BUSINESS
RECORDER
Friday, 9th June, 2017

Pakistan to continue import of LNG from Qatar

DUBAI: Shahid Khaqan Abbasi says Islamabad will continue to import liquefied natural gas (LNG) from Qatar under a 15-year agreement, despite the severing of diplomatic ties with Qatar by Saudi Arabia and some other countries.

Shahid Khaqan Abbasi, the federal minister for Petroleum and Natural Resources, said Qatar and Pakistan last year signed a $1 billion agreement, under which Qatar's Liquefied Gas Company Limited will sell LNG from 2016 to year 2031 to state-run Pakistan State Oil.

He said since no sanctions have been imposed on Qatar by the United Nations, Pakistan and Qatar were bound to abide by the agreement.—AP

BUSINESS
RECORDER
Friday, 9th June, 2017

Empowering PM to take decisions on financial matters: Parliament to resolve issue: Dar

ZULFIQAR AHMAD

ISLAMABAD: Finance Minister Ishaq Dar on Thursday informed Senate that the government along with opposition parties is mulling intorducing a legislation to give powers to the prime minister in financial matters without any prior approval of the cabinet.

"Our hands will be tied and it will not be possible to carry out work unless the current definition is reversed," he said, adding, "Under the present arrangement, nothing can be done without the approval of the cabinet," he said, adding that certain matters require immediate decision and issuance of notifications.

"The proposal is to replace the word federal government with minister in-charge in the finance bill. We need a legal amendment and will be ready to revert back once it is passed," he remarked.

Referring to Supreme Court's verdict which stated that the prime minister is not the federal government and it means the prime minister and the cabinet form the government jointly, he said the apex court's judgment will be honoured. However, Dar quickly said that the apex court will interpret the law as it is.

Chairman Senate Standing Committee on Finance, Senator Saleem Mandviwalla presented a report of the committee on proposals for making recommendations for the Finance Bill 2017, containing the annual budget statement, which was adopted by the house.

However, Senator Ilyas Bilour of Awami National party (ANP), who had floated three proposals, pressing to end tax amnesty enjoyed by Federally Administered Tribal Areas (FATA) for several years, withdrew his proposals under pressure from tribal MPs who had resisted the move. Winding up the debate on the finance bill, Dar assured the house the he would try his level best to accommodate maximum recommendations made by the Upper House of the Parliament as he did during the previous budget in which he had incorporated most of the recommendations made by the senators.

About the ruling of the apex court, which had ruled last year barring the prime minister from taking any decisions on financial matters without prior approval of the cabinet, Dar said a legislation would soon be presented in the house to empower the PM for taking decision on financial matters.

He substantiated his claim by saying the cabinet meeting can not be called in haste and there are some important issues where the prime minister should be made empowered to take decisions without any approval of the cabinet.

"I have spoken to the Senate chairman who has agreed with me on the issue, and after consulting other political parties we will bring a legislation in this regard soon," he said.

Responding to lawmakers who termed the budget 'jugglery of words', the minister said that the 6 percent growth rate for next year is quite realistic, as country's economy had grown by 5.3%.

"After almost 10 years, we have exceeded 5 percent GDP growth. In 2013, we were in the range of 3 percent growth, and within 4 percent in the next couple of years. This year, the Pakistani economy has grown by 5.28%, rounded off to 5.3% GDP growth," he added.

He also rejected the impression of more external borrowing, saying borrowing for developmental purposes is encouraged, adding the government had introduced the Federal Debt Limitation Law in the country which became Act in 2005.

He said that budget for various projects in energy sector and infrastructure

BUSINESS
RECORDER
Friday, 9th June, 2017

development has been increased from Rs 300 billion to Rs 1,001 billion. According to him, the total external debt was $ 48.1 million in 2013 which has soared $ 58.4 billion in 2017.

"The total net addition in foreign loans is $10.3 billion. We are paying the installment of loans taken by the previous governments, including Gen Musharraf regime. The country which was about to go bankrupt four years ago, has improved economically and its tax revenues have gone up to 80 percent in four years," he added.

The minister argued that presenting budget without announcing NFC Award was no unconstitutional act, saying there is no nexus between NFC and the budget. He said that efforts are however being made to finalise the new NFC Award as soon as possible.

Dar said that the country has witnessed a 5.3 percent growth rate during the current fiscal year due to the prudent economic policies of the government, adding the size of economy has reached US $ 300 billion.

He said that the operation against militancy and terrorism in FATA, which started in 2014, cost the national kitty Rs 400 billion that also included raising new civil paramilitary forces to counter the menace.

"We spent Rs 100 billion per annum in the war against terrorism, for which we did not get any assistance from any foreign country," he said in an obvious reference to the US.

Dar also announced that the power load-shedding will end by the end of this year. "The country had a surplus electricity of 1,200MW in 1999 and suddenly there was a shortfall of over 4000MW after some years. The load-shedding was -26 percent in 2013, -7 percent in 2014, +13 percent in 2016, and 3.5 percent in 2017…it shows things have improved," he added.

BUSINESS
RECORDER
Friday, 9th June, 2017

PSDP-funded projects
Revised pay package approved by ECC

ZAHEER ABBASI

ISLAMABAD: The Economic Coordination Committee (ECC) of the Cabinet has approved a revised pay package with a major increase in the salaries for the project directors of Public Sector Development Programme (PSDP)-funded projects.

Sources said that proposal of revised pay package for the employees of PSDP-funded projects was approved by the ECC meeting chaired by Finance Minister Ishaq Dar on Wednesday.

As per the proposal, the secretary Finance, Planning and Establishment Division considered various options and finally agreed on an increase of five percent in the initial stage pay to the employees hired for execution of the development projects.

The decision whether the project director to be placed with project pay scale PPS-10 or PPS-11 or PPS-12 would be taken by the Central Development Working Party (CDWP) led by Minister for Planning, Development and Reform Ahsan Iqbal.

The revised pay package will be effective immediately for the new as well as ongoing PSDP projects on the condition that the pay package will be followed for the appointment for officers/staff including project directors, advisor, specialists and consultants in the PSDP-funded development projects as reflected in the PC-I/PC-II, duly approved by the competent forum. Based on the sensitivity and size of the project, the Central Development Working Party (CDWP) would decide whether the project director is to be placed with the project pay scale 10, 11 or 12; (ii) the above lump sum package will be allowed for fresh as well as existing employees of PSDP projects. However, pay will be fixed at the initial stage and thereafter an increase of 5 percent of the initial stage would be allowed.

As per revised package, PPS-12 employees were allowed 5 percent of the initial stage, which would be Rs 33,000, followed by PPS-11, Rs 27,255, and PPS-10, Rs 18,150.

After an increment PPS-12 salary would be Rs 795,160, followed by Rs 491,030 for PPS-11, and Rs 298,810 for the PPS-10. Employees of other PPS were also allowed increase as per their scale from Rs 1,000 to Rs 7,500.

BUSINESS
RECORDER
Friday, 9th June, 2017

NTN requirement

SECP grants 2-year exemption to SSCs

SOHAIL SARFRAZ

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) Thursday announced general exemption for a period of two years to all small size companies (SSCs) including Agriculture Promotion Companies from the requirement of seeking National Tax Numbers (NTNs) from the Federal Board of Revenue (FBR).

According to circular number 15 of 2017 issued here on Thursday, Companies Act, 2017 ("the Act") has been promulgated on 30th May, 2017. The provisions of section 153 (h) of the Act provides that a person shall not be eligible for appointment as a director of a company, if he does not hold National Tax Number as per the provisions of Income Tax Ordinance, 2001.

It has been observed that the promotors desirous of forming Small Size Companies (SSCs) find difficulties as National Tax Number may not be available at the time of formation of company.

Keeping in view of the above and in order to promote corporatisation, the Commission has decided to grant a general exemption for a period of two years to all small size companies as defined under the Third Schedule attached to the Act including Agriculture Promotion Companies formed in terms of Section 457 of the Act from the requirement of NTN as applicable in terms of Section 153 (h) of the Act, the SECP added.

BUSINESS

RECORDER

Friday, 9th June, 2017

EDB: Ministry in state of shock

MUSHTAQ GHUMMAN

ISLAMABAD: Ministry of Industries and Production (MoI&P) is in a state of shock after a high-level body headed by Prime Minister Nawaz Sharif decided to wind up Engineering Development Board (EDB) due to rampant corruption and unfriendly behaviour by staff.

Well-informed sources told Business Recorder that the incumbent government's key focus is power sector and most of the projects are being established under the China Pakistan Economic Corridor (CPEC) or through the private sector. The companies which establish projects are required to get few certificates from the EDB but investors are not being facilitated and instead hurdles are being created. The Sharif family is also establishing baggasse-fired power plant in southern Punjab.

The sources said, the unfriendly behavior of EDB came under discussion in a recent meeting of the Cabinet Committee on Energy presided over by the Prime Minister.

The CCoE was informed that the EDB was not performing any function, either in terms of regulation or promotion of engineering enterprises, especially in the energy sector.

"Malpractices have become endemic in the Board and exploitation of business by itself had become the norm. Board has in fact become a major impediment to improving the ease of doing business and creating an enabling environment for industrial expansion and economic development," reveals an official document.

After a careful consideration, the CCoE concluded that the EDB was not serving any useful purpose, that it was an impediment to good governance, and that it must be dissolved forthwith.

This is not the first time that corruption charges have been leveled against the EDB. Previously, the auto sector including top car assemblers wrote to the Ministry that EDB is creating hurdles for them instead of facilitating them. The auto industry has expressed severe reservations against the incumbent CEO for creating undue hurdles.

A couple of days ago, Secretary Industries Khizer Hayat Gondal and Secretary Board of Investment (BoI) Azher Ali Choudhary co-chaired a meeting with new investors who intend to set up plants under Greenfield scheme of ADP 2016-21 and heard their grievances against the EDB.

When contacted, a senior official of the MOI&P said the Prime Minister's decision would be conveyed to Minister Ghulam Murtaza Khan Jatoi when he returns from his trip abroad; the EDB would share its views on the prime Minister's decision and seek his guidance for further line of action. After due consultation, the Ministry may send the submission to the Prime Minister for reconsideration of the CCoE decision.

The organisation is an old one and the questions that would be raised within the Ministry are: if EDB is dissolved which other organisation will carry out its functions? To what extent is it indispensable? And will there be any need for a new organisation to interact with the industry.

"The government has also to consider the fate of existing staff in case the organisation is wound up in accordance with the CCoE decision," the source continued.

BUSINESS
RECORDER
Friday, 9th June, 2017

THE RUPEE
Firm trend

RECORDER REPORT

KARACHI: Firmness prevailed on the money market on Thursday as the rupee did not move any side against the dollar in the process of trading, dealers said.

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

The rupee failed to hold overnight gains, shedding 40 paisas against the euro for buying and selling at Rs 118.80 and 119.80 respectively, they said.

INTER-BANK MARKET RATES: The rupee sustained overnight levels versus the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, dealers said.

In the fourth Asian trade, sterling held steady near a two-week high on Thursday, supported by expectations that Prime Minister Theresa May's party will win a majority in Britain's election, while the euro held steady ahead of a European Central Bank policy announcement.

The pound traded at $1.2960, staying near a peak of $1.2970 set on Wednesday, its highest level since May 25.

Opinion polls on Wednesday showed that May is on course to increase her majority in parliament in Thursday's election, suggesting her gamble to call the vote to strengthen her position in Brexit negotiations will pay off.

If the Conservative Party gains a decisive majority of more than 50 seats that would probably be seen as a positive outcome for sterling, Yeo said.

However, we still see much uncertainty surrounding the UK election, where a higher turnout vote of young people could potentially turn the tables on investors," she added.

The dollar was trading against the Indian rupee at Rs 64.350, the greenback was at 4.264 in terms of the Malaysian ringgit and the US currency was at 6.794 versus the Chinese yuan. Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.59-80.60 (previous 80.59-80.60).

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pakistani rupee registered reduction versus the major currencies in the local currency market on Thursday.

The dollar commenced trading on a positive note following a slight change in buyers' interest during the day's trading session. As a result, it went up marginally by five-paisa at Rs 105.95 and Rs 106.10 on buying and selling sides, respectively, as compared to the overnight trend of Rs 105.90 and Rs 106.05 respectively, said the local currency dealers.

Likewise, the local currency also followed the same suit against the pound sterling. The pound's buying and selling rates rose from Wednesday's closing rates of Rs 136.15 and Rs 136.80 to Rs 136.60 and Rs 137.40 respectively, they added.

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 Thursday.

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

BUSINESS

RECORDER

Friday, 9th June, 2017

India worried about how to handle student anger

OCCUPIED QUIMOH: Another student death in clashes in Indian-held Kashmir has heightened tensions and worsened India's worries about a foe that it cannot control — youths who do not carry guns.

The teenager was fatally shot in the chest during an exchange of fire between troops and suspected freedom fighter in Shopian, south of occupied Srinigar, late Tuesday, sparking further violent protests.

Students have taken the lead in protests, hurling stones at soldiers tracking freedom fighters who want held Kashmir to break away from India.

More than 100 young men and women have been killed over the past year in the demonstrations. The deaths have increased anti-Indian sentiment in the part of the Muslim-majority Himalayan region it has controlled since 1947.

India is also worried about how to handle the anger. It considers the battle with armed militants to be a fair one but its leaders are unnerved about students whose only weapons are stones.

Indian army chief Gen.= Bipin Rawat said he wished "instead of throwing stones at us, (they) were firing weapons". "Then I would have been happy. Then I could do what I want," he told Press Trust of India. Bedridden in a dimly lit room of his village home, Mohammad Younis, 18, is eager to join the protests.

Indian soldiers shot the 18-year-old in the thigh in February. He had been walking through paddy fields to attend the funeral of a freedom fighter killed by troops.

"If I wasn't stuck in this bed I would also go out to protest," Younis told AFP at his home in Quimoh.

His father, Mohamamd Akbar, said the students were "not afraid of bullets and soldiers".

"We were timid," he added. "But this generation has to fight."

Student anger

A former student known to Younis, was martyred just ten days after joining the freedom fighters. About 100 young Kashmiris are believed to have joined the armed freedom fighters since commander Burhan Wani was martyred by security forces last July.

Wasim Ahmed Bhat, a student, said he has been detained seven times since July and was not allowed to attend his father's funeral.

"Each time I was tortured," he said.—AFP

BUSINESS
RECORDER
Friday, 9th June, 2017

Massive electricity load-shedding: Nepra holds KE, Hesco responsible

ISLAMABAD: The fact-finding team of National Electric Power Regulatory Authority (Nepra) has reportedly held KE and Hesco responsible for massive electricity load-shedding.

According to sources, KE has not performed as per the contract with respect to investment to improve the system. The fact-finding team has proposed a fine of Rs 10 million on the KE for failing to meet its obligations.

Likewise the distribution system of Hesco is also in worst condition. The team has recommended Rs 4 million fine on Hesco for not ensuring smooth electricity to the consumers. The Nepra's team has also recommended legal action against both the power utilities in accordance with the Nepra Act.—MUSHTAQ GHUMMAN

BUSINESS
RECORDER
Friday, 9th June, 2017

Reports on appointment of SBP governor rejected

ISLAMABAD: The spokesman for Finance Division here on Thursday strongly rebutted print and electronic media reports regarding appointment of Atif Bajwa, CEO of Bank Alfalah, as Governor of State Bank of Pakistan (SBP), says a press release.

Terming the reports as mere speculations, the spokesman said that at present no proposal on appointing Atif Bajwa as SBP Governor is under consideration.

The process for appointing Governor SBP is however underway and a decision to this effect would be taken in due course. Till such time, Riaz Riazuddin shall continue to serve as the Acting Governor, the spokesman added.—PR

BUSINESS
RECORDER
Friday, 9th June, 2017

Punjab govt allocates Rs1trn for current expenditure

HAMID WALEED

LAHORE: The Punjab government has allocated Rs.1,020.8 billion for current expenditure in Rs.1,970.7 billion budget of 2017-18, showing an increase of approximately 13 percent against the revised budget estimates of Rs.899,571.309 million for FY 2016-17.

Broadly, allocations in the current budget for FY 2017-18 includes 10 percent increase in pay and pension for civil employees of Government of Punjab. Provincial salary budget has been estimated Rs.257,691.538 million and expenditure on Pension is pitched at Rs.173,809.235 million.

Allocations for the Health Department have increased from Rs.70,060.007 million in FY 2016-17 to Rs.111,026.019 million in FY 2017-18 representing an increase of 58.4 percent over the budget estimates of FY 2016-17. Allocation of Rs.20,4120.600 million has been made in FY 2017-18 for provision of free medicines in public sector hospitals.

Expenditure on the Education Sector has been estimated at Rs.44,339.058 million in FY 2017-18 at provincial level while expenditure on the Education Sector at district level has been estimated at Rs.230,100.000 million.Expenditure on account of Public Order and Safety Affairs has been estimated at Rs.145,743.738 million against the budget estimate of Rs.132,439.638 million in FY 2016-17 showing an increase of 10 percent.

To ensure proper upkeep and maintenance of infrastructure, an allocations of Rs.22,567.906 million has been made for M&R of public infrastructure compared to an allocation of Rs.18,095.927 million in outgoing financial year.

Allocations for pro-poor initiatives like Ramazan package, Public transport and Wheat Subsidy have been budgeted at Rs.30,404.156 million.

The allocation earmarked for Public Order and Safety Affairs for 2017-18 is Rs.145,743.738 million as compared to the revised estimate of Rs.128,344.667 million in FY 2016-17; showing a growth of approximately 14 percent.

The departments include Agriculture, Food, Irrigation, Forestry & Fisheries, Fuel & Energy, Communication and Works, Wildlife & Fisheries, Industries, Livestock & Dairy Development, Mines & Mineral Department, etc. contribute to economic development. The government has allocated Rs.109,709.217 million for economic affairs in FY 2017-18 against budgetary estimate of Rs.122,505.669 million in FY 2016-17.

BUSINESS RECORDER
Friday, 9th June, 2017

275 recommendations with major amendments made in Finance Bill 2017

SOHAIL SARFRAZ & ZAHEER ABBASI

ISLAMABAD: The Senate has made 275 recommendations to the National Assembly with major amendments in the Finance Bill 2017 including special package of Rs 20 billion to revive Karachi's infrastructure and boost development, realistic targets for Federal Board of Revenue (FBR), 3 percent National Finance Commission (NFC) award for Federally Administered Tribal Areas (FAFA) and restructuring of PIA, WAPDA, PEPCO, Pakistan Steel, Pakistan Railways and other state-owned enterprises (SOEs).

On Thursday, the Senate made these recommendations to the National Assembly for consideration through amendments in the Finance Bill 2017. The recommendations made by the Upper House of the Parliament will now be presented in the National Assembly.

According to the recommendations for budget (2017-18), the Senate has recommended to the National Assembly that the inputs/outputs of educational stationery should be zero rated from sales tax under the Fifth Schedule to the Sales Tax Act 1990.

The Senate has recommended the National Assembly that import of five year reconditioned/old cars may be allowed, 50 % tax on non-filers be increased further by 10%, strict measures be taken to collect tax in real estate related business and brought under tax net and 0.2 percent advance tax on manufacturers from dealers/distributors/wholesalers from non-filers, whereas 0.5 percent advance tax from retailers on sale of batteries shall be withdrawn.

The Senate recommended to the National Assembly that in order to make fertilizer available at reasonable prices, the general sales tax on all types of fertilizers may be abolished or reduced.

The Senate has recommended the National Assembly that the following explanation may be inserted by amending Clause (2), sub-clause (1) of the Fiscal Responsibility and Debt Limitation Act, 2005:-

"Explanation - Total Debt of the Government is public debt less accumulated deposits of the federal and provincial governments with the banking system."

The Senate has recommended the National Assembly that the tariff on agricultural tube-wells may be rationalised and uniform tariff be evolved to ensure enhanced agricultural productivity.

The Senate has recommended National Assembly that the GST on the imported new combined harvester and planters may be abolished and duty and taxes should be zero rated on imported cool chain machinery/ equipment.

The Senate has recommended National Assembly that duty and taxes on imported tractors should be zero rated; sales tax on supply of locally manufactured tractors be reduced from 5% to 2% and GST on locally manufactured diesel engine and custom duty and sales tax on its imported components may be abolished.

The Senate has recommended the National Assembly that the duty on import of grand/parent stock and hatching eggs may be reduced to 3 percent, import duty may be reduced to 3 percent on poultry feed additives (vitamins, premixes, enzymes etc.) in order to encourage poultry industry and exemption of sales tax on the poultry sector may be continued in order to encourage and providing incentives to the poultry sector.

The Senate has recommended the National Assembly that in order to encourage the dairy and livestock sector, the inputs cost sales tax should be reduced from 17 percent to 10 percent, sales tax should be exempted on veterinary medicines, 20 percent GST on the fish feed may be abolished and import duty on the fish fillet and frozen fish be increased to 30 percent in order to encourage the local fish industry.

The Senate recommended the National Assembly that a budget of 20 billion rupees be allocated on emergency basis for construction of medium and small size dams as the water level has fallen down to a intricate level at Quetta, Pishin, Zhob, Sherani, Qila Saifullah, Ziarat, Harnai, Barkhan, Musakhel, and Loralai Districts of Balochistan.

The Senate has recommended National Assembly that in order to widen the tax net, the procedure for submissions of tax returns be made simple; acquisition of NTN Number be made compulsory for current business class international travellers; extra tax be charged on the tickets of the business class international travellers who have not submitted their tax returns and persons who have submitted the new returns be exempted from audit for a period of three years.

The Senate has recommended the National Assembly that the customs duty of 20% on electric cigarettes and betel nuts be further increased by 10%.

The Senate has recommended the National Assembly that a special package of Rs 20 billion to revive Karachi's infrastructure and boost development, be made.

The Senate has recommended the National Assembly that allocation of Rs 1 billion may be made for Karachi water supply project in order to resolve the problem of grave water shortage.

The Senate recommended to the National Assembly that the incomes from all sources including from agricultural produce may be brought under the tax net so as to generate revenue for sustainable economic development. The proposal pending with Council of Common Interest with regard to uniform tax on agricultural income be finalized. Necessary legislation be carried out.

The Senate recommended the National Assembly that the federal government may introduce reforms to establish good governance, curb corruption, collect taxes efficiently and plug leakages so as to broaden the tax base.

The Senate recommended the National Assembly that the Federal Government may take immediate measures to plug leakages and corruption in Public Sector enterprises in order to eliminate the current annual losses of over Rs.500 billion.

The Senate recommended the National Assembly that PIA, WAPDA, PEPCO, Pakistan Steel, Pakistan Railways and other SOEs may be re-structured and operated under public private partnership strictly by professionals appointed on merit.

The Senate recommended the National Assembly to adopt an effective strategy to get rid of all domestic and international loans, and a timeframe should be given in Budget 2017-18, and an announcement should be made that no further loans shall be acquired.

The Senate recommends the National Assembly that small dams should be built in the provinces, and the amount allocated under this head should be at least tripled, so that along with water conservation people are provided cost-effective hydel electricity.

The Senate recommends the National Assembly that the funds required for projects like circular railway, and Green line Bus in Karachi should be allocated and work should be started on priority basis. Funds for construction of Malir Expressway on Malir River way should be allocated, and work on this project should be started immediately.

The Senate recommends the National Assembly that the profit on National Saving Certificates, Special Saving Certificates, Bahbood and Pensioners accounts be raised by 2% to benefit old age pensioners, widows and retired persons.

The Senate recommends the National Assembly that

BUSINESS
RECORDER
Friday, 9th June, 2017

House rent ceiling of the Federal Government Officials/Officers be increased @ 100% as the same has not been revised from the year 2014.

The Senate recommends to the National Assembly that allowances of the Federal Government Officers/Officials may be de-freezed since the same were freezed in the budget year 2016-2017.

The Senate recommended National Assembly that the Federal Government may introduce appropriate reforms in FBR in order to curb the reported leakages and corruption.

The Senate has recommended the National Assembly that Customs Duty under PCT heading 8507.2010, 8507.2090, 8507.8000 and 8507.9000 shall be imposed at the rate of 25 percent.

The Senate has recommended the National Assembly that the government should set realistic targets and hold the FBR responsible for underperformance, furthermore, all whole-sellers, retailers, service providers, foreign travellers, luxury car owners, house owners be brought into tax net.

The Senate has recommended the National Assembly that the steps should be taken for concession in the fees of disabled persons in private and public sector educational institutions and all import and customs duties on mining and farm machinery for farmers and local mining companies should be withdrawn in order to enhance the productivity and quality.

The Senate has recommended the National Assembly that the import of inputs used for manufacturing of goods to be supplied against international tender shall be zero rated.

The Senate has recommended the National Assembly that central excise duty on edible oil should be increased from 16 percent to 21.5 percent as well as 1 percent income tax should also be imposed on Industry at import stage, which should be the final tax liability.

The Senate has recommended the National Assembly that Active Tax Payers List (ATL) should also be applicable in the areas of AJ&K and Gilgit-Baltistan, custom duty on aluminium coil (7606.1200) should be reduced, 10 percent regulatory duty should be imposed on wires and cables PCT codes 75:14, 7614.1000, 7614.9000, 85.44, 8544.4920, 8544.4990 and 8544.6000 and income tax shall be reduced from 5.5 percent to 2 percent on Industry without exemption certificate whereas 4 percent final tax should be imposed on Commercial Importer, on the import of plastic raw material.

The Senate has recommended the National Assembly that all the notifications and orders issued and notified in exercise of the powers conferred upon the federal government before the commencement of the Finance Act, 2017 should be validated in the forthcoming meeting of the Cabinet.

The Senate has recommended the National Assembly that the government should avoid incorporating procedural changes in the Finance Bill.

The Senate has recommended the National Assembly that Rs 12 billion as full and final settlement of GIDC outstanding of CNG sector for the period from 15th December 2011 till May 2015 shall be settled. Furthermore, 4 billion rupees shall be settled within thirty working days from the passage of federal budget 2017-18 and 8 billion rupees shall be recovered in installments in financial year 2017-18. Current GIDC outstanding of CNG sector for period starting from June 2015 till 16th December 2016, shall be taken up by Senate Standing Committee on Finance and Revenue for settlement, after which all court cases shall be withdrawn by CNG sector.

The Senate has recommended the National Assembly that the bank attachment orders and raids should be made with the prior approval of Member concerned of Federal Board of Revenue (FBR) under all the tax laws.

The Senate has

recommended to the National Assembly that immediate and dedicated work should be started on the pending agreements of Pakistan-Iran on Natural Gas and Electricity projects.The Senate has recommended the National Assembly that PSDP should be reviewed and re-appropriated according to Article 156(2) of the Constitution of the Islamic Republic of Pakistan in order to make appropriate allocation for completing the started projects in provinces.

BUSINESS
RECORDER
Friday, 9th June, 2017

Govt asked to mull new FPCCI proposals

MUHAMMAD SHAFA

KARACHI: The Federation of Pakistan Chambers of Commerce and Industry on Thursday urged the federal government to consider the fresh proposal of the FPCCI submitted to the finance ministry, before Budget 2017-18 is approved by the National Assembly.

Addressing a press conference at Federation House, the chamber's president, Zubair F. Tufail, said that after series of meetings and consultations with other chambers and trade bodies of the county the FPCCI identified around 10 tax-related issues and a set of proposals has been forwarded to the finance ministry on Thursday (today) for resolution before the finance bill is approved.

"We hope the finance minister will consider our demands within a couple of days" he said.

He requested the government to ensure refunds of the sales tax and income tax issue before August 14. Exporters were facing severe cash flow issues since billions of their rupees are pending with the Federal Board of Revenue.

It may be pertinent to mention here federal finance Minister Muhammad Ishaq Dar in his recent budget speech announced to resolve the exporters' pending sales tax refund claims with the Federal Board of Revenue (FBR). He said all the pending sales tax refunds whose RPOs were sanctioned by April 30 will be paid in two parts. RPOs up to the value of Rs1 million will be paid till July 15 and the remaining will be paid by August 14.

"Payment of pending sales tax refund has been the major demand of the exporters," he said. Exporters were facing cash flow issues which forced them to shut various production units.

"Turn over tax" to be kept at 1 percent instead of 1.25 percent as proposed in the budget. The Pakistan Business Council, the Overseas Investors Chambers of Commerce and Industries (IOCI), the American Business Council have also raised serious objections to the government's move, he said.

Withdrawal of super tax on large companies/enterprises is also one of the major demands of the FPCCI, the Pakistan Business Council, the OICCI and the American Business Council.

He said the withholding tax on commercial and industrial imports to be implemented, as agreed in the finance committee of the National Assembly by the chairman of the FBR and the stakeholders.

Similarly, another two percent tax on sales to unregistered persons may be withdrawn.

The FPCCI president also said commercial importers should be exempted from sales tax and income tax audits, as they pay 17 percent sales tax plus 3 percent value addition tax and 6 percent Income tax in advance at port.

Fixed tax regime for builders and developers u/s 7c(4), 7d(4) and 8 should be restored in accordance with last year's agreement with stakeholders, he said.

A ten percent tax to be levied on undistributed after tax profits must be withdrawn. It is also a unanimous demand of the FPCCI, Pakistan Stock Exchange, the Pakistan Business Council, the OICC and the American Business Council, he said.

He also said FBR officials should not raid taxpayers' premises unless a 15 days' notice is issued for the payment or reply by taxpayer. If the FBR is not satisfied with the reply, action may be taken a trade association or chamber has been informed.

He also sought suspension of circular No.14 of October 6, 2011 allowing income tax exemption on making sales to affected areas of Khyber Pakhtunkhwa.

BUSINESS
RECORDER
Friday, 9th June, 2017

KP govt seeks 390pc raise in Net Hydel Profit

ISLAMABAD: The government of Khyber Pakhtunkhawa has sought 390 percent increase in Net Hydel Profit (NHP) from current Rs 1.10 per unit to Rs 5.38 per unit whereas Wapda has sought an increase in hydel tariff by 98 percent or Rs 3.61 per unit from Rs 3.69 per unit to Rs 7.30 per unit for FY 2017-18 to meet financial obligations and other expenses.

These demands were presented at a public hearing held in Nepra under the chairmanship of Vice Chairman Saif Ullah Chatha on bulk supply tariff petition of Wapda hydroelectric. Wapad's case was presented by Chief Financial Officer Anwar ul-Haq, whereas Shumail Butt Legal Advisor to the KPK governments presented the viewpoint of provincial government.

KPK Chief Minister Pervez Khattak along with cabinet members, government allies and representatives of opposition parties were also present during the hearing.

NEPRA allowed the revised amount of NHP Rs 18.704 billion to the KPK province against previously allowed Rs 6 billion as an interim arrangement besides directing Wapda to bring the matter of NHP payable to provinces before the Council of Common Interests (CCI). A total amount of Rs 70 billion has been agreed upon on account of arrears of uncapped NHP after reconciliation of mutual claims in the power sector between the two governments as full and final settlement.

Wapda, after seeking concurrence of CCI through the Ministry of Water & Power, filed a tariff petition for recovery of the arrears in four installments as follows: (i) Rs 25 billion in current fiscal year and (ii) Rs 15 billion each in the next three years Water & Power, to adjust NHP payable in next determination in the light of CCI decision.

According to CCI decision, Wapda would also pay Rs 82.71 billion to Punjab as arrears of NHP. To settle Rs 38.12 billion, Wapda issued irrevocable promissory note of one year duration to GoPb last year. The issuance of the promissory note was not contingent upon tariff. The balance Rs 44.59 billion will be paid in three equal installments after tariff determination by CCI/NEPRA as follows: (i) Rs 14.86 billion in FY 2017-18 ;(ii) Rs 14.86 billion in FY 2018-19 and;(iii) Rs 14.86 billion in FY 2019-20.

Wapda's CFO, in the petition stated that projected debt/equity ratio for 2017-18 worked out at 75-25 for hydel power projects and 28:72 for hydropower stations as against 80:20 for hydel power projects and 70:30 for hydel stations adopted for 2015-16.

He said projected weighted average cost of Capital (WACC) for FY 2015-16 worked out to 16.26 percent for hydel power stations and 14.10 percent for hydel power projects as against 14.60 percent determined for FY 2015-16 for both HPP and HPS. Other income has been projected as Rs 300 million for FY 2017-18 against Rs 1.001 billion determined by Nepra for FY 2015-16. Regulatory revenue gap of Rs 32.049 billion has accrued (Rs 14.830 billion for FY 2015-16, Rs 17.219 billion for FY 2016-17).

He said cost plus hydel levies margin for FY 2017-18 are as follows: (i) Irsa charges 0.005 per unit;(ii) Water Usage Charges (WUC) Rs 0.425 per unit;(iii) NHP Regular(KPK) Rs 1.10 per unit on generation of power plants located in KPK and ;(iv) NHP Regular(Punjab) Rs 1.10 per unit on generation of plants located in Punjab.

Net generation of 33,598 GWh for FY 2017-18 has been estimated keeping in view the following factors: (i) average of last five-year generation; (ii) forecasted hydrology situation in the related year;(iii) additional generation from commissioning of Tarbela 4th Extenion and Golen Gol projects for the proportionate period at estimated utilization factors of the generating units after commissioning.

Capital cost and levelized tariff of hydropower projects (IPP mode) will be as

BUSINESS
RECORDER
Friday, 9th June, 2017

follows ;(i) Tarbela 4th Extension Rs 5.2613 per unit; (ii) Golen Gol, Rs 13.4737 per unit;(iii) Keyal Khwar Rs 16.1769 per unit;(iv) Dasu HPP Rs 8.4334 per unit; and (v) Diamer Bhasha hydropower project Rs 10.5479 per unit.

The representative of KPK government Shumail Butt said that KPK's NHP case has been cleared from Nepra to CCI and President, saying that there is no hitch in implementation of Kazi Formula. He maintained that freezing of NHP is against the spirit of Kazi Formula.

He further stated that according to the Constitution, the amount of NHP is the right of the concerned province but unfortunately Wapda is giving only Rs 1.10 per unit to KPK whereas the remaining amount is being spent on expensive power projects in Punjab.

Appearing for the consumers, Barrister Asghar Khan argued before the NEPRA Authority that Wapda cannot operate under one (1) bulk generation license as under the NEPRA Act, each generation facility has to be separately licensed and it is mandatory for WAPDA to provide duly audited accounts or regulatory accounts for public and regulatory scrutiny. He further stated that the consumers of electricity cannot be burdened retrospectively with the arrears of the net hydel profit as this is contrary to the law, constitutional provisions and fundamental rights of the consumers.

Barrister Asghar Khan submitted at length that net hydel profits have to be calculated in accordance with the express and mandatory provisions of the Article 161 (2) of the Constitution which provides for methodology for determination of net hydel profits which cannot be converted into rate asset base by WAPDA or the regulator and charged again to the consumers; that power has been mandated to CCI in accordance with prescribed parameters.

He advocated the cause of the consumers by stating that once the tariff is paid by the consumers, they should not be burdened again with net hydel profit amount which is not a pass through otherwise it will result in unjust enrichment of the public sector entities at the cost of the consumers. He also maintained that any financial transfers taking place between the Federal Government and the Governments of a Province on account of net hydel profit should not be and cannot be passed on to the consumers as net hydel profit is an absolute amount and not based on kWh basis. He also pointed out that the institutions in the power sector are subject to control, directions and supervision of the CCI under Article 154 of the Constitution and being part of Part II of Federal Legislative List.

He lamented the practice of obtaining loans for payment of net hydel profit as being non-prudent utility practice and hence should not be allowed as part of tariff as it would be tantamount to rewarding inefficiency, mismanagement and willful loses of public sector entities.

KP Chief Minister Pervez Khattak also spoke in the public hearing and accused federal government of tampering with the minutes of the Council of Common Interests (CCI) and stated that he took up this issue in the previous meeting.

"Every time federal government changes the minutes of the CCI which is why I have to go through the minutes before the next meeting," he added.

He said the decision of CCI had already been given on NHP and Presidential Order is in place, adding that now Nepra should announce its decision in accordance with Constitution and law. He was of the view that Rs 1.10 per unit NHP was temporary.

He also criticised low capacity of transmission system, saying that if transmission system is not improved then how would the government sell electricity in months to come? He said KPK is not being given its share of 14 percent.

"We are just being given 8 percent and 10 percent which is unfair to the province. If one part is unable to use it then give to that part of the province where the system is better," he added.

BUSINESS
RECORDER
Friday, 9th June, 2017

After the hearing, talking to media he said, if Nepra accepts the request of KPK government, the province will get Rs 91 billion in accordance with the NHP formula of 1991.

He said, presently projects of 4000MW are under construction in KPK whereas the province is also establishing projects of 600MW.

KPK Chief Minister said the incumbent government is not interested in improving the system, adding that he was ready to go to extremes but Wapda is not cooperating with him.

In reply to another question he said that Discos are involved in corruption and theft but he is ready to extend all possible policy support to eliminate electricity theft.

"I am ready to use my entire assembly members to help eliminate electricity theft but after that it would the responsibility of Disco to sustain it," he argued.

Acting Chairman Nepra informed the Chief Minister that Nepra team headed by Member KPK Hamayat Ali Khan will visit the province to familiarize himself with the electricity issues of the province. He said smooth supply of electricity is the constitutional right the province. —MUSHTAQ GHUMMAN

BUSINESS
RECORDER
Friday, 9th June, 2017

ANALYSIS

Mills mostly inactive on cotton market

DR ZAFAR HASSAN

LAHORE: Domestic mills have mostly remained inactive over the past couple of days and are not taking much interest in the market. Moreover, the mills claim that they have been ignored in the recently announced federal budget and their needs and requirements have not been duly addressed by the government, so they are abstaining from the market. Anyhow, only an estimated quantity of about 75,000 bales (155 Kgs) from the current crop (August 2016/July 2017) is lying unsold with the ginners.

Traders have added that new crop (2017/2018) prices in both Sindh and Punjab are being quoted at Rs.7000 per maund (37.32 Kgs) for delivery from 10 to 15 June 2017. One sale of 200 bales of new crop from Burewala in Punjab was recently reported at Rs.7000 per maund for delivery between June 10 to 15, 2017.

Cotton sales in the ready market remain slack even though only about 75,000 bales of cotton remain with the ginner presently. Even the textile products like yarn remain slack and uptake is slow. Thus several domestic mills are reported to be not faring well. New crop cotton (August 2017/July 2018) is presently being projected between 12 and 12.5 million bales (155 Kgs) on an ex-gin basis. The prices for the outgoing crop of cotton reportedly ranges from Rs.6500 to Rs.7000 per maund (37.32 Kgs), according to the quality. One lot of new crop cotton said to have been pressed in Sindh is said to being offered at Rs.7000 per maund.

Cotton prices are said to be steady in China but in India cotton prices are facing some pressure due to good prospects of output following ample rains in coming season (2017/2018). It has been reported that India has planted 7 to 10 percent more cotton than last year. Pakistan is likely to grow more cotton during 2017/2018 due to 13 percent more planting.

Upto now, three lots of new crop cotton (2017/2018) have been pressed by the ginners and four ginning factories have been activated in Sindh. However, offtake is slow due to the dull and slack conditions being reported from the domestic textile industry.

Government has announced Eid-ul-Fitar holidays from 26th to the 28th of June 2017 inclusive which will result in closure of business for several days during the end of this month. According to data obtained from Pakistan Customs, Pakistan has imported 354,282 metric tons of cotton from August 2016 to April 2017 during the current season.

Cotton seed (Binola/Kakra) in Sindh has sold at Rs.1650 per maund. New crop Seed cotton (Kapas/Phutti) in lower Sindh is selling from Rs.3400 to Rs.3500 per 40 Kilogramme. Also, 200 bales of new crop cotton (2017/2018) from Shahdadpur in Sindh reportedly sold at Rs.7000 per maund.

On the global economic and financial front, despite the Brexit decision by the United Kingdom, the pronounced radical decisions being taken by president Donald Trump such as pulling out of the climate change agreement, and more recently the continuation, indeed growing level of violence being conducted by suicide bombers around the world since the beginning of this year (2017), the equity markets appear to be taking these negative occurrences without any ostensible dread or fear.

Great Britain continues to make preparations for a pullout from European Union without any hesitation. President Trump has dumped the idea of worrying about the global climate change since he deems it necessary to protect the livelihood of the American workers and believes that the proposition to battle the ill effects of climate change is a hoax.

BUSINESS RECORDER

Friday, 9th June, 2017

President Trump is worried about the fewer jobs reported to have been added to the American economy. That belief would leave the European Union and China to forge an alliance to tackle what they believe are the ongoing deleterious effects on the climate of our world which is leading our world towards a calamity. President Trump, however, believes that the necessity to work on climate change is just a hoax. U.S firms, however, have criticized Trump's stance on Climate change while China, India and the European Union remain committed to the existing Climate Change Agreement. The Germans believe that Trump has weakened the West and Chancellor Angela Merkel has advised that Europe should take its destiny in its own hands.

Further to the earlier attacks carried out by the suicide bombers on the audience coming out after attending a music show in the Manchester Arena at the end of last month, three attackers were reported to have rammed a van into pedestrians on London Bridge killing seven and also stabbed several people standing nearby.

Kabul was then targeted by the killers when they thrust a massive truck bomb reportedly killing ninety people and wounding hundreds of others when they targeted diplomatic quarters of the city for this massacre.

The killing spree by suicide bombers and their cohorts then targeted the Iranian parliament and the mausoleum of Ayatullah Khomeini in Tehran killing at least 12 people and wounded nearly 42 people on Wednesday.

Despite these calamities, creeping isolationism in many countries around the world and increasing radicalism, it appears that business and economic activity is continuing as usual. It is now amply clear that we must find the root cause of these attacks and handle them accordingly. Be it income inequality or ethnic rivalry, the issue must be sorted out expeditiously.

BUSINESS
RECORDER
Friday, 9th June, 2017

Seed cotton arrivals rise

RECORDER REPORT

KARACHI: Prices maintained firm trend on the cotton market on Thursday in the process of subdued business, dealers said.

The official spot rate was unchanged at Rs 6800, they said. In Sindh, rates of seed cotton per 40kg done at Rs 3450-3500, they said.

In the ready session, a deal of 200 bales of cotton from Shahdadpur done at Rs 7000, they said.

Some experts said that 90 percent of sowing in Sindh and Punjab have completed due to favourable weather. Concerned department directed to complete sowing till June 20th. As a result, supplies of new cotton crop have improved and it appeared that a strategy to achieve the target of 14 million bales may be achievable. In March, the Federal Cotton Committee (FCC)has decided to fix cotton target at 14 million bales for the current season.

Cotton analysts, Naseem Usman said that cotton crop likely to show improvement during the current season.

Adds Reuters: ICE cotton futures snapped a three-session losing streak on Wednesday as index funds rolled over long positions from the front month, offsetting a firmer dollar.

The Goldman roll, one of the biggest index rollovers, put pressure on front month July cotton contract and supported the December cotton contract, traders said.

The most-active December cotton contract on ICE futures US settled up 0.16 cent, or 0.22 percent, at 72.68 cents per lb. It traded within a range of 72.4 and 72.81 cents a lb.

The July cotton contract on ICE Futures US settled down 0.3 percent at 75.79 cents. Total futures market volume fell by 7,027 to 24,636 lots. Data showed total open interest fell 3,138 to 234,798 contracts in the previous session.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL					
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**	**Spot Rate Ex-Karachi As on 01.06.2017**	**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

BUSINESS
RECORDER
Friday, 9th June, 2017

Cotton snaps three-session fall on index rolls

NEW YORK: ICE cotton futures snapped a three-session losing streak on Wednesday as index funds rolled over long positions from the front month, offsetting a firmer dollar.

The Goldman roll, one of the biggest index rollovers, put pressure on front month July cotton contract and supported the December cotton contract, traders said.

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The July cotton contract on ICE Futures US settled down 0.3 percent at 75.79 cents.

"Once December and March (contracts) have to stand on their own two legs, things could get dicey if weather remains beneficial," said Ron Lee, general manager at McCleskey Cotton in Bronwood, Georgia, in a note.

The December contract has been pressured by expectations of increased crop production due to favourable weather conditions in top growing regions.

"December is starting to feel the pressure having larger crop planted around the world ... We have got increasing acreage in India, a little bit in China and the United States," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia.

The dollar index was up 0.11 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 1.38 percent.

Total futures market volume fell by 7,027 to 24,636 lots. Data showed total open interest fell 3,138 to 234,798 contracts in the previous session. Certificated cotton stocks deliverable as of June 5 totalled 445,351 480-lb bales, up from 440,044 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
May'17	75.90	76.75	75.61	76.51	14:20 MAY 17	-	0.72	13338	75.79
Jul'17	74.80	74.97	74.80	74.97	14:20 MAY 17	-	0.46	4	74.51
Oct'17	72.70	73.12	72.50	73.01	14:20 MAY 17	-	0.33	9389	72.68

DAWN
Friday, 9th June, 2017

Reserves decrease by 5.8pc in a week

The Newspaper's Staff Reporter

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $20.51 billion on June 2, down $1.25bn or 5.76 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

Reserves of the SBP decreased $1.21bn to $15.7bn during the week. The SBP made payments of $1.24bn on account of external debt servicing, which included principal repayment of $750 million against the Pakistan Sovereign Bond.

Net foreign exchange reserves held by commercial banks amounted to $4.8bn on June 2, down 0.81pc from the preceding week.

DAWN
Friday, 9th June, 2017

Commodities

Listless trading on cotton market

From the Newspaper

MULTAN: The cotton market witnessed a listless trading session on Thursday as spinners kept themselves away from trading activities. The Karachi Cotton Association left its spot rate unchanged.

A cotton broker said that the expectations to produce 15 million cotton bales this year did not seem to be fulfilled as the sowing in tail areas has been badly affected due to the unavailability of irrigation water.

He said although the government has yet to announce its target for new crop, it will be less than 15 million bales.

Deals of as many as 2,700 maunds of phutti (seed cotton) took place in Umer Kot at Rs3,625, Kunri at Rs3,575, Degree at Rs3,550, Mirpur Khas at Rs3,525 and Badin at Rs3,600.

Major deals on the ready counter were: 400 bales from Rahim Yar Khan at Rs7,000, 200 bales from Vehari at Rs6,875 and 200 bales from Mirpur Khas at Rs7,000 (new crop).

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

DAWN
Friday, 9th June, 2017

MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.80	104.80	105.90	106.10
UK	135.52	135.78	136.80	137.80
Euro	117.77	118.00	118.80	119.80
S.Arabia	27.89	27.94	28.20	28.40
UAE	28.45	28.51	28.85	29.05
Japan	0.9522	0.9540	0.9555	0.9755

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.91	6.16
One year	5.96	6.46

LIBOR

Special US dollar bonds for June 7

Three months	1.22100 %
Six months	1.41406 %

THE NEWS
Friday, 9th June, 2017

FPCCI warns anti-government action if demands not accepted

KARACHI: The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) on Thursday warned the government of stern action, including shutdown of manufacturing activities, in case their set of demands is not accepted before approval of budget from the parliament.

Zubair Tufail, president, FPCCI at a news conference presented 11-point demands, which were mainly related to amendments introduced through Finance Bill 2017 to taxation laws.

Tufail said the business community of the entire country, including Pakistan Business Council (PBC), Overseas Investors' Chamber of Commerce and Industry (OICCI), American Business Council (ABC), All Pakistan Textile Mills Association (Aptma), chambers and associations, demanded that anomalies and harsh measures in the Finance Bill 2017 should be removed. They warned of joint action against the government if their demands were not met.

Tufail said after consultation with the entire business community, the FPCCI had sent the set of demands to the prime minister and finance minister, and asked to address the problems faced by the business community before approval of budget from the national assembly, likely on June 14, 2017.

The business community rejected the budget and said it was prepared by the Federal Board of Revenue (FBR) considering only the interest of revenue collection by ignoring the private sector. "The FBR has deliberately proposed such measures to create a gulf between the government and the private sector," he added.

Highlighting the 11-point demand of the business community, Tufail said the business community urged the finance minister to honour his promise of paying sales tax refunds, and refund payment orders (RPOs) issued till April 30, 2017, should be released before August 14, 2017.

He said exports had fallen sharply during the past years, and would drop further in the outgoing fiscal year. Tufail said liquidity issues of the exporters were the major reasons behind export fall.

FPCCI president said electricity and gas tariff for the export sector were high compared with the regional markets, making local products uncompetitive in the international markets. The FPCCI demanded 25 percent reduction in tariff of electricity and gas with immediate effect.

FPCCI president said one of the harsh measures announced in the budget was increase in turnover tax. He said the rate of turnover tax was 0.5 percent but the government increased it to one percent. The business community strongly reacted to this increase because this tax was paid by those units, which had already posted annual losses.

"The government increased this tax to 1.25 percent instead of reducing the rate of turnover tax," he added. The FPCCI on behalf of local as well as foreign corporate entities demanded not to incorporate this increase in the final budget documents.

The FPCCI pointed to the continuation of super tax on corporate sector and high net-worth individuals, and said it should not be implemented in tax year 2018.

Tufail said super tax was introduced in tax year 2016 to generate funds for operation Zarb-e-Azb against terrorist activities in the country. However, in the Finance Bill 2017 it was proposed to continue for third consecutive year.

He said foreign companies had planned their investment, but such taxes had demoralised them. He said the FPCCI rejected the continuation of super tax.

FPCCI president said the business community also rejected two percent further tax on sales to unregistered persons. "It is a burden on registered persons as unregistered persons are not paying and registered persons spend billions of rupees on purchase of flying invoices," he said.

He said the business community demanded that withholding tax on commercial and industrial imports should be implemented as agreed in the finance committee of National Assembly by FBR chairman and stakeholders.

Tufail said commercial importers should be exempted from sales tax and income tax audits, as they were already liable to pay 17 percent sales tax, three percent value-added tax and six percent income tax in advance at port.

FPCCI president urged the government to continue with the fixed tax regime for builders and developers in the next fiscal year, instead of the proposed normal

THE NEWS
Friday, 9th June, 2017

tax regime for this sector in Finance Bill 2017. He said the finance bill proposed changes in tax on undistributed profits. As per the proposed amendment, 10 percent tax to be imposed on undistributed after tax profits should be withdrawn.

Regarding raids on taxpayers' premises, he said FBR officers should not raid any taxpayers' premises, unless 15 days notice was issued for the payment or a reply by the taxpayer was received by the FBR. "If FBR was not satisfied with the reply, action may be taken after informing the trade association or chairman," the FPCCI president demanded.

SM Muneer, leader of the business community and former chief executive of Trade Development Authority of Pakistan (TDAP) said the country had no priority for exports. Due to several difficulties Faisalabad - the hub of textile industry – has become a graveyard of industries, he added.

He said all the business associations had rejected the budget, and if the government did not accept the demands, then the FPCCI would have no choice other than supporting the stakeholders' in their anti-government decision.

THE NEWS
Friday, 9th June, 2017

Dar assures Senate of changes in Finance Bill 2017

ISLAMABAD: Finance Minister Ishaq Dar on Thursday assured the upper house of the parliament of accommodating the practical recommendations suggested by the senate on the finance bill 2017.

Winding up discussion on budget 2017/18 in senate, Dar appreciated the commitment and dedication of senate standing committee on finance, revenue, economic affairs, statistics and privatization for presenting a valuable report on recommendations on the finance bill 2017.

The minister also appreciated the senators for presenting suggestions on the finance bill and assured them that he would try his level best to add all positive things in the budget, which will be winding up next week.

He reminded the house that 40 percent of their recommendations were incorporated into the budget of 2015/16 and eighty percent into the 2016/17 budget.

Minister Dar said the government is making utmost efforts to finalise the next national finance commission (NFC) award at the earliest.

He, however, dispelled an impression that presenting the budget without the new NFC was unconstitutional. The provincial governments will have to demonstrate magnanimity and open-heartedness for giving share to Azad Kashmir, Gilgit-Baltistan and federally-administered tribal areas from the NFC, he said.

Finance minister said there is no nexus between the NFC and the budget. A meeting with the provincial chief ministers will soon be held on the matter, he added.

He said the country has achieved economic stability due to the government's strict financial discipline in finance and economic affairs. International economic monitors have declared Pakistan's economy as one of the best growing economies in the world, he added.

Dar said the country has witnessed 5.3 percent growth rate during the current fiscal year due to prudent economic policies of the government. The economy size has reached to $300 billion, he added.

The government will make efforts to increase tax net and further improving tax collection system, the finance minister said, and dispelled the impression of borrowing foreign loans by the present government.

The government has fixed the GDP ratio at six percent for the next year, which he expressed the hope that the government would easily achieve.

Dar said that the government has planned to fix seven percent of GDP for 2018/19.

The government had introduced the Federal Debt Limitation law in the country, which became Act in 2005. There had been impression on the government about excessive borrowing, which was totally wrong, as the incumbent government is borrowing to invest for development, he added.

The finance minister said that the budget for various projects in the energy sector and infrastructure development has been increased from Rs300 billion to Rs1,001 billion and several programmes for social welfare have also been started.

The external debt was $48.1 million in 2013, which is $58.4 billion in 2017. The government had paid the installment of loans taken by the previous governments, he added.

THE NEWS
Friday, 9th June, 2017

Govt to spend another Rs37.977mln for Badin coal reserves appraisal

ISLAMABAD: The government will spend Rs37.977 million more for appraisal of huge coal reserves confirmed by the Geological Survey of Pakistan (GSP) in 2014 after extensive drillings started since 2012.

"The government had already released Rs131.619 million in the current fiscal year, while Rs37.977 million more have been allocated to use during the year 2017/18 for appraisal of the newly-discovered coal reserves in
Badin and its adjoining areas of Southern Sindh," sources in the ministry of petroleum and natural resources told APP.

According to the GSP, the coal deposits are estimated to be over one billion tones, the sources added.

"Coal is of good quality and high heating value." Besides, the sources said there are substantial deposits of gold, copper and more than 200 million tonnes of iron ore, but these could not be exploited or utilised because of the lack of infrastructure and technology.

Efforts are also being made for exploration of tertiary coal in Central Salt Range, Punjab aimed at meeting the growing domestic energy demand and develop coal fields and increasing power generation, they said.

The sources said exploration of oil, gas, minerals and coal reserves was undertaken on a regular basis, which contributed significant discoveries, especially in the oil and gas sector.

Recent geological investigations have shown that 186 billion tonnes of coal reserves exist in different parts of the country, which could be used as a primary and inexpensive source for power generation.

"More than 184 billion tonnes deposits are located in Sindh province, with Thar coal field being the largest; followed by Thatta-Sonda, Lakhra and Jhimpir.

The coal is lignite to lignite-A to sub bituminous B&C in character with an average heating value of 6000BTU/lb.

"Coal is primarily classified into four major categories, or 'ranks' like lignite, sub-bituminous, bituminous and anthracite. One of the most valuable content of coal is its carbon content, which supplies most of its heating value.

The sources said that further investigations are being carried out to explore and evaluate coal deposits in Musakhel, Kingri and Toisar Basin, Balochistan.

The mining and quarrying sector grew 0.6 percent in 2015/16, they added.

"Estimates suggest there are copper reserves of 1.9 billion tonnes and 11.2 million ounces of gold in different localities."

The sources admitted that the primary reason for not getting maximum benefit of the natural resources was the application of outdated technologies, poor management and inadequate capital, besides security situation in some areas where the bulk of the mineral resources are located.

The mineral sector of Pakistan is spread over 600,000 square kilometres and 92 known minerals, while 52 are commercially exploited.

Presently, the sources said, above 5,000 operational mines and 50,000 small and medium enterprises are producing an average 68.52 million tonnes per annum and providing direct employment to 300,000 workers.

The Nation on Web
The Nation
Friday, 9th June, 2017

KP seeks 390pc hike in net hydel profit

Fawad Yousafzai

ISLAMABAD - The Khyber Pakhtunkhwa government on Thursday sought 390 percent increase in Net Hydel Profit (NHP) from current Rs1.10 per unit to Rs5.38 per unit.

In a public hearing held at Nepra, under the chairmanship of Nepra Vice Chairman Saifullah Chatha on bulk supply tariff petition of Wapda hydroelectric, Khyber Pakhtunkhwa Chief Minister Pervaiz Khattak sought 390 percent increase in NHP from current Rs1.10 per unit to Rs5.38 per unit which will help to yield Rs70-80 billion additional revenue for the province.

Khattak along with his cabinet members and coalition partners was attending Nepra's hearing on a petition filed by the Wapda that sought an increase of Rs3.61 or 98 percent increase in tariff, for fiscal 2017-18, to finance additional burden for payment of Rs1.10 per unit NHP to the Punjab to match KP's existing NHP.

During the hearing, Wapad's case was represented by Finance member Anwarul Haq, whereas KP government Legal Advisor Shumail Butt represented the provincial government. The chief minister said that the president, CCI and Supreme Court had already given their verdict regarding the NHP of KP, so there is no need to discuss the issue further. "Now it is the time for Nepra to implement this verdict of these top institutions," he added.

In 2015, the centre and KP government had came up at an "interim settlement" under which NHP was increased from Rs6 billion to Rs18.8 billion a year and which was been worked out at Rs1.10 a unit of bulk electricity supply, but that time too, the provincial government remained 'sensitive' regarding any attempt by the centre to make changes to the AGN Kazi formula, which it considers a principal document. Earlier, NHP remained capped at 34 paisa per unit or Rs6 billion per annum for 25 years.

The Khyber Pakhtunkhwa chief minister, while speaking in the public hearing, accused the federal government of tampering with the minutes of the Council of Common Interests (CCI) and stated that he took up this issue in the previous meeting. "Every time federal government changes the minutes of the CCI which is why I have to go through the minutes before the next meeting," he added. He said that the decision of CCI has already been given on NHP and Presidential Order is in place, adding that now Nepra should announce its decision in accordance with constitution and law. The Rs1.10 per unit NHP was temporary arrangement, he maintained.

Khattak also criticised low capacity of transmission and distribution system, saying that if transmission system is not improved then how would the government sell electricity in months to come? He said KP is not being given its share of 14 percent. "We are just being given 10 percent which is unfair to the province. If one part is unable to use it then give to that part of the province where the system is better," he added.

The chief minister said that he had offered to the federal government and Wapda that he would personally ensure 100 percent police security and clearance of electricity theft but the Wapda was a corrupt organisation and their staff was directly involved in theft. He said in fact the centre was being run by a corrupt government that was not interested in empowering, improving and strengthening institutions through transparency.

He said that his government was in the process of completing 700-1000 small hydropower projects with total generation of about 100MW that would be provided to consumers at Rs2 per unit. He said that the incumbent government is not interested in improving the system, adding that he was ready to go to extremes but the Wapda is not cooperating with him.

In reply to another question, he said that Discos are involved in corruption and theft but he is ready to extend all possible policy support to eliminate electricity theft. "I am ready to use my entire assembly members to help eliminate electricity theft but after that it would be the responsibility of Disco to sustain it," he argued. Khattak threatened the federal government that "If the province was not provided its full due share of electricity to province, then we will knock the doors of the court of law."

He further said that the provincial government is fully in support of the centre in eradication of electricity theft in the province, provided the centre is serious in this drive. The Wapda and the federal government are encouraging the theft and takes commission from thieves, he claimed.

The Nation on Web
The Nation
Friday, 9th June, 2017

He said, "If the centre gives power generation and distribution rights to the provincial government then within 24 hours we will be ready to take control of Pesco, then there will be no loadshedding in the province and the cost of power will also down to half." Khattak said that if Nepra accepts the request of KP government, the province will get Rs91 billion in accordance with the NHP formula of 1991.

The Nepra acting chairman informed the chief minister that Nepra team, headed by Hamayat Ali Khan, will visit the province to familiarise himself with the electricity issues of the province. He said smooth supply of electricity is the constitutional right of the province.

Earlier speaking in hearing, Anwar said the Wapda's bulk tariff should be increased from Rs3.69 per unit to Rs7.30 per unit. He said the Rs1.10 per unit was being paid to KP following a 2015 agreement between KP and federal governments with backdated implemented from 7th National finance Commission award instead of previously capped NHP rate of 30 paisa per unit under the AGN Kazi formula. On the same analogy, Punjab was also now being paid the same amount since last year. Therefore, increase in tariff of Rs3.61 per unit was required.

The representative of KP government Shumail Butt said that KP's NHP case has been cleared from Nepra to CCI and president, saying that there is no hitch in implementation of Kazi Formula. He maintained that freezing of NHP is against the spirit of Kazi Formula. He further stated that according to the constitution, the amount of NHP is the right of the concerned province but unfortunately Wapda is giving only Rs1.10 per unit to KP whereas the remaining amount is being spent on expensive power projects in Punjab.

Appearing for the consumers, Barrister Asghar Khan argued before the Nepra authority that Wapda cannot operate under one bulk generation licence as under the Nepra Act, each generation facility has to be separately licensed and it is mandatory for Wapda to provide duly audited accounts or regulatory accounts for public and regulatory scrutiny. He further stated that the consumers of electricity cannot be burdened retrospectively with the arrears of the net hydel profit as this is contrary to the law, constitutional provisions and fundamental rights of the consumers.

Barrister Asghar Khan submitted at length that net hydel profits have to be calculated in accordance with the express and mandatory provisions of the Article 161 (2) of the constitution which provides for methodology for determination of net hydel profits which cannot be converted into rate asset base by Wapda or the regulator and charged again to the consumers; that power has been mandated to CCI in accordance with prescribed parameters.

He advocated the cause of the consumers by stating that once the tariff is paid by the consumers, they should not be burdened again with net hydel profit amount which is not a pass through otherwise it will result in unjust enrichment of the public sector entities at the cost of the consumers. He also maintained that any financial transfers taking place between the federal government and the province government on account of net hydel profit should not be and cannot be passed on to the consumers as net hydel profit is an absolute amount and not based on kWh basis. He also pointed out that the institutions in the power sector are subject to control, directions and supervision of the CCI under Article 154 of the constitution and being part of Part II of Federal Legislative List.

He lamented the practice of obtaining loans for payment of net hydel profit as being non-prudent utility practice and hence should not be allowed as part of tariff as it would be tantamount to rewarding inefficiency, mismanagement and wilful loses of public sector entities.

Nepra allowed the revised amount of NHP Rs18.704 billion to the KP province against previously allowed Rs6 billion as an interim arrangement besides directing Wapda to bring the matter of NHP payable to provinces before the Council of Common Interests (CCI). A total amount of Rs70 billion has been agreed upon on account of arrears of uncapped NHP after reconciliation of mutual claims in the power sector between the two governments as full and final settlement.

Wapda, after seeking concurrence of CCI through the Ministry of Water & Power, filed a tariff petition for recovery of the arrears in four instalments. According to CCI decision, Wapda would also pay Rs82.71 billion to Punjab as arrears of NHP. To settle Rs38.12 billion, Wapda issued irrevocable promissory note of one year duration to Punjab government last year. The issuance of the promissory note was not contingent upon tariff. The balance Rs.44.59 billion will be

The Nation on Web
The Nation
Friday, 9th June, 2017

paid in three equal instalments after tariff determination by CCl/Nepra as follows: (i) Rs14.86 billion in FY 2017-18; (ii) Rs14.86 billion in FY 2018-19 and (iii) Rs14.86 billion in FY 2019-20.

Wapda's CFO, in the petition said that projected weighted average cost of Capital (WACC) for FY 2015-16 worked out to 16.26 percent for hydel power stations and 14.10 percent for hydel power projects as against 14.60 percent determined for FY 2015-16 for both HPP and HPS. Other income has been projected as Rs300 million for FY 2017-18 against Rs1.001 billion determined by Nepra for FY 2015-16. Regulatory revenue gap of Rs32.049 billion has accrued (Rs14.830 billion for FY 2015-16, Rs17.219 billion for FY 2016-17).

He said cost plus hydel levies margin for FY 2017-18 are as follows: (i) Irsa charges 0.005 per unit; (ii) Water Usage Charges (WUC) Rs0.425 per unit; (iii) NHP Regular (KP) Rs1.10 per unit on generation of power plants located in KP and (iv) NHP Regular (Punjab) Rs1.10 per unit on generation of plants located in Punjab.

Net generation of 33,598 GWh for FY 2017-18 has been estimated keeping in view the following factors: (i) average of last five-year generation; (ii) forecasted hydrology situation in the related year; (iii) additional generation from commissioning of Tarbela 4th Extenion and Golen Gol projects for the proportionate period at estimated utilisation factors of the generating units after commissioning.

Capital cost and levelised tariff of hydropower projects (IPP mode) will be as follows; (i) Tarbela 4th Extension Rs5.2613 per unit; (ii) Golen Gol, Rs13.4737 per unit; (iii) Keyal Khwar Rs16.1769 per unit; (iv) Dasu HPP Rs8.4334 per unit; and (v) Diamer Bhasha hydropower project Rs10.5479 per unit.

The Nation on Web

The Nation

Friday, 9th June, 2017

Foreign reserves decrease by $1,215m

Staff Reporter

KARACHI - The total liquid foreign reserves held by the country stood at $20,515.7 million on June 2, 2017. Foreign reserves held by the SBP stood at $15,706.6 million, net foreign reserves held by commercial banks are $4,809.1 million, so total liquid foreign reserves reached at $20,515.7 million. During the week ending June 2, 2017 SBP's reserves decreased by $1,215 million to $15,707 million. During the week, SBP made payments of $1,239 million on account of external debt servicing, which includes principal repayment of $750 million against Pakistan Sovereign Bond.

The Nation on Web

The Nation

Friday, 9th June, 2017

Implementation of PM's package to help boost exports

DNA

ISLAMABAD - The govt is committed to implement Prime Minster's Rs 180 billion "Trade Enhancement Package" on priority basis which would help promote industrial growth, besides boosting country's exports.

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

"Textile sector will get Rs 162 billion out of the Rs 180 billion 'Trade Enhancement Package' announced by Prime Minister Nawaz Sharif," he said.

"The package is for duration of 18 months starting from January 2017 to June 2018. The government had given relaxation on the import of textile machinery to enhance the capacity of the sector," he added. The official said, "Through this package cost of doing business would reduce which would lead to further boosting in the business activities." He said, "The Ministry had started a training programme for cotton growers to help them control pest and better manage crops."

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