the Lower House of the Parliament.

According to objects and reasons of the "SBP Banking Services Corporation (Amendment) Bill, 2017," a new sub-section has been introduced in section 9 of SBP Banking Services Corporation Ordinance 2001, that says in line with good governance for the appointment of an acting managing director within a period of fifteen (15) days, from the date of vacancy, provided that, the managing director shall be appointed within a period of three (3) months from the date of the occurrence of vacancy.

The power of the Board of Directors to appoint external auditors has been proposed in line with good governance. An enabling clause on creation of subsidiaries by the Bank with the approval of Board and State Bank under the Ordinance has been introduced for operational efficiency. Amendments have been proposed to exempt the gratuity and provident fund of employees of the Bank from attachment as already provided for, in case of pensioners, to make the Ordinance consistent with the existing compensation benefits.

In order to provide adequate protection to the Bank and the officers of the Bank for actions taken in good faith, amendments have been proposed in section 28 of the Ordinance. A new section 24A has been proposed to legally protect the proceedings of the Board and the committees of the Board from any questions arising merely on the grounds of any vacancy or any defect in the constitution of the Board.

According to "The Private Power and Infrastructure Board (Amendment) Act, 2017," the Alternative Energy Development Board (AEDB) is essentially tasked with the same functions as the Private Power and Infrastructure Board (PPIB) except that its scope is limited to alternate energy. The PP1B has been in existence since 1994 as a one window facilitation centre of investors in the energy sector. The establishment of the AEDB has therefore created an anomaly in the system, whereas in terms of the preamble to the AEDB Act, 2010 its primary function should have been research and development for the growth of the alternative energy sector.

For this reason, it is felt that the AEDB may be merged into the PPIB, which has been in existence since 1994, and has therefore developed the requisite skill set and ability to act as a one window facility for all segments of the energy sector. At the same time, the research institutes of alternative energy envisaged under the Alternative Energy Development Board Act, 2010 (Act XIV of 2010) are proposed to continue under the aegis of the PPIB to ensure continuity in the research and development functions.

According to the Auditor-General"s (Functions, Powers and Terms and Conditions of Service) (Amendment) Bill, 2017, the proposed amendments would enable the department of Auditor General of Pakistan to fulfill its constitutional responsibilities in an efficient and effective manner.

According to "Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Bill, 2017," in the late nineties, the power sector was unbundled and Water and Power Development Authority"s distribution function was segregated and transferred to eight corporate entities exclusively licensed in the distribution business with the newly formed National Electric Power Regulatory Authority (NEPRA). The 2002 Power Policy was introduced to facilitate and encourage private sector participation in the sector. It was expected that under the supervision of NEPRA, the power sector would be radically turned around and the public footprint would be gradually reduced in the wake of competitive tariff structures.

In 2013, the Council of Common Interests (CCI) approved the National Power Policy of 2013, laying down key components of a development strategy for achieving an efficient, competitive and sustainable power sector in Pakistan. In light of the decision of the CCI, the Bill has been designed to achieve the aforesaid objectives.

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SBP unveils draft of "white label ATMs guidelines"

RIZWAN BHATTI

The State Bank of Pakistan (SBP) has issued draft of "white label ATMs guidelines" to encourage the growth of off-site ATMs and provide a regulatory direction to prospective investors. The objective of issuance of guidelines on white label ATMs is to set minimum requirements for the WLAO permissible payment services, operational readiness, connectivity, cash management & settlement, pricing, dispute resolution and SBP inspection, etc. White label ATMs are mainly operated by non-banking entities.

According to SBP, in line with its Vision 2020, a number of steps have been taken to increase the ATM usage and promote growth in number of ATMs and other electronic payment touchpoints in the country. ATM is one of the most widely used access/payment touchpoints to cater for payment needs of the general public and the potential of ATM growth lies at offsite locations which still are an untapped area.

Though several banks have installed ATMs at offsite locations but operation and maintenance of these ATMs is a big challenge for them. However, the SBP is expecting that the white label ATMs can catalyze the growth of offsite ATMs to bridge the gap at faster pace.

The white label ATMs are owned and operated by non-banking entities usually referred to as White Label ATM Operator (WLAO). The WLAO operates their ATMs in Off-Us mode and becomes a member of an ATM Switch (Payment Systems Operator - PSO) for routing and settlement of transactions while the service fee and place of installation is decided by WLAO itself.

"Draft white label ATMs guidelines" have been developed by the SBP to provide a regulatory direction to prospective investors/service providers who intend to apply for in-principle approval under the Rules for Payment Systems Operators (PSOs) and Payment Service Providers (PSPs).

According to draft guidelines, these guidelines shall be applicable on authorized PSPs functioning as WLAO. Therefore, any PSP desirous of undertaking WLAO business will require authorization under the Rules for PSOs and PSPs to operate as authorized White Label ATM Operator. WLAO will be allowed to offer cash withdrawal, cash deposit, Inter Bank Fund Transfer (IBFT), Utility Bill Payments, Account Statements and balance enquiry through white label ATMs. However, any product offering not listed will be required prior approval from the SBP.

The WLAO installations, systems, infrastructure and record will be subject to SBP inspection as and when commenced at the discretion of SBP. The WLAO shall retain all transactional data including log of disputes/complaints, captured card data, video clips/transactional snaps, electronic journals and any other data that the SBP might require during inspection. The SBP has asked general public and other stakeholders to furnish their valuable feedback on these guidelines for further improvement. The feedback/suggestion may be sent by September 30, 2017.

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Political turmoil won"t augur well for economy: Pasha

RECORDER REPORT

Former federal Finance minister Dr Hafiz Pasha has said that ongoing political turmoil does not augur well for economy, democracy and developmental indicators in every sector. He was speaking as chief guest in a seminar on Company Ordinance 2017 held under the aegis of ICMAP at its Lahore campus on Monday. Fearing a bleak scenario ahead, he said it was the time when Pakistan desperately needed bold decisions to charge up progress on multiple internal and external fronts, especially to increase export and decrease imports.

"Former prime minister, who has a track record of taking bold decisions, could have made turnaround showing his tested muscles but situation did not allow him to do so," he said. In the wake of unrest that hit the country badly, he said, the worst effectees were no one but the common man. He said if situation persisted, every person would have to bear the brunt.

Being a key speaker on the occasion, ICMAP President Muhammad Iqbal Ghori said the ICMAP formed a committee to review draft Companies Bill, 2016, and its recommendations were submitted to the SECP for consideration. Under this Act, the discretionary powers of the Security Exchange Commission of Pakistan (SECP) have been reduced to a large extent. The Companies Act 2017 provides completely new responsibilities to the SECP, including authentication of the Sharia sector, certification of real estate, and approval of companies" merger.

Professor Mirza Manwar Hussain said that the company"s "Ordinary Resolution" means a resolution passed by a simple majority of such members of the company entitled to vote as are present in person or by proxy or exercise the option to vote as provided in the articles or as may be specified at a general meeting.

S Ahmad Ashraf said that the Commission may require the security clearance of any shareholder or director or other office bearer of a company or class of companies as may be notified by the concerned minister-in-charge of the federal government.

Barrister Tariq Saeed Rana said the Companies Ordinance, 1984, never dealt with the issue of disabled persons. Now big companies will have to allocate two percent job quota for the disabled persons. The Companies Ordinance provided no mechanism for alternate dispute resolution like conciliation, mediation, and arbitration.

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Probe into complaint:

Traders urge FBR to withdraw letter issued to PCA

RECORDER REPORT

Exporters and trade bodies have approached Federal Board of Revenue (FBR) Chairman Tariq Pasha to immediately withdraw the letter issued to the Post Clearance Audit (PCA), Lahore, to investigate a complaint against exporters of fruit, which was found fake/fabricated complaint without any legal backing.

In this regard, Ministry of Commerce, Trade Development Authority of Pakistan (TDAP) and trade bodies have also requested Tariq pasha to take serious notice of investigation against exporters based on fake/fabricated complaint having no legal weightage. The letter issued by the FBR to the PCA Lahore to investigate fake and fabricated complaint be withdrawn immediately, exporters said.

Moreover, Pakistan Fruit and Vegetable Exporters, Importers and Merchant Association (PFVA) and other trade bodies have asked new Chairman FBR Tariq Pasha to stop alleged harassment of exporters of fruits by PCA, Lahore, based on fake/fabricated complaint.

It is not clear why the FBR's concerned customs department is reluctant to withdraw FBR letter on investigation based on the fake complaint. A tax expert told *Business Recorder* that the said directorate is still pursuing case of these exporters on basis of fake and fabricated complaint. Federal Board of Revenue (FBR) has not empowered Directorate PCA Lahore to conduct the DTRE related audit for last five years, while the Board's was given direction that the competent authority has assigned an investigation into the pseudonym complaint received from All Pakistan Paper Merchant Association to the said directorate, but didn't empower to call the five years record from exporters to conduct the DTRE related audit. Legally, the exporters have already been undergone the audit from collectorate of customs within the right jurisdiction after expiry of every DTRE approval.

Exporters are surprised that the said directorate Lahore is continue calling Kinnow exporters for investigation audit on basis of that paper words which have already been declared fake and fabricated and even that FIR has been launched against that anonymous person who used the letterhead of APPMA. The FBR had received a fake complaint of APPMA about Kinnow exporters under DTRE scheme and FBR forwarded this to the Directorate of Post Clearance Audit, Lahore to investigate the pseudonym complaint.

On the other hand, APPMA already disclaimed the false and fabricated complaint and also filed the FIR against unknown person for using their letterhead with the police station, Anarkali, Lahore. Therefore, PCA Lahore issued notices to Kinnow exporters to called the DTRE audit related record for last years instead of investigate the facts of the complaint.

Another expert said that there are various legal references available about anonymous or pseudonym complaints. Wafaqi Mohtasib (Investigation and Disposal of Complaints Regulations 2013) also clearly stated that investigation of a complaint shall, be closed when it is found that (w) the complaint is anonymous or pseudonymous. The Federal Tax Ombudsman (FTO) rule-1(d) also didn't allow that complaints cannot be filed on matters which are anonymous or pseudonymous complaints.

Section 11 of the Tribunal's Regulations also requires that a complaint be filed in writing and include, among other things, the complainant's name, address, telephone number, fax number, electronic mail address and signature (or the signature of an authorized representative).

The Tribunal has dismissed several anonymous complaints because the complainants did not comply with these requirements. The FBR being a regulatory authority itself issued some specially the Circulars letter No. 11 of 1986 dated 12.05.1986 and Circular No. 17 of 1988 dated 22.12.1988 for anonymous or pseudonym

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complaint that it has been represented to the Board that income-tax officers initiate enquiries on the basis of anonymous/pseudonymous complaints. Such enquiries, besides causing harassment to tax-payers, also result in waste of time as no tangible benefit accrues to the revenue. Where the complainant is not known or traceable, the anonymous/pseudonymous complaint should not be entertained.

The Federal Investigation Agency (FIA) Inquiries and Investigations Rules 2002 are also very much clear that "no action shall be taken on any anonymous or pseudonymous complaint."

The consumer laws in Pakistan also do not permit that the anonymous or pseudonymous complaints will not be accepted. The rules and instructions issued by the Services and General Administration Department, provincial governments in Pakistan, for strict compliance also make it clear that complaints received through anonymous or pseudonymous sources should be ignored.

Sources claimed that no action should be taken on anonymous or pseudonymous complaints in line with rules and regulations prevailing in Pakistan, which are very much clear that fake/fabricated complaints have no value and should not be entertained.

The FBR also acknowledged in various communications with other government authorities that it is an imaginary story, while the PCA Lahore don't have any logic to start investigation just based on frivolous and concocted information since the reply from All Pakistan Paper Merchant Association is self-explanatory very clearly stating that the complaint is false and fabricated and also filed the FIR against unknown person for using fake letterhead of their Association.

Exporters are very much clear that the genesis of the whole matter lies in the anonymous complaint, and there is just mudslinging the exporters or to discourage the business activities.

All exporters mentioned in the false/fabricated complaint have been exporting fruits and vegetables to various countries for many years under DTRE scheme and the audit as per the DTRE Rules referred in SRO-450/(I)/2001 dated 18.06.2001 has regularly been conducted by the competent authority having jurisdiction over the matter. The records of the exporters have regularly been examined and there had been no contravention reported, hence the issuance of the notice for production of record is illegal.

In addition to this, the Collectorate of Customs, Faisalabad, have already been thresh out the same issue a few months back including the surprise physical visits of the exporters manufacturing premises and accordingly sent a satisfactory report to FBR.

Exporters associations, SCCI, TDAP and other trade bodies have approached finance minister, Ministry of Commerce and new FBR chief to stop this type of harassment and issue directives to PCA Lahore to stop issuing the unnecessary notices to exporters, as this would not only hurt exports but will also discourage business activities in the country and this may create more degeneration, meanness and abased situation. Exporters have much confidence that new FBR chairman would give directions to stop this type of irrational and unlawful practice.

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Production of oil & gas found below capacity, says KPOGDCL

RECORDER REPORT

Dera Ismail Khan (D I Khan) of Khyber Pakhtunkhwa have the capacity of producing 5000 barrel oil and natural gas production capacity is 45mmcfd. However, the production of oil has been capped at 1650 barrel while that of gas is 16mmcf for the purpose of economic analysis.

The Khyber Pakhtunkhwa Oil and Gas Company Limited (KPOGDCL) report said that the province has been divided into seven blocks on the basis of natural resources. The DIK block has been divided into East and West block. The East block comprising 446 sq kilometers area while the West block comprising 300 sq kilometers.

The KPOGCL in cooperation with foreign and local companies is exploring more sites to increase productivity. The company Chief Executive Raziud Din Razi said that Dera Ismail Khan Block is full of resources and KPOGCL started work in the DIK Block in current year. The official said that DIK Block is a 15-year project which is expected to generate 555 million dollars. Out of the profit, natural gas would contribute 261 million dollars while crude oil would add 294 million dollars. However, after the expenditures, royalties and taxes the net profit would be 172 million dollars.

He said that DIK East Block project is expected to generate 263 million dollars. Out of the profit natural gas would contribute 116 million dollars while crude oil would add 147 million dollars. However, after the expenditures including royalties and taxes the net profit would be 78 million dollars. The official further said that DIK West Block project is expected to generate 292 million dollars.

Out of the profit natural gas would contribute 145 million dollars while crude oil would add 147 million dollars. However, after the expenditures, royalties and taxes the net profit would be 94 million dollars. He said the construction plan is being prepared for establishment of first Oil Refinery in Kohat that would save time and reduce transportation cost for supplying oil to the market. He said the Kohat Oil Refinery will fulfil the country's requirement and would help in creating job opportunities.

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Brisk trade activity on cotton market

RECORDER REPORT

Brisk trade activity was witnessed on the cotton market on Monday in the process of tight supply of lint cotton, dealers said. The official spot rate was unchanged at Rs 6400, they said. In the ready session over 10,000 bales of cotton changed hands between Rs 6400-6700, they said. In Sindh, seed cotton rates were higher by Rs 100 to Rs 2800-3200 per 40 kg, they said. In the Punjab, phutti prices were up by Rs 150 to Rs 3000-3400, they said.

Market sources said that supply of seed cotton is increasing with the passage of time but quality lint is short of demand. Cotton analyst, Naseem Usman said that in Punjab, seed cotton supply improved and it is most likely that availability of good quality may be eased in the coming days. He also said that spinners were laying hands over the better quality but despite this they may face shortage problem in days to come.

Fears of pest attacks cannot be ruled out and this is the factor which is propelling spinners and mills to lay hands as much as they can, some experts said. Other analysts said that in China business activity came down due to some reasons. The following deals reported: 1000 bales of cotton from Mirpurkhas at Rs 6400-6425, 1400 bales from Sanghar at Rs 6400-6450, 800 bales from Hyderabad at Rs 6425-6450, 1000 bales from Kotri, 2000 bales from Shahdadpur, same figure from Tando Adam, 400 bales from Moro all finalised at the same level, 400 bales from Burewala at Rs 6700, 200 bales from Haroonabad, same figure from Pak Pattan, 100 bales from Qabula, 200 bales from Chichawatni and same figure from Sahiwal all done at the same rate, they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 05.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,400	145	**6,545**	**6,545**	NIL
40 Kgs	6,859	155	**7,014**	**7,014**	NIL

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New York cotton futures rally

NEW YORK: ICE cotton futures rose for a second straight session on Monday to a seven-week high on forecasts for strong US crop demand before turning lower before the market closed.

The December cotton contract on ICE Futures hit 70.94 cents a lb earlier in the session before settling down 0.07 cent, or 0.10 percent, at 70.55 cents per lb.

Rain in Texas has also slightly lowered expectations for US crop production.

"Mother Nature came back into play and instead of boosting West Texas (top cotton producing state in the US) production with adequate moisture, she likely washed away some acreage and played havoc with plant growth, regrowth and in many fields brought about a delayed maturity schedule," said O.A. Cleveland, consulting economist at Cotton Experts.

Prices of the natural fiber were also supported by higher demand for the US crop.

US cotton exports for 2016/17 marketing year exceeded the USDA's 14.5 million bale export target on July 27 and, potentially, could reach as high as 14.9 million bales, said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group.

"Sales may continue to be strong over the coming weeks. With plentiful rains across the cotton belt and harvest season approaching, merchants may become more willing to commit to forward sales," Rose said.

The US Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) report and the weekly US export sales data will be released on Thursday.

Total futures market volume rose by 755 to 19,022 lots. Data showed total open interest fell 97 to 216,739 contracts in the previous session.—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
Oct'17	70.99	71.52	70.99	71.22	14:45 Aug 07	71.22	0.23	86	70.99
Dec'17	70.67	70.94	70.43	70.55	14:45 Aug 07	70.55	-0.07	12607	70.62
Mar'18	70.00	70.54	70.00	70.25	14:45 Aug 07	70.25	0.20	4478	70.05

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FBR's lacklustre performance

Dr Hafiz A Pasha

The final estimate of FBR's revenues in 2016-17, as reported to the National Assembly Standing Committee, is Rs 3362 billion. Given the target at the start of the year of Rs 3461 billion, the shortfall is Rs 279 billion. This is the largest shortfall in the four years of the PML(N) Government. Bulk of the shortfall is in income tax and sales tax. However, the collection from customs duties has significantly exceeded the target.

The overall growth rate achieved in revenues in 2016-17 is only 8 percent. During the previous three years, significant double-digit growth was witnessed each year. In particular, FBR put in a stellar performance in 2015-16, when it not only exceeded the target but also managed an exceptionally high growth rate of 20 percent.

There is considerable variation in the growth rate among the individual taxes in 2016-17. Revenues from sales tax and excise duty have been, more or less, stagnant. Exceptional buoyancy has been shown by customs duties, with a growth rate of over 22 percent. Income tax revenues have exhibited moderate growth of almost 13 percent.

The basic question is why there has been such a precipitous decline in the growth rate of revenues after the strong performance in 2015-16? Is it due to less rapid growth in the relevant tax bases? Is it because the budget of 2016-17 was 'soft' with few taxation proposals? Is it as a consequence of reliefs announced in the budget and during the year? Further, for various reasons, FBR may have slackened its fiscal effort in 2016-17.

Contrary to expectations, the various tax bases have shown much more rapid growth in 2016-17 than in 2015-16. For indirect taxes, the principal tax bases are the value of imports and value added in manufacturing. Both these tax bases have increased much rapidly in 2016-17. During the year the rupee value of imports increased by as much as 19 percent, as compared to less than 1 percent in 2015-16. This should have provided for rapid growth in revenues from the import sales tax and customs duties. Similarly, the value added in manufacturing rose by 8 percent, while there was actually a decline of 2 percent in 2015-16. The broad tax base for the income tax is the non-agricultural GDP. It demonstrated a higher growth rate in 2016-17 of 10 percent versus 6 percent in the previous year.

The obvious conclusion is that FBR revenues should have been substantially higher in 2016-17, given the relatively rapid growth in all the tax bases. As such, explanations for the relatively poor performance have to be found elsewhere.

The Chairman, FBR, has testified to the Committee that a number of tax reliefs were given in 2016-17. These included the reduction in sales tax on fertilizer, the revenue loss due to the textile package, zero-rating of the five export sectors and some relief from taxation on pesticides. Apparently, the total revenue foregone in 2016-17 due to these measures was approximately Rs 59 billion.

However, against this revenue loss there is a need to identify the potential revenue from the taxation proposals announced in the Budget of 2016-17. In the domain of direct taxation, the Money Bill included broadened coverage of the minimum tax, enhancement of capital gains tax on shares and property, fixed tax on builders and developers, higher withholding tax on commercial consumers of electricity and continuation of the super tax.

Taxation proposals in indirect taxes included higher excise duty on cement and cigarettes, increase in sales tax on import of mobile phones, enhancement in the import duty on furnace oil, rise in the slabs in import duty from 2 percent to 3 percent and from 10 percent to 11 percent. In addition, regulatory duties have been enhanced on some items like iron and steel.

The impact of these taxation proposals is sizeable, especially those relating to import duties and income tax. The additional revenue from these measures has probably more than compensated for the revenue foregone due to the above-mentioned reliefs.

The likelihood of this is enhanced by the information provided by FBR to the Ministry of Finance regarding

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the revenue cost of exemptions, reliefs and concessions, generally referred to as 'tax expenditure'. This information is summarized in an Annex to the Pakistan Economic Survey. The total tax expenditure, combined in all FBR taxes, is reported at 1.4 percent of the GDP in 2015-16 and somewhat less at 1.3 percent of the GDP in 2016-17. Therefore, this is additional evidence that reliefs have not cut proportionately more into the effective tax bases last year.

The Chairman, FBR, has taken the fall back position that some tax rates have been lowered. In particular, he has highlighted that prices of petroleum products were not increased in line with any increase in the international prices. This has apparently led to a decline in the sales tax (in rupees) per litre of major products like motor spirit, HSD oil and furnace oil. The consequential revenue loss is sizeable and estimated at Rs 111 billion.

This is true, especially in the case of HSD oil. However, the sales tax rate on furnace oil has remained unchanged at 20 percent. Moreover, the tax base has expanded rapidly in 2016-17, as compared to 2015-16. The consumption of POL products in volume terms has increased by over 11 percent in 2016-17 versus only 2 percent in 2015-16. Therefore, the larger tax base ought to have compensated at least partially for the lower tax rates. Further, additional revenues have been generated in 2016-17 by the increase in the rate of import duty on furnace oil from 5 percent to 11 percent and the rise in imports of LNG.

Overall, it is difficult to find an objective and quantitative explanation for the poor performance of FBR revenues in 2016-17. It is possible that there was very high growth in advance taxes collected towards the end of 2015-16 to further bolster revenues. This has probably cut into collections in 2016-17, as demonstrated by the fact that the revenue growth in the first quarter of the year was only 4 percent. Also, in line with government policy, a higher volume of refunds may have been paid in 2016-17. These were exceptionally low in 2015-16.

Overall, there is no other option but to focus on qualitative factors behind the disappointing performance. This may be the consequence of complacency after the exceptional performance in 2015-16 or loss of some motivation due to the likelihood of managerial changes at the top or perhaps due to some diversion of the top management to tasks other than collection of revenues.

FBR now has a new management team. It faces the formidable task of repeating the 2015-016 performance by showing a growth rate of over 19 percent this year and crossing the threshold of Rs 4 trillion. We wish the new Chairman and Members of FBR success in achieving this ambitious target.

(The writer is Professor Emeritus and former Federal Minister)

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Country does need higher growth rate

Acting Chairman of All Pakistan Textiles Mills Association (APTMA) Zahid Mazhar has requested Prime Minister Shahid Khaqan Abbasi to prioritize the revival of the economy in general and textile industry in particular during his tenure; he further contended that the economy needs to achieve an annual 8 percent growth rate to survive which, he claimed, was only possible if the focus was on exports (arresting and reversing the ongoing decline), and more specifically on the textile sector.

It is unclear how Zahid Mazhar reached the 8 per cent growth rate for survival figure, however, what is clearly evident is that the economy does require immediate attention with an urgent need to revisit some of the major policy decisions of the past four years. The International Monetary Fund on 14 June 2017 uploaded a press release on the conclusion of the IMF Board's Article IV Consultation with Pakistan projecting a growth rate of 5.5 percent for 2017-18 on the back of the China Pakistan Economic Corridor (CPEC), improved availability of energy, and growth-supporting structural reforms.

The first two elements are clearly the priority of the recently-elected Prime Minister, like his predecessor, however structural reforms are urgently required as per all recent multilateral reports: (i) tax sector which must include enhanced documentation with a view to ending the generation of black money from the formal sector leave alone from the informal sector as well as increasing reliance on direct taxes that are based on the ability to pay principle, as opposed to indirect taxes whose incidence on the poor is greater than on the rich. Abbasi did, in his maiden speech in the House as the Prime Minister-elect, pledge to increase total tax collections. He specifically mentioned the parliamentarians but did not focus on structural reforms that would render the tax system fair, and non-anomalous; the IMF in its June 2017 press release stated that Directors recommended mobilizing additional tax revenues by broadening the tax base and strengthening tax administration; and (ii) the energy sector which, unfortunately, remains mired in poor governance with the circular debt remaining a serious source of concern and the recent approval by the regulator, which was denied earlier for valid reasons, to pass on a 1 percent increase on CPEC projects as security cost - a raise that would further widen the difference between the cost of electricity in Pakistan with our regional competitors. This state of affairs prompted the Fund Directors to call for maintaining a strong regulatory framework in the energy sector, swiftly addressing the renewed build?up of arrears in the sector, and ensuring its financial soundness. In this context it is relevant to note that Mazhar claimed that the domestic textile industry has been hit hard by a 30 percent higher cost of gas and electricity than provided to regional competitors.

APTMA Acting Chairman also mentioned the delay in refunds as an impediment to export growth, a delay which is creating liquidity concerns compelling many exporters to borrow which, in turn, is raising their input costs.

Unfortunately, however, a revision in policies is unlikely as Ishaq Dar retains the Finance portfolio and has to-date shown a marked resistance to accepting any advice that requires a change and/or adjustment in his policies, including those that would arrest the export decline. Dar has not specifically directed the Federal Board of Revenue (FBR) to release refunds to the textile sector on time, though he did periodically release some refunds after receiving directions from former Prime Minister Nawaz Sharif and instead has consistently placed, albeit unfairly, the blame squarely on the Commerce Ministry for a decline in exports. It is not clear whether Dar would extend the same courtesy to Prime Minister Abbasi if and when directed to release refunds as his focus is on showing a low budget deficit with little concern for the impact of such a policy on our exports.

To conclude Prime Minister Abbasi needs to urgently make changes in economic policies that have been prevalent for past 4 years though it is unclear whether he has the mandate to over-rule Dar.

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Refund payments delayed to perk up collection

Mubarak Zeb Khan

ISLAMABAD: The Federal Board of Revenue (FBR) has withheld approximately Rs39 billion sales tax refunds and customs rebate to show higher growth in revenue collection in the outgoing fiscal year, an official source told Dawn on Monday.

In spite of all this efforts to put on hold releases to exporters, the FBR witnessed more than a Rs47bn shortfall as the actual collection fell to Rs3.37 trillion in 2016-17 as against the downward revised target of Rs3.42tr.

Official data available with Dawn showed that as many as 50,765 sales tax refund claims were submitted with the FBR until June 30. Of these, 37,927 claims, worth Rs12.91bn, were deferred.

During this period, 6,633 fresh claims were submitted with the FBR involving an amount of Rs13.76bn, while in 6,205 cases, refund payment orders (RPOs) involving an amount of Rs17.92bn were issued.

According to an official, FBR has paid Rs2bn until July 14. "It is expected that the FBR will release Rs15.21bn sales tax refunds by Aug 14," the official said, adding it was not clear whether the board will honour the target.

After the release of these refund payments, the FBR will still have to pay Rs29.38bn to exporters.

For customs rebate, the FBR has received Rs12.9bn worth claims from exporters until June 30. Of these an amount of Rs5.41bn was paid to exporters leaving behind an amount of Rs7.58bn.

Under the prime minister's package, the total claim of duty drawback of taxes received was Rs8.9bn until June 30.

The FBR paid only Rs2.99bn under the package until June 30. Another amount of Rs4bn was released to exporters in mid-July.

The amount, which was pending with FBR was Rs1.91bn.

The government has projected to have received total claims of approximately Rs40bn between Jan 16-June 30 under the prime minister's package and allowed cash support on export proceeds irrespective of growth.

Exports fell 1.63pc year-on-year to $20.45bn in 2016-17. This means the support will be considered on the quantum of total exports proceeds to all those sectors, especially textile and clothing, which have been identified for the support.

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Circular debt touches Rs800bn: Pepco

Khaleeq Kiani

ISLAMABAD: The power sector has resumed building circular debt after an initial freeze that came about following a historic dip in international oil prices, improvement in bill collection and slight reduction in system losses.

A senior government official told Dawn that a recent meeting of the Economic Coordination Committee (ECC) of the cabinet was informed that overall recoveries had crossed 93 per cent consecutively in fiscal years 2015 and 2016 compared to 88-89pc in 2014.

Likewise, technical and distribution losses dropped during the same period to 17.8pc by end-December 2016 from 19pc in 2014.

"These two accounts by themselves have provided a positive cash flow to the power sector, totalling Rs116 billion in these two years," Water and Power Secretary Yousaf Naseem Khokhar informed the ECC. He added that the sector showed marked improvement in its performance in two years.

Pace of accumulation picks up in last few months

Generation companies were making a cumulative loss of Rs7.78bn in 2013-14. They not only overcame their losses, but also reported a profit of Rs5.77bn in 2015-16.

"All these achievements as well as a historic drop in oil prices helped keep the power sector's circular debt within the range of Rs320-330bn from December 2014 to June 2016," the ECC was informed.

Mr Khokhar reported that these two fiscal years were the only period in over a decade when no losses were paid out of the federal budget. The payment would be around Rs200bn annually. This reduced the budgetary burden from 2.4pc of GDP to 0.7pc.

The meeting was, however, not informed that about Rs6 per unit was being charged to consumers over and above tariffs determined by the National Electric Power Regulatory Authority (Nepra) for almost two years. These included about Rs4.50 per unit additional cost to consumers through a series of surcharges, like tariff rationalisation and financing cost etc, and about Rs1.50 per unit by withholding notifications on tariffs determined by the regulator 2015-16 onwards.

Yet the overall amount of circular debt has now gone beyond Rs800bn, significantly higher than Rs685bn about seven to eight months ago, Pakistan Electric Power Company (Pepco) officials informed the meeting. It is parked equally in Power Holding Ltd and accounts of distribution companies.

Power ministry officials, speaking to Dawn after the meeting, explained that this figure includes both old stock and fresh accumulation. The figure is at an acceptable level, they said, even though the stock of arrears was around Rs400bn.

They claimed the amounts that are still not reconciled and reported on balance sheets could not be taken as circular debt. A gap of this size should be seen as normal in an annual business of over Rs1.2 trillion, they added.

The rise in circular debt has also been highlighted by the International Monetary Fund (IMF) in its report released last month. It said, "Some renewed accumulation of arrears in the power sector has been observed," which was brought to nearly zero by 2015-16 with the help of favourable oil prices and sustained reform efforts.

The IMF asked the government for "swiftly addressing the resumption in the accumulation of arrears to ensure a financially viable and growth-supporting power sector" and noted Rs53bn accumulation of power-sector arrears in the first half of 2016-17, with the stock increasing to Rs374bn.

The IMF said this showed a widening of the system's operational deficit due to delays in passing through to consumers higher generation tariffs and weaker bill collection by distribution companies, only in part compensated by the positive impact of a reduction in distribution losses and still low oil prices.

Informed sources, however, said the stock of arrears (parked in Power Holding Ltd) and being financed through bonds, term finance certificates and loans and being serviced through financing cost had actually gone beyond Rs400bn after recent adjustments.

The official said whatever financial pressure the power sector faced had been resolved through a recent financing arrangement of Rs193bn approved by the ECC on July 25.

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$10bn foreign investment in petroleum sector

From the Newspaper

ISLAMABAD: The petroleum sector attracted over $10 billion foreign investment despite low oil price scenario in international market during the last four years.

“Besides, world’s major players are showing interest to invest in LNG sector of Pakistan after seeing immense business potential of the commodity here,” official sources told APP.

Sources said international companies were aspiring to set up their own terminals and develop transmission networks to supply the commodity to consumers, adding, “There will be good news in the coming weeks in this regard.”

The officials said PGNiG, a Polish company, has planned to step up its exploration and production (E&P) activities and take the business volume to Rs100bn per year.

“The company has the intention to take its production to $100 million per year in the coming days,” they said.

Besides, the company is considering to set- up its LNG trading office in Pakistan.

Currently, the sources said, 600 million cubic feet per day (mmcfd) LNG was being imported from Qatar, which greatly helped in meeting the country’s energy requirements as all gas-based power generation plants are now functioning fully; 1,200 CNG stations have restarted their operations and industrial and fertiliser sectors are getting uninterrupted supply.

Before LNG import, Pakistan was importing 1m tonnes of fertiliser per year and now it was exporting 6m tonnes of fertiliser, adding entire power generation sector was getting smooth gas supply, besides Nandipur power plant had also been converted on LNG, the sources said.

Answering a question, the sources said that Pakistan was already negotiating LNG import deals with countries including China, Turkey, Russia, Malaysia and Oman, adding “Pakistan will strike LNG deals with potential exporters”.

Rs4.7bn recovered from E&P companies: Meanwhile, the Ministry of Petroleum and Natural Resources has recovered outstanding payments amounting to Rs4.7bn from different oil and gas exploration and production companies on account of production bonus, social welfare funds and marine research fee during the last four years.

In a bid to restore confidence of locals in exploration activities, the ministry recovered a Rs1,639.23m production bonus, Rs1,988.25m social welfare funds and Rs1,100.51m marine research fee from the E&P companies, official sources told APP.

“An amount of Rs4,727.99m has been recovered and deposited in accounts of concerned DCOs of oil and gas producing districts for carrying out welfare schemes for locals,” they said.

Facilities like health, education, water supply, improved drainage and sewerage system are provided to locals in oil and gas producing Tehsils and Districts across the country, the sources said.

The ministry has also recently revised the social welfare guidelines, under which welfare schemes would be based on the requirement of areas and identified by concerned MNAs of districts in consultation with representatives of local bodies or local administration.

They informed that E&P companies would open a joint bank account with the concerned District Coordination Officers (DCOs) and Deputy Commissioners (DCs) and deposit the social welfare contribution fund within one month of signing a Petroleum Concession Agreement (PCA) and subsequently by January 31 every year.

“DCOs/DCs and E&P companies will sign cheques within a week after receiving complete requisitions from the concerned agency,” they said, adding that MNAs and concerned authorities would get input of the locals in welfare schemes, make publicity of development projects and ensure their timely completion besides holding public hearings in project areas.

They said the companies would provide audit certificate annually from their statutory auditors that the due amount of social welfare obligation had been discharged by transferring to the joint account as per their PCA and social welfare guidelines.

Sources said the provincial governments would send a report regarding completed schemes to the federal and provincial ombudsmen and Human Rights Cell of the Supreme Court twice a year by the end of July and January.

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On completion of works, a prescribed 'completion certificate' would be issued by the concerned DCOs/DCs within 30 days, while annual progress report of the previous calendar would be forwarded to the ministry by March 31.

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Commodities

Buying orders push cotton trading up

The Newspaper's Staff Reporter

KARACHI: There was brisk activity at the cotton market on Monday as steady flow of buying orders kept pouring from needy spinners.

The improved flow of phutti (seed cotton) coupled with higher availability of quality lint helped generate higher trading activity.

Strong demand from spinners will continue to persist in the coming days, pushing up phutti prices – particularly in Punjab where picking has gradually gained momentum.

Most spinners are running out of cotton as no carryover stocks from previous crop are there while a delay in phutti picking caused by recent rains has affected the supply.

The spinning industry is presently concerned about the Eidul Azha holidays as all activities would seize for more than a week starting September 1. Therefore, many spinners are trying their best to get hold of higher stocks.

Though there is little off take of yarn in local market but spinners – in order to keep the industry's wheels moving – are looking for quality cotton.

Phutti prices in Punjab soared to Rs3,000 to Rs,3400 per 40kg while Sindh variety rose to Rs3,000 to Rs3,350 per 40kg.

The Karachi Cotton Association (KCA) spot rates were unchanged at weekend level.

The following deals were reported on Monday: 800 bales, Mirpurkhas, at Rs6,375 to Rs6,400; 1,000 bales, Sanghar, at Rs6,400; 2,000 bales, Shahdadpur, at Rs6,400; 2,000 bales, Tando Adam, at Rs6,400 to Rs6,425; 800 bales, Kotri, at Rs6,400; 200 bales, Burewala, at Rs6,700; 200 bales, Haroonabad, at Rs6,700; 200 bales, Pak Pattan, at Rs6,700; 200 bales, Qabula, at Rs6,700; and 200 bales, Chichawatni, at Rs6,700.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,400**	**135**	**6,545**
40 Kgs	**6,859**	**145**	**7,014**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	106.50	107.00
UK	137.50	137.76	138.70	139.70
Euro	124.26	124.50	125.20	126.20
S.Arabia	28.08	28.13	28.30	28.45
UAE	28.67	28.72	29.00	29.25
Japan	0.9513	0.9532	0.9550	0.9650

*forex.com.pk **ECAP

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 Aug 4

Three months	1.31194 %
Six months	1.44944 %

THE NEWS
Tuesday, 8th August, 2017

Dar to electronically transfer exporters' refund claims

ISLAMABAD: Finance Minister Ishaq Dar will push a computer button on Tuesday (today) to electronically transfer Rs25 to 30 billion worth of tax refunds into the bank accounts of exporters during an event scheduled at the Federal Board of Revenue (FBR), an official said on Monday.

Muhammad Iqbal, a FBR spokesman said the amount is related to the refund payment orders (RPOs) issued till June 30, 2017. Thousands of taxpayers will get their stuck refunds, which amount to more than one million each.

"Yes, we will provide refunds to all those taxpayers where RPOs have been issued till June 30," Iqbal told The News. He said especially the sales tax refunds of exporters will be cleared "and with a push of button the due amount will be transferred into bank accounts of taxpayers."

The exporters claimed that the stuck refunds amounting more than Rs200 billion were choking their liquidity and making it impossible for them to boost exports. Exports came down to around $20 billion during the last fiscal year as against the $25 billion level few years back.

Trade deficit rose 36.32 percent to $32.578 billion in the last fiscal year of 2016/17. Imports surged 18.67 percent to $53 billion in FY17. In the previous fiscal year, imports amounted to $44.685 billion.

International Monetary Fund (IMF), in a report, said external vulnerabilities have increased with a widening current account deficit and rising medium-term external repayment obligations linked to China-Pakistan Economic Corridor projects and other large investment projects.

Particularly, the declining exports pose serious threat to country's external account as current account deficit is widening. The country's current account deficit reached four percent of GDP for the last fiscal year, surpassing the annual targets of the government, State Bank of Pakistan and IMF, as the deficit amounted to $12.098 billion in 2016/17 up almost two times over the preceding fiscal year.

The newly-placed team at the FBR is making all-out efforts to get clearer picture of stuck refunds to resolve liquidity problems being faced by the exporters. They avoid putting mess under the carpet by claiming that the piled-up refunds are much less than what have been claimed by the exporters.

"We are trying to gauge the exact refund amounts after analysing the liabilities against taxpayers," another top tax official said. "This exercise has almost been done by the FBR and will be forwarded to the Finance Minister Ishaq Dar for final approval."

FBR has already repaid sales tax refunds amounting to Rs2 to 4 billion last month. The last payment of refunds was made against 6,853 RPOs issued till 30 April 2017. All the cases amounted up to one million rupees each.

THE NEWS
Tuesday, 8th August, 2017

FBR launches drive to net ‘big’ retailers

KARACHI: Federal Board of Revenue (FBR) has launched a drive to bring ‘big’ retailers into the sales tax net in continuation of its last year’s crackdown on distribution channels to catch tax evasion, officials said on Monday.

An official at Regional Tax Office (RTO) – III Karachi said the drive has been launched in the wake of mushroom growth of retail outlets across the city.

“The tax office is gathering information about the goods supplied to retail outlets on the basis of invoices issued by distributors, manufacturers and wholesalers,” the official said on condition of anonymity. “We are also gathering similar information from importers of finished products.”

Government, in the budget for the fiscal year of 2017/18, amended Sales Tax Act 1990, redefining tier-1 or big retailers, in order to net them. Now, they are required to pay sales tax of 17 percent under the value-added mode.

Before the amendment, sales tax collected from retailers through electricity bills was considered as final discharge of sales tax liability.

The sales tax law defines tier-1 retailer as one who operates: a unit of a national or international chain of stores; in an air-conditioned shopping mall, plaza or centre, excluding kiosk; an outlet with a cumulative electricity bill of Rs600,000 for the past one year; and unit engaged in bulk import and supply of consumer goods on wholesale basis to retailers as well as on retail basis to consumers.

Under a statutory regulatory order (SRO 1125(I)/2011), retailers supplying finished goods to five export-oriented sectors are to pay sales tax at reduced or nil rates. Such retailers have also been given an option to pay 2 percent turnover tax, including on exempted supplies, without any input tax adjustment.

The tax official said the RTO would conduct periodical audits and physical stock taking of big retailers. RTO – III Karachi detected sales tax evasion by the retail outlets of international brands and recovered huge amount in those cases during the last fiscal year.

In some cases, the outlets had contested the tax office on legal ground that they were only service providers. Government, in the budget 2017/18, also altered the definition of liaison office and a unit working in Pakistan on behalf of an international entity would be treated as a permanent establishment of foreign company and will be liable to normal tax regime.

FBR’s tax collection grew 20 percent to Rs200 billion in July over the same month a year earlier. Government set the tax collection target at Rs4,013 billion for the current fiscal year of 2017/18. Last year, the tax collection amounted to Rs3,360-3,362 billion.

THE NEWS
Tuesday, 8th August, 2017

Bureaucrats are privy to misdoings of businessmen, politicians

LAHORE: Businessmen and politicians (opposition) agree that bureaucratic corruption is very high in Pakistan; yet hardly any bureaucrat has been punished for corruption. Bureaucrats are spared by colleagues and politicians as they are privy to their misdoings.

It is common knowledge that public representatives want to get their men posted as XENs and SDOs in the power distribution system. These officers oblige their patrons by ignoring the power thefts on their advice.

This also gives the bureaucrats an opportunity to organise systematic power theft by taking a monthly sum from the consumers and under-reporting their power use. They then overcharge honest consumers to make up for the losses thus suffered. Still some of the theft is passed to the public sector power distributor as line losses.

We have rarely seen an executive of power distribution system made accountable for huge power losses. Since both the bureaucrats and the politicians are beneficiary of the system, no serious efforts are made to eliminate corruption and power losses in the country.

It is true that bureaucrats obey the verbal orders of ruling elite that sometimes are against the law. So if anyone can be punished for violating the law it is the bureaucrat. If they are held responsible for the misdeeds they performed on behalf of politicians they would play by the rules. Power sector is not the only exception. The politicians ensure that police remains under their thumb.

We all know that SHOs in the police stations are posted on the recommendations of the ruling party's parliamentarians. This is done to oblige their electorates even if they commit crime. Armed robbers and thieves are spared by the SHOs on the advice of the ruling party MNA or MPA. This is illegal, but can be managed by the SHO by stating that preliminary investigation proved nothing against them.

The MNA or the MPA would also use strong arm tactics to ensure that no one dares to come forward as witness of the crime. This practice gives the SHO a license to run his own criminal den and take a share in the loot. The ruling party ignores this crime. Even the courts let go of those who the police detained, terming the detention illegal.

Political compulsions are given more importance over law. The Juneju government in 1987 made the first move to fully document the economy through value-added tax, but backed off on traders' pressure.

It is indeed regretful that we are still at the same position as we were thirty years back. Traders and other individuals that hardly pay tax live lavish lives, but are not confronted by tax collectors as every government that comes to power asks them not to raid their premises.

These instructions are illegal but are obeyed. This is the reason that the ratio of non-documented economy has enlarged in the last 30 year. As the possible avenues of tax collection are closed, the FBR in order to generate higher revenues passes the additional burden of taxes on those sectors that are already under the tax net.

The policy of no questions asked on foreign funds received is being used to legalise black money earned through corruption. If we look at the life style and assets of bureaucrats they are not in line with their known source of income.

They make their looted money legal by first illegally transferring money abroad through hundi and then bringing it back in their accounts officially as foreign remittance. The law is not concerned with who sent the money or if the sender has any relation with the beneficiary. When these bureaucrats are confronted they simply show the proof of remittance. The government would have to close these loopholes that benefit the corrupt.

THE NEWS
Tuesday, 8th August, 2017

Cotton stable

Karachi

Active trading continued at the Karachi Cotton Exchange on Monday, while spot rates remained firm.

The spot rates remained unchanged at Rs6,400/maund (37.324kg) and Rs6,859/40kg. Ex-Karachi rates also stood firm at Rs6,545/maund and Rs7,014/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively. An analyst said the recent rains in the country affected the cotton crop and this year's target might not be achieved despite an increase in the sowing area in Punjab. For 2017/18, the cotton production target is currently set at 14.04 million bales from 3.11 million hectares. Of this, Punjab is expected to produce 10 million bales from 2.43 million hectares. KCE recorded 13 transactions of around 10,000 bales at a price of Rs6,400 to Rs6,700/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Moro, Burewala, Haroonabad, Pakpattan, Qabula, Chichawatni and Sahiwal.

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Political turmoil doesn't augur well for economy

Our Staff Reporter

LAHORE - Noted economist and former federal finance minister Dr Hafiz Pasha has said that ongoing political turmoil does not augur well for economy, democracy and developmental indicators in every sector.

He was speaking as chief guest in a seminar on Company Ordinance 2017 held under the aegis of ICMAP at its Lahore campus here on Monday. Fearing a bleak scenario ahead, he said that it was the time when Pakistan desperately needed bold decisions to charge up progress on multiple internal and external fronts especially to increase exports and decrease imports.

"Former Prime Minister Nawaz Sharif, who has a track record of taking bold decisions, could have made turnaround but situation did not allow him to do so," he said.

In the wake of unrest that hit the country badly, he said, the worst affectees were no one but the common man. He said that if situation persisted, every person would have to bear the brunt.

Being a key speaker on the occasion, ICMAP president Muhammad Iqbal Ghori said ICMAP formed a Committee to review draft Companies Bill, 2016 and its recommendations were submitted to the SECP for consideration.

Under this Act, the discretionary powers of the Security Exchange Commission of Pakistan (SECP) have been reduced to a large extent. The Companies Act 2017 provides completely new responsibilities to the SECP, including authentication of the Sharia sector, certification of real estate, and approval of companies' merger.

He said that this effort of organizing Companies Act 2017 – Way Forward and the presentations of our learned speakers gave better insight and in-depth analysis of Companies Act 2017. Prof Mirza Manwar Hussain, S Ahmad Ashraf and Barrister Tariq Saeed Rana also addressed the seminar.