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PM, not finance minister, to head ECC

ZAHEER ABBASI

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi has taken the charge of the chairman Economic Coordination Committee (ECC) of the Cabinet from Finance Minister Ishaq Dar, according to a notification issued by the Cabinet Division.

The notification says the new prime minister will now be the chairman of the ECC and Finance Minister Ishaq Dar would be one of the members of this premier economic decision-making body.

Finance Minister Ishaq Dar, who used to enjoy complete confidence of former Prime Minister Nawz Sharif, had been the chairman of the ECC since 2013, a forum that takes important and urgent decisions on economic matters after deliberations.

The notification issued by the Cabinet Division states that the Prime Minister has been pleased to reconstitute the ECC of the Cabinet and the composition includes: the Prime Minister would be chairman of the ECC while members of the ECC include; (i) minister for finance, revenue & economic affairs; (ii) minister for commerce and textile; (iii) minister for communications; (iv) minister for industries & production; (v) minister for law & justice; (vi) minister for national food security & research; (vii) minister for privatization (if and when appointed); (viii) minister for railways; (ix) minister for statistics; (x) and minister for water resources.

Those by special invitation include: (i) minister of state for petroleum; (ii) minister of state for power; (iii) governor State Bank of Pakistan; (iv) chairman Securities & Exchange Commission of Pakistan; (v) chairman Board of Investment; (vi) secretary Commerce Division; (vii) secretary Communications Division; (viii) secretary Economic Affairs Division; (ix) secretary Finance Division; (x) secretary, Industries & Production Division; (xi) secretary National Food Security & Research Division; (xii) secretary Planning, Development and Reform Division; (xiii) secretary Petroleum Division; (xiv) secretary Power Division; (xv) secretary Privatization Division; (xvi) secretary Railways Division; (xvii) secretary Revenue Division; (xviii) secretary Statistics Division; (xix) secretary Textile Division; (xx) and secretary Water Resource Division.

The notification further noted that in case of prime minister’s absence due to any other commitment, minister for finance will chair the meeting.

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Tax directory

Number of taxpayers for TY16 exceeds 1.2m mark

SOHAIL SARFRAZ

ISLAMABAD: The Federal Board of Revenue (FBR) Friday issued the Tax Directory of all taxpayers for the Tax Year 2016, revealing that the number of taxpayers has been increased to 1,216,614 for Tax Year 2016 as compared to 1,074,418 for Tax Year 2015, reflecting an increase of 142,196 taxpayers.

Under the Tax Directory, Finance Minister Ishaq Dar said that in line with the government's tradition of the last three years, he has presented the Tax Directory of all taxpayers for the Tax Year 2016, prepared by the Federal Board of Revenue.

The Tax Directory comprises three sections, ie, corporations, association of persons (AoPs) and individuals listed in alphabetical order. The initiatives taken by the government to broaden the tax base are yielding the desired results due to which the total number of taxpayers who have filed their returns and included in this directory has increased to 1,216,614.

The Tax Directory is a manifestation of the government's commitment to provide access to information to the general public and should help in creating public awareness, motivation and transparency.

"I commend the chairman, officers and staff of the FBR for their contribution in the publication of this directory," Ishaq Dar added.

The directory has been tabulated from returns filed manually and electronically till August 10, 2017. Manually filed returns have been entered into the system. There may be some discrepancies at the level of filing or data entry. Moreover, a considerable number of manually filed returns could not be entered into the system despite best efforts due to missing mandatory identifiers on the returns, the FBR added.

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THE RUPEE

Rates slide

RECORDER REPORT

KARACHI: An easier trend prevailed on the money market on Friday as the rupee fell against the dollar in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee firmly held the overnight levels versus the dollar for buying and selling at Rs 105.39 and Rs 105.40 respectively, they said.

OPEN MARKET RATES: The rupee slid 10 paisas versus the dollar for buying and selling at Rs 106.80 and Rs 107.00 respectively, they said.

The rupee lost 40 paisas in terms of the euro for buying

Open Bid	Rs. 106.80
Open Offer	Rs. 107.00

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

Bid Rate	Rs. 105.39
Offer Rate	Rs. 105.40

RUPEE IN LAHORE: The rupee-dollar parity remained unchanged for another day amidst sluggish trend in the local currency market on Friday.

According to currency dealers, the demand and and selling at Rs 125.00 and Rs 126.00 respectively, they said.

In the final Asian trade, the dollar skidded to an eight-week low against the yen as escalating tensions between the United States and North Korea triggered yet more investor flight to safety.

The dollar last changed hands at 108.96 yen, down 0.2 percent. Trading was thinner than usual, with Japanese markets closed for a public holiday.

Earlier, the dollar slipped as low as 108.91 yen, its weakest level since June 14, when the greenback fell as low as 108.81 yen. supply situation of the US remained intact during the day's trading session that kept the local currency stabilize. Consequently, it did not witness any change on buying and selling counter as it maintained its opening trend of Rs 106.60 and Rs 106.85 respectively, they added.

However, the local currency remained strong for the third consecutive day versus the pound sterling. The pound's buying and selling rates further decreased from Thursday's closing rates of Rs 137.70 and Rs 138.60 to

Below that level lays another key technical chart support level for the dollar at 108.13 yen, a trough the US currency k plumbed in mid-April.

"We're getting close towards very important support on the dollar/yen," said Steven Dooley, currency strategist for Western Union Business Solutions in Melbourne.

The dollar was available in terms of the Indian rupee at Rs 64.220, the US currency was at 4.294 versus the Malaysian ringgit and the greenback was trading against the Chinese yuan at 6.669.

Rs 137.50 and Rs 138.50 respectively, they said.

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

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against same last rate. It closed at Rs 107.10 (buying) and Rs 107.20 (selling) in evening session.

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NBP to set up two branches in China

RIZWAN BHATTI

KARACHI: National Bank of Pakistan (SBP) has decided to set up two bank branches in China to get maximum benefits of the China Pakistan Economic Corridor (CPEC).

Talking to journalists at NBP head office Friday, NBP President Saeed Ahmed said presently a corporate office of the bank is working in China. Under the branch expansion plan, NBP has decided to enhance its outreach globally and two branches are being set up in China.

"There are a large number of financing opportunities in the CPEC-related projects, therefore NBP has decided to set up two branches, of which one will be opened in Beijing and the other in Shanghai. Process of branch opening has already been initiated and most probably these branches will be operational by next year 2018, he added.

He said the ongoing political uncertainty has directly hurt the foreign investment and now the investors are reluctant to visit Pakistan as they have adopted wait and see policy. However, he said, with peaceful transfer of power the uncertainty is likely to end soon.

Talking about the Prime Minister Youth Business Loan (PMYBL) Scheme, NBP President said that presently PMYBL Scheme is on slow pace; therefore NBP has decided to launch the Islamic PMYBL scheme to boost the disbursement. The new Islamic PMYBL scheme will be launched next month, he added.

He said out of Rs 100 billion target, some Rs 17 billion have been disbursed so far under the PMYBL. He said the PMYBL scheme is a non-political scheme and banks are disbursing loans as per their policies with any government involvement. The government is only contributing 50 percent of interest to provide cheap financing to youth, he added.

Saeed Ahmed said Payment System and Digitalization Department has been set up inside the bank to facilitate customers and compete with other banks. NBP's internet banking products is also at the final stage and its pilot project is being launched for the bank employees to test the system capability and ensure the soundness of the system. After its one month successful test, internet banking services will be launched formally for customers, he added.

Replying to a question, he said NBP's Advance to Deposit Ratio (ADR) stands at 50 percent against the industry's 46 percent ratio. He said that NBP's outstanding for agricultural sector have reached Rs 100 billion while, some Rs 35 billion have been disbursed to the SME sector.

The President NBP expressed concern over the higher Non Performing Loans of the bank saying that the management is making efforts to reduce its NPLs. In order to facilitate customers, some 200 new ATMs have been acquired to be installed in different branches, he maintained.

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Shareholding in foreign firm

SECP extends time period for reporting by cos

RECORDER REPORT

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has extended the time period up to September 30, 2017 for reporting by the companies having shareholding or any other interest in a foreign company.

In this regard, SECP has issued Circular No.19/2017 here on Friday regarding extension in time period for compliance with the requirements of Section 452(4) of the Companies Act, 2017.

According to the SECP, the provisions of Section 452 of the Companies Act, 2017 (the "Act") provides that every company incorporated under the company law is required to report to the registrar the information relating to every substantial shareholder or officer of the company who have shareholding or any other interest in a foreign company on the specified form. The Commission vide notification dated June 21, 2017 specified the forms for reporting of the information in terms of provisions of section 452 of the Act.

Presently, the companies are facing difficulty to comply with the provisions of section 452 of the Act within the timeframe specified in the Act and the above referred notification and have approached the Commission for grant of some time to collect information for compliance with the provisions of the said section.

In order to facilitate the companies, the Commission has decided to grant extension in time period for submission of information required under sub-section (4) of section 452 of the Act till September 30, 2017.

It is clarified that all the companies shall file return along with fee prescribed in the Seventh Schedule of tile Act to the registrar under sub-section (4) of section 452 of the Act even in case of nil report, the SECP added.

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HBL, MCB among top corporate taxpayers

RECORDER PORT

ISLAMABAD: The tax directory issued by the Federal Board of Revenue for Tax Year 2016 Friday revealed the names of top corporate tax payers that include Habib Bank Limited with a tax payment of Rs 16,472,959,641 and MCB Bank Limited with tax of Rs 16,167,692,367.

Among other top taxpayers, Askari Bank Limited paid a tax of Rs 2,506,734,555; Bank Alfalah Limited, Rs 4,171,355,730; Bank Al-Habib Limited, Rs 4,808,736,856; and Citibank NA paid Rs 1,445,692,689. Oil and Gas Development Company Limited paid a tax of Rs 5,653,907,312 during Tax Year 2016, according to the Tax Directory. In Tax Year 2015, OGDCL paid a tax of Rs 26,078,834,683.

Government Holdings (Private) Limited paid a tax of Rs 7,966,293,553; United Bank Limited, Rs 15,229,592,584 and Industrial and Commercial Bank of China Limited paid Rs 1,119,585,534.

The list of the Tax Directory also revealed that Allied Bank Limited paid a tax of Rs 8,878,598,356; Zarai Taraqiati Bank Limited Rs 3,246,228,837; Habib Metropolitan Bank Limited, Rs 4,973,665,581; Askari Bank Limited - Rs 2,506,734,555; Meezan Bank Limited - Rs 1,664,172,843; National Bank of Pakistan - Rs 7,050,267,633 and Standard Chartered Bank (Pakistan) Limited - Rs 4,253,341,125.

Other banks' tax payments for Tax Year 2016 revealed that Faysal Bank Limited paid Rs 1,689,827,066; Sindh Bank Limited Rs 1,798,378,146; Soneri Bank Limited Rs 1,556,220,853 and Bank of Khyber paid a tax of Rs 1,100,112,382.

According to the Tax Directory, United Energy Pakistan Limited paid a tax of Rs 4,631,593,637; Kot Addu Power Company Limited Rs 5,029,463,163;

Pak-Arab Refinery Limited - Rs 10,362,083,550; Pakistan State Oil Company Limited - Rs 8,161,506,413; Attock Petroleum Limited Rs 1,860,574,659 and National Refinery Limited Rs 2,090,689,885.

The Tax Directory further revealed that Indus Motor Company Limited paid a tax of Rs 5,480,721,398; Kohat Cement Company Limited Rs 1,309,476,306; Lucky Cement Limited Rs 4,545,210,368; Bestway Cement Limited Rs 3,019,808,350 and Askari Cement Limited paid tax of Rs 1,163,169,991.

Tax directory disclosed that Bestway Holdings Limited paid a tax of Rs 1,210,964,163; Pakistan Telecommunication Authority Rs 2,713,633,319; Pakistan Telecommunication Company Limited Rs 1,105,730,276; Telenor Pakistan (Private) Limited, Rs 3,730,009,119;

Pakistan Security Printing Corporation (Private) Limited Rs 1,242,095,877;

Pakistan Tobacco Company Limited Rs 3,313,571,101; Abbott Laboratories Pakistan Limited Rs 1,385,801,768; Aga Khan Fund For Economic Development SA, Rs 1,134,583,502; Huawei Technologies Pakistan (Private) Limited Rs 2,255,462,010; Kirthar Pakistan BV, Rs 2,020,509,169; Nestle Pakistan Limited Rs 4,033,532,504; Aga Khan Fund For Economic Development SA, Rs 1,134,583,502; Karachi International Container Terminal Limited Rs 1,641,197,600 and Pepsi-Cola International (Private) Limited paid Rs 2,140,634,758.

Other companies which are top tax paying companies included Orix Leasing Pakistan Limited which paid a tax of Rs 101,413,731 and Fauji Fertilizer Company Limited paid Rs 6,500,717,464.

According to the Tax Directory, Qasim International Container Terminal Pakistan Limited paid a tax of Rs 1,414,210,551; Rafhan Maize Products Company Limited paid Rs 1,532,510,048; Unilever Pakistan Limited Rs 3,101,941,539 and Tetra Pak (Pakistan) Limited Rs 2,429,340,522.

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"I commend the chairman, officers and staff of the FBR for their contribution in the publication of this directory," Ishaq Dar added.

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HBL declares Rs15.7bn PAT

KARACHI: HBL Friday declared a consolidated profit after tax of Rs15.7 billion for the first half of 2017, compared to Rs 16.0 billion in H1 16, with earnings per share of Rs10.56. Pre-tax profit for the first half of 2017 is Rs27.7 billion. Along with the results, the Bank declared a dividend of Rs3.50 per share (35 percent), bringing the total dividend for the year 2017 to Rs7.0 (70%).

HBL's deposits have crossed the Rs 2 trillion mark, driving a 7.4 percent growth in the balance sheet, to Rs 2.7 trillion. In the first six months of 2017, the Bank added over Rs 105 billion in domestic CASA deposits, and the ratio of domestic current accounts rose to 35.1 percent in June 2017. Increasing demand for private sector credit has resulted in strong lending growth with net advances increasing by 11% to Rs 831 billion. With all business segments registering significant increases, average domestic loans for H1 17 grew by 28% over H1 16, and average domestic current accounts increased by 17% for the same period. Consequently, despite the spread compression prevalent across the industry, HBL was able to maintain its net interest income for the half year ended June 30, 2017at the previous year's level of Rs 41.4 billion.

Non mark-up income continued to deliver a strong performance across all business lines, growing by 14% over H1 16 to reach Rs 16.4 billion. Fees and commissions increased by 9% to Rs 10.2 billion, with the growth coming from core banking businesses, asset management and home remittances. Despite the overall decrease in remittances into Pakistan, HBL successfully channeled higher flows through its counters, further strengthening its market leadership with a 26.6 percent share. Income from treasury related activities increased by 21%, to Rs3.9 billion and contribution from the Bank's affiliates rose by 29% to Rs 1.9 billion. Non-performing loans reduced further, and total provisions for H1 17reduced by 19 percent compared to H1 16. The infection ratio reduced to 8.4% and the coverage ratio strengthened further, to 92.5%.

Even with the healthy loan growth, the Bank was able to slightly increase its consolidated Tier 1 Capital Adequacy Ratio (CAR) to12.1% with the total CAR declining marginally to15.4% compared to December 2016.The capital ratios remain strong and well above regulatory requirements. During this quarter, the Bank's credit ratings were also re-affirmed by JCR-VIS at AAA/A-1+ for long term and short term respectively with the rating of its subordinated debt also at AAA.

HBL's reach continues to expand to provide access, convenience and service to its customers across Pakistan. Its network of 1,687 branches is supplemented with more than 2,000 ATMs and over 15,000 POS machines. The Bank has the liquidity and capital strength to accelerate its growth trajectory and, through robust lending growth, has demonstrated its commitment to supporting and participating in the development of the country and the economy.—PR

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KE board okays 900MW Bin Qasim plant

MUHAMMAD SHAFA

KARACHI: K-Electric's board has approved the development of the 900 megawatts RLNG based Combined Cycle Power Plant at the Bin Qasim Power Station Complex (BQPS-III).

Material information sent to the Pakistan Stock Exchange said that the decision was made at a meeting on Wednesday of the power utility's board of directors.

"The board has approved development of 900mw (450 x2) RLNG-based combined cycle power plant at Bin Qasim Power Station Complex (BQPS-III), subject to completion of all statutory and regulatory requirements and corporate and commercial actions.

"While the approving the project in principle, the board noticed with concern that favourable result of company's review petition on Multi Year Tariff (MYT) determination 2017, pending with National Electric Power Regulatory Authority (NERA) is critical for financing and development of this mega project." the notice reads.

The plan for the development of BQPS-III, including simultaneous upgrades to associated transmission infrastructure, with an estimated cost of $1 billion, was unveiled by the power utility last month.

According to K-Electric's spokesman, the power demand of Karachi is increasing exponentially with the growing economic, industrial and residential infrastructure.

In consideration of the demand-supply gap of the city, there is a dire need to upgrade the power infrastructure with added investment.

This is not financially sustainable unless the review petition on multiyear tariff determination of 2017 pending with NEPRA is decided to undertake the sustainability of K-Electric's future cash flows.

The Bin Qasim Power Station-III comprises two power units of 450 megawatts each. The first unit is targeted to start production by summer 2018 and the second unit is expected to be commissioned by the end of 2019.

The overall project, including a state-of-the-art power plant and simultaneous transmission upgrades, will enhance the reliability of power supply across the K-Electric network.

Once completed, BQPS-III will represent one of the largest private-sector investments of its kind in the country's power sector.

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Increasing export in specific time PCMEA urges govt to end condition

RECORDER REPORT

LAHORE: Pakistan Carpet Manufacturer and Exporters Association (PCMEA) has demanded of the government to end condition for increasing export in specific time.

Speaking at a meeting on Friday Senior Vice Chairman PCMEA, Riaz Ahmed said that the carpet sector cannot increase its production by 10 percent in six months for achieving rebate of six percent, therefore, the government should negotiate to resolve the problem.

He said cottage industry could not prepare carpet even in six months, how can it fulfil the announcement of the government.

It may be noted that the government announced new initiative to control dwindling exports of the country.

The new initiative committed to provide exporters of five sectors unconditional cash support in the first six months of its announcement, to June 2017, he said. But the exporters will be required to grow their export proceeds by 10pc to become eligible for the rebate during the next fiscal year (July 2017/June 2018), he added.

He asked the government to call all parties stakeholders conference to address the plights of the industry. He informed the participants of the meeting about the preparations of the 35th International Carpet Exhibition, scheduled to be held in Lahore from 5-7 October this year.

He further said a positive response and cooperation from national institutions is very important to make the exhibition a success.

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Panic selling by ginners push cotton rates down

RECORDER REPORT

KARACHI: Panic selling by ginners pushed rates down on the cotton market on Friday, dealers said.

The official spot rate drifted lower by Rs 50 to Rs 6400, they said. In the ready session over 20,000 bales of cotton changed hands between Rs 6375-6690, they said.

In both Sindh and Punjab, seed cotton rates were at Rs 2800-3000 per 40 kg, they said.

Market sources said that a kind of profit-taking was also seen amid rising trend in seed cotton arrivals. They said that traders who have enough stock, they were trying to sell at present levels in a bid to keep themselves from future losses.

Cotton analyst, Naseem Usman said that increase in seed cotton arrivals caused sharp fall in prices.

Adds Reuters: ICE cotton futures fell over 4 percent on Thursday to a two-week low after markets were surprised by supply estimates from the US Department of Agriculture, which raised its projections for US and global production for the 2017/18 crop year.

Cotton contracts for December closed limit down, or 3 cents at 68.11 cents per lb, a two-week low. It traded within a range of 68.11 and 71.19 cents a lb. The contract also registered its worst intraday decline of 4.22 percent.

World 2017/18 ending stocks are now projected at 90.1 million bales, an increase of 1.4 million from the July forecast, and 100,000 above 2016/17, the report showed.

Total futures market volume rose by 25,386 to 43,241 lots. Data showed total open interest gained 2,454 to 221,546 contracts in the previous session.

The following deals reported: 2000 bales from Hyderabad at Rs 6375/6450, 1000 bales from Mirpurkhas at Rs 6375/6425, 400 bales from Sinjoro at Rs 6400/6425, 800 bales from Hala at Rs 6400/6450, 2000 bales from Kotri at Rs 6400/6450, 1000 bales from Winder at Rs 6400/6450, 2400 bales from Sanghar at Rs 6400/6475, 3000 bales from Tando Adam at Rs 6400/6475, 3000 bales from Shahdadpur at Rs 6400/6475, 400 bales from Tando M Khan at Rs 6450, 800 bales from Chichawatni at Rs 6625/6650, 200 bales from Burewala at Rs 6650, 200 bales from Mianchano at Rs 6650, 200 bales from Haroonabad at Rs 6650, 800 bales from Khanewal at Rs 6660/6675, 500 bales from Vehari at Rs 6675 and 400 bales from Gojra at Rs 6690, 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 10.08.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,400	145	**6,545**	**6,595**	-50
40 Kgs	6,859	155	**7,014**	**7,067**	-53

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Cotton rebounds after hitting 3-week low

NEW YORK: ICE cotton futures rebounded slightly on Friday after hitting a three-week low earlier in the session on the back of a bearish supply report from the US Department of Agriculture.

Cotton contracts for December settled up 0.14 cent, or 0.21 percent, at 68.25 cents per lb. It traded within a range of 67.75 and 69.15 cents a lb. Earlier in the day, prices hit their lowest since July 21 at 67.75 cents.

The contract closed limit down and also registered its worst intraday decline on Thursday.

"The first survey of US 2017 crop production indicates a crop of 20.5 million bales, 1.5 million above last month and the largest production in 11 years," the USDA said in its monthly World Agricultural Supply and Demand Estimates (WASDE) report released on Thursday.

"There was an element of disbelief (on Friday) in those numbers, but in the end the market did back off," said Keith Brown, principal at cotton broker Keith Brown and Co in Moultrie, Georgia.

USDA projected world 2017-18 ending stocks at 90.1 million bales, an increase of 1.4 million from the July forecast, and 100,000 above 2016-17.

"We will see if any kind of weather scare comes as a waiver. You could have a September hurricane or some hail storm in Texas ... Don't think the market is going to decline on a straight line, but over time, we will go down in the fall harvest," Brown said.

Total futures market volume fell by 16,323 to 27,613 lots. Data showed total open interest gained 41 to 221,587 contracts in the previous session.

The dollar index was down 0.40 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was up 0.39 percent.

Certificated cotton stocks deliverable as of August 10 totaled 19,430 480-lb bales, down from 19,523 in the previous session.

Meanwhile, speculators had increased their net long position in cotton, in the week to Aug. 8, by 11,018 contracts to 31,075 contracts, a six-week high, US Commodity Futures Trading Commission data showed on Friday.—Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct'17	69.11	69.85	69.07	69.24	14:45 Aug 11	69.24	-0.02	54	69.26
Dec'17	68.02	69.15	67.75	68.25	14:45 Aug 11	68.25	0.14	31731	68.11
Mar'18	67.80	68.87	67.53	68.05	14:45 Aug 11	68.05	0.22	8309	67.83

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Agenda for tax reforms — II

Huzaima Bukhari and Dr Ikramul Haq

although many authors, including ourselves, have presented suggestions for reforming the existing tax system and raising taxes to the level of Rs 8 trillion at federal level and Rs 4 trillion at the provincial level — New tax model – Business Recorder August 28, 2015, our more-loyal-than-the-king stalwarts sitting in Ministry of Finance and FBR want "advice" and "assistance" from the IMF and the World Bank that miserably failed in the past. Their predicament can well be explained in the following couplet of great Urdu poet Mir Taqi Mir:

Mir kya sada hein beemar howe jis key sabab

usi attar key londey sey dawa letey hein

(What a simple soul is Mir; he seeks medication from the healer's boy who is the cause of his ailment).

The present tax system and policies are detrimental for economy, social justice, business and industry. Those who possess more economic power (income and wealth) should contribute more to the public exchequer and vice versa. The ability-to-pay principle is regarded as the most equitable and just method of taxation and emphasized upon primarily for its redistributive role. In Pakistan, our rulers have completely deviated from this principle, which is in fact, a constitutional obligation of the government. Political economy of tax reforms must be studied from this fundamental perspective, if some meaningful change in nation's life is desired.

Tax reforms with borrowed funds

The World Bank extended to Pakistan a $125.9 million grant, including IDA credit of $102.9 million, and a UK DFID grant of $23 million, for the tax administration reform project (TARP, many sarcastically called it TRAP). The objective of the project, according to official quarters, was to improve the integrity and fairness of tax administration by improving organizational efficiency and effectiveness of the revenue administration. TARP was aimed at promoting compliance through strengthened audit and enforcement capacity and transparent as well as high quality tax services. The project was also to focus on improving trade facilitation through modern and internationally acceptable customs procedure', says an official handout.

It was a national shame that for improving the integrity and fairness of tax administration we needed such a heavy borrowing from the World Bank and other donors. Although a part of revenue collection by the FBR could have been earmarked on annual basis for this purpose, but the government was bent upon borrowing funds. It is obvious that the actual aim behind this project was to make us subservient to the agenda of foreign donors. In the name of tax reforms project, certain forces wanted to have control over our revenues and tax machinery readily obliged them just for few tours and chances to meet the old colonial masters. This was like the re-emergence of East India Company's operations during the British raj in the subcontinent. On the one hand, our imported Prime Minister [who also retained the portfolio of Ministry of Finance] was claiming to free this nation from the clutches of IMF, and on the other was negotiating fresh loans/grants even for projects like tax reforms.

The World Bank successfully convinced the government of Pakistan that it needed substantial loan for its tax reform agenda. This reform agenda was prepared by the IMF and World Bank, and they wanted to give money to their "experts" (sic) by lending us money. The main chunk of loan went to their handpicked consultants! This modus operandi was not new; all the subjugated nations underwent this kind of exploitation at the hands of international donors. Responsibility for this kind of maltreatment and exploitation of a nation lies with its inept, incompetent and anti-people leadership that succumb before donors.

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Our history of economic subjugation commenced in the 1960s when our rulers set themselves on large intakes of foreign loans. With every loan comes a host of conditions. These conditions ostensibly aim at reforms, in fact meant to subjugate a nation in complete terms, i.e., economically, politically and mentally. In recent years, our economic managers have started claiming that they are severing all ties with the IMF and other foreign donors, whereas the reality is that new loans for reforming (sic) tax, banking and justice systems—just to mention a few—are still being negotiated with unprecedented vigour to please the foreign masters.

The process of so-called tax reforms was initiated in 2000. Way back in 2001 promising “a big change of culture” in the FBR in the next 12 months, the then prime minister as a finance minister, toeing the IMF conditionalities, announced that massive tax reforms were on the cards. He specified the following outline for intended tax reform agenda:

* Heavy investment in Information Technology (IT) to facilitate collectors.

* Massive surgery in tax system through human resource development and use of computers, which would increase efficiency and image of the department.

* Good officers would get compensation on the achievements of targets.

In 2000, while commenting on the tax reform drive (sic) launched by the Finance Minister, we made the following remarks, which are relevant even today:

The tall claims made by the government about six months back that by 1st January 2001, it would introduce major tax reforms and even a new Income Tax law proved to be yet another promise not kept. The deadline has now been extended to the budget time when the Finance Ordinance will be announced. This was not something that came as a surprise to many, including myself, as most of the claims by our government are wo wada hi kya jo wafa ho gaya (promises are made not to be fulfilled). We would have been much happier if the hasty attempts to further destroy the existing enactments and tax structures were abandoned, but it seems that some vested interests are bent upon to do so in the hope that they will get enormous money (for this poor nation it will be a loan of $100m) from the World Bank for this vandalism. This is the most painful part of the whole exercise.

Since 2001, in the name of simplification of tax laws, the FBR is imposing more and more obligations on the citizens of Pakistan without corresponding tax rights in tax codes. The nation has been burdened with a number of more cumbersome tax terms and new enhanced obligations of withholding taxes without any compensation. This is the sordid story of tax reform in Pakistan so far. With every new round of reform comes foreign loan. More money to handpicked consultants, who hardly know anything about a pragmatic tax policy and its administration. More workshops to mercilessly squander public money. At the end of every reform programme, the nation faced more well-equipped tax dacoits who play havoc with its peace and tranquility.

The great failure of all reforms programmes is now well-documented in The Role of Taxation in Pakistan’s Revival, edited by Jorge Martinez-Vazquez and Musharraf Rasool Cyan, and published by Oxford University Press.

Real dilemma of tax system

The real dilemma of our tax system is that it is not equitable. The burden of taxes is less on the rich and more on the poor. In the face of this stark reality, the government since 1991 has been resorting to regressive taxation like presumptive taxes in income tax and turnover taxes in the shape of multi-point sales tax. Over the period of time our tax system has become rotten, oppressive, unjust and target-oriented. There is a dire need to discuss philosophical framework, principles of equity and justice that should be the main concern of our tax policy; not mere achieving of targets set out by the foreign donors. Our worthy tax managers are more concerned with meeting budget targets through presumptive tax regime which is a distortion under the direct tax legislation shifting tax incidence on consumers rather than the actual income earners.

The gulf between the poor and the rich will further widen if the present tax policies continue. We may manage to collect higher taxes but it will not serve the real purpose of redistribution of wealth which is at the core of any direct tax philosophy. On the one hand, we are not collecting taxes according to capacity to pay, and on the other, annual targets are fixed to further squeeze the already dried tax base. During the colonial era when salt tax was imposed, the visionary leaders of that time staged a revolt against such high-handedness. But now in the so-called post-independence age the IMF/World Bank imposed rulers are playing havoc with the life of the common man by levying exorbitant tax on salt and many other every-day items. It is tragic that neither the politicians nor any public-spirited NGO have agitated against this injustice.

We can collect much higher taxes if the present tax laws are rationalised and incompetent, inefficient and corrupt tax machinery is overhauled. We should liberate ourselves from the reform game of the World Bank and other foreign donors. The tax policies implemented by us on the dictates of foreign donors have lead to abject poverty for vast majority of people. These policies are not making us self-reliant but on the contrary are destroying our industry and business. If we manage to formulate a rational tax policy through public debate and parliamentary process and implement it through consensus and not coercive measures, there is every possibility to get rid of World Bank and IMF in a short span of time. However, if we continue following their prescription, we will neither realise real tax potential, nor achieve the cherished goal of self-reliance through rapid industrial growth.

Our tax revenue potential is not less than Rs. 8 trillion provided that the existing tax base is made wider and equitable, tax machinery is completely overhauled and exemptions and concessions available to the privileged sections of society are withdrawn. To achieve these goals we do not need any loan from anyone. If we take money from World Bank or any other lender them then we are bound to follow their conditions because beggars cannot be choosers. Many local experts can do the reform work either voluntarily or at much less cost than what may be wasted on foreign consultants at the commands of World Bank and others.

Fiscal decentralisation and municipal self-rule

Taxation should essentially be linked with a social policy based on the principle of universal entitlements for all residents in terms of access to social benefits and social services. Taxation without representation also means denial of spending for the essential entitlements guaranteed in the Constitution. The principle of universal entitlements seeks to prevent the formation of inequalities and the foundation of the poor as a separate social group, whereas residualism/marginalism takes the form assisting the poor and the needy, and thus implicitly defining them as certain types of social groups.

The provincial parliaments in Pakistan should enact laws for establishment of local governments as ordained under Article 140A of the Constitution on the basis of social policy—they have so far just copied the previous outdated ones with patchwork here and there. The bureaucrats do not want to empower people through self-governance. They want to enjoy total control over resources. The local governments will not be meaningful unless entitled, within national economic policy, to have adequate financial resources of their own, of which they may dispose freely within the framework of their powers and for public welfare.

Taxes and self-reliance

For achieving the goal of fiscal decentralisation, local governments' financial resources must commensurate with the responsibilities provided for by the constitution and the law to ensure welfare of the people and ensure sustainable growth at grass root level. Part of the financial resources of local authorities should derive from local taxes and spent for providing universal entitlements and development. Pakistan must follow the model of welfare states where resources available to local governments are based on a sufficiently diversified and buoyant nature to enable them to keep pace with the real evolution of the cost of carrying out their tasks.

There is no political will to implementing any rational fiscal reform agenda, though general consensus on it exists in society. Addiction to borrowed money and lust for wasteful spending are the main stumbling blocks for achieving the cherished goal of self-reliance that can pave way for rapid growth, employment generation and substantial spending for social sectors.

The ever-widening fiscal deficit amongst many other reasons has its roots in wasteful funding of a monstrous government machinery, especially corruption-ridden-inefficient public sector enterprises (PSEs), and extending of tax-free perks and perquisites to elites. These profusely bleed the already scarce resources—both tax and non-tax.

The story of persistent failure of implementing a prudent fiscal policy in Pakistan and poor management of economic affairs is thus, not unknown or untold—it is even candidly admitted in all official documents, released from time to time, relating to taxation, public expenditures and public borrowing.

Expropriatory taxation

The yearning for "more and more taxes" by successive governments—civilian and military alike—has become a source of irritation for the citizens. They argue as why to pay taxes when in return they do not even get basic amenities of life. In a true social democracy people pay taxes as their collective responsibility while the state looks after their needs. Pakistanis are subjected to exorbitant taxes as the country is caught in debt enslavement. The major reason for tax defiant behaviour is lack of trust in the government—abuse of taxpayers' money for personal comforts and luxuries by the rulers. The State has failed to protect the life and property of the people, what to talk of providing them basic needs e.g. health, education and civic amenities. The populist argument against paying taxes is 'why we should pay when the government cannot even ensure safety of our lives.' This scenario and narrative is paving the way for radicalisation of society. Our so-called experts have never thought of analysing this as a significant internal security threat.

Over-taxation to the extent of expropriation is Pakistan's real dilemma. Collection of unjust taxes is no answer to resolving existing maladies. Rather they add to them. Rise in internal and external debts is a security threat as economic destabilisation can lead to dismemberment of the State—as was proved in the case of erstwhile USSR. We cannot overcome challenges on political fronts, including the menaces of terrorism and militancy, unless we restructure our economy for social democracy. For this we need an all-out reforms in all institutions.

All of us should focus our attention to jobs and growth if we are to have any peace here. Yet our policymakers are tailing donors into thinking that all economics revolves around increasing tax/GDP. As if tax alone will solve all our problems."

Level of taxation in a country is traditionally judged in terms of the ratio, which taxes bear to some measure of national income. The study of tax-GDP ratio is considered important because trends in taxation in a country or group of countries are analysed mainly in terms of this ratio, and the composition of tax revenues. Are inter country comparisons of taxation levels meaningful? Some fiscal experts have sharply criticized these attempts. According to critics, the economic, political, and institutional characteristics of individual countries are so different that neither theoretical nor empirical studies provide useful information of policy relevance. Tax-GDP ratios do not consider the fact that some countries are more favourably placed to levy and collect taxes than others. For example, Lotz and Morssan analysed a sample of 72 developed and developing countries to examine the relationship between tax ratio variations and differences in per capita income and degree of openness. The sample included a wide spectrum of dissimilar economies ranging from Nepal to Singapore. It is prima facie erroneous to compare Nepal's high rural and agricultural economy with a high commercial and industrial city-state of Singapore. Generally the tax revenue to GDP ratio in developed counties has been high and in the less develops countries low.

The root cause of our economic woes is the outlandish living style of the elites off taxpayers' money. Look at the residences of judges, generals and high-ranking civil officials with an army of servants and fleets of cars. Wasteful spending on elites and disinclination to tax the rich is playing havoc with the economy. Behind the present chaotic socio-economic and political situation in Pakistan, amongst other factors, is fiscal indiscipline.

A democratic tax system is one under which tax payments are based on the amount of benefits received from government services—the Scandinavian social democracy model is a good example to quote. In social democracies, the cost of government services are apportioned amongst individuals according to the relative benefits they enjoy. In economic terms, this is called "benefit principle" that presupposes determination of the incidence of public expenditure before deciding distribution of tax burden.

The existing tax system is a worst expression of manipulation and exploitation. A highly unjust and distorted tax base benefits the rich and mighty (exploitative elements having monopoly over economic resources) and fleeces the economically-deprived classes. There is no political will to tax the privileged classes in Pakistan. The common man is subjected to exorbitant sales tax (though standard rate is 17% but actual incidence is over 40% in many cases after applicable customs duty, regulatory duty, mandatory value addition and advance income tax). In return, a common citizen even does not get what is guaranteed by Constitution e.g. free education and health cover—what to speak of affordable shelter and transport. On the other hand, the mighty sections of society—monopolistic industrialists, absentee landowners, generals, judges and bureaucrats—get exemptions and concessions. The cost of tax free perks and perquisites to members of militro-judicial-civil and political elite alone is in billions—it is borne by taxpayers!

Determination of a tax base capable of measuring an individual's ability-to-pay is a major problem of our tax system. In all democracies, this rule is followed by adopting progressive rate schedule for personal income tax and property tax. In Pakistan, we have moved from this policy to unequal sacrificial rule where the mighty militro-judicial-civil complex (now an integral part of our landed aristocracy by earning State lands as awards and rewards) and political elite are paying meagre taxes and actual incidence is shifted to the less-privileged. The businessmen are offered presumptive tax regime, even under income tax law, to pass on burden on the customers. The masses are overburdened with oppressive indirect taxes, ever rising costs of public utilities and petroleum products.

It was Louis XIV's finance minister, Jean-Baptiste Colbert, who claimed that the art of taxation was "to pluck the maximum amount of feathers from the goose with the least amount of hissing". Colbert's view was close to the truth, even in today's world, but taxation in his day was not used as an instrument to achieve a broad range of economic and social objectives. Rather, it was a tangle of practices and customs designed to finance wars, private and public works, as well as the pet schemes of the royal family—and their aristocratic hangers-on. In fact, until the 20th century, the notion of a progressive tax on income did not strike them as being virtuous. Our rulers are, however, still living in that state of mind.

In the second half of the 20th century, a number of governments in the West realised that taxation was indeed a multifaceted instrument which, if used sensibly, could help each society attain its economic and social goals. This required a delicate balance between rewarding entrepreneurship, innovation and risk-taking on the one hand, and the need to finance important public expenditures on the other, including education and social programmes, as well as the traditional public works which attracted Colbert. Not easy to do, and few countries, if any, can be fully satisfied with the balances they have struck. Pakistan, of course, is not among such countries.

There are only three main sources of tax revenue upon which government treasuries depend: income, capital and consumption. Too heavy a tax burden on any one of those will cause it to become unreliable as a source of revenue, as well as generating distortions and inequities. In some cases, it might spur tax evasion or drive part of the economy underground or in age of globalization flight of capital to tax havens. Any well-intentioned politician sees no limits to levels of taxation and redistribution. If an elected politician has the courage to tax and spend in a transparent way on his or her perceived worthy social objectives, then it must happen in the democratic way. The politician must be sanctioned or approved by the electorate to go for great revolution.

However, a government can be tempted to exercise a philosophy of social responsibility by penalising the productive sectors instead of introducing reforms which require greater political courage. Yet, in doing so, it runs the risk of undermining the economy's growth potential. Many do not believe that tax systems should be over-burdened with the social convictions of politicians. Have individuals and corporations pay their fair share of taxes, yes! Have social charges disrupt the good functioning of economies, no! Excessive and unbalanced taxation can prevent many individuals and businesses from taking full advantage of the opportunities of the new knowledge-based economies.

Taxpayers (including businesses) should share the burden of protecting those who are vulnerable as a result of change, either through well-designed social protection measures or retraining, not through excessively rigid job protection measures and inflexible labour regimes that penalise productivity. That is why a fair and transparent tax system is so essential for maximising economic growth. In this regards, a detailed study [Towards Flat, Low-rate, Broad and Predictable Taxes, Islamabad: PRIME Institute, April 2016] is available that can be debated publically to find a workable tax model for Pakistan. Politicians must have the courage to achieve a sensible balance between income, capital and consumption taxes. And they must also have the courage to spend, not on ill-designed social programmes introduced more to collect votes than social returns, but on important investments in creating human capital, e.g., education, training and health, and necessary public infrastructure to increase the productivity of the economy.

It is by no means an easy task in Pakistan. But one expects the public is increasingly suspicious of political motivations and better informed about the impacts of undisciplined public finance. At least, one hopes so! We must all do better. Independent observers should monitor tax data and survey the costs and benefits of various approaches to taxation that have been adopted, changed, abandoned and reinvented over many years; experts should give frank advice on reform and best practice, and help the government reach consensus on tax matters. Politicians listen to them. They should explore new challenges, such as the taxation of e-commerce, the problems of harmful tax competition and transfer pricing within large corporations. Simply put, the government must unshackle the constituent elements of economic growth by letting market forces play their respective roles. And governments

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must transfer the benefits of economic growth to enhance social well-being and cohesion through transparent and well-designed taxation. If the paradigm could be made to work, then Colbert's geese would barely hiss at all!!

Tax policy should be aimed at achieving the cherished goal of distributive justice. The government should launch programmes, financed mainly through taxes, to solve the twin problems of unemployment and poverty. These welfare-oriented schemes may also include subsidised/free medical and educational facilities, low-cost housing, and drinking water facilities in rural areas, land improvement schemes, and employment guarantee programmes. Once people see the tangible benefits of the taxes paid, there will be better response to tax compliance. Taxes cannot be collected through harsh measures and irrational policies. The government must demonstrate by its action to the taxpayers that money collected from them is being spent for collective welfare

Taxes for growth and prosperity

One of the main tools of tax policy is to increase the level of savings and capital formation in the private sector partly for borrowing by the government and partly for enhancing investment resources within the private sector for economic development. On the contrary, Pakistani economic managers have not only failed to achieve this goal, they are ruthlessly taxing capital gains arising out of immovable property and shares to destroy creation of capital and incentives for investment that can boost growth. Tax is a byproduct of growth. With more growth we would have more taxes. The prevalent anti-growth taxes are the real cause of retarded economic growth, burgeoning fiscal deficit and insurmountable debt burden.

Recent years have experienced closure of large industries and stagnation in growth. Besides inefficiency, corruption and incompetence of Federal Board of Revenue (FBR), inconsistent, illogical, burdensome, complicated and expropriatory tax policies have forced the business community to search for safer havens abroad, depriving the country of invaluable capital. Similarly, foreign investors are reluctant to avail the tremendous Pakistani talent that goes to waste for lack of proper funding.

Economic challenges faced by Pakistan are multiple and grim—we are trapped in a deadly debt trap, but there is no will on the part of the rulers to come out of it. They are least pushed to accelerate growth, induce investment, stop wastage of resources and tap the real tax potential. Continuous surge in wasteful and unproductive expenses is no cause for concern. Rather, the entire emphasis on daily basis is on "more" (sic) taxes. Our total debt at present is about 68% of GDP which is increasing due to sheer callousness of our rulers. The last government during its tenure added Rs. 6.3 trillion to our debt burden—an increase of 103% while the record of the present government is equally appalling. It has been borrowing heavily to pay earlier debts and bridging the fiscal gap—pushing debt servicing alone to Rs. 1.5 trillion in 2015-16—nearly 68% of total revenue collection. The reckless borrowing to bridge burgeoning fiscal deficit is estimated to cross Rs. 2 trillion this year. The position of balance of payment is also worsening. Current account deficit widened by 91% in the first five months (Jul-Nov) of 2016-17, increasing to $2.6 billion from $1.36 billion in the same period last year, according to data released by the State Bank of Pakistan (SBP). Inward remittances and Foreign Direct Investment are also showing negative trends. (To be continued tomorrow)

(The writers, lawyers and partners in Huzaima, Ikram & Ijaz, are Adjunct Faculty at Lahore University of Management Sciences)

DAWN
Saturday, 12th August, 2017

Number of return filers grew 50pc in 4 years: Dar

Mubarak Zeb Khan

ISLAMABAD: Finance Minister Ishaq Dar is launching the tax directory for 2015-16 on Friday. It is the fourth directory released in as many years by the Federal Board of Revenue (FBR).

ISLAMABAD: Finance Minister Ishaq Dar said on Friday the number of taxpayers filing returns has gone up by almost 50 per cent over the last four years.

Mr Dar said this while launching the tax directory for 2015-16, which features details of 1.21 million taxpayers, including companies, associations of persons and individuals.

“Initiatives taken by the government to broaden the tax base are yielding the desired results,” he said.

Less than half of registered companies filed tax returns in 2015-16

The finance minister said tax revenues grew from Rs1.94 trillion in 2013 to Rs3.36tr last year.

Only 30,000 companies filed their returns in 2015-16, less than half the number of firms registered with the corporate-sector regulator, SECP. This reflects the low level of tax compliance within the corporate sector.

Moreover, several hundred companies filed returns showing zero taxes in 2015-16.

The number of returns filed by associations of persons was 55,000. The number of individuals who filed their tax returns with the FBR was 1.13m.

In contrast, the total number of people who were issued national tax numbers was 4.2m. This reflects poor tax compliance in the category of individuals.

It is the fourth directory released in as many years by the Federal Board of Revenue (FBR).

Banks were top taxpayers in 2015-16. Habib Bank paid Rs16.47 billion, United Bank Rs15.22bn, Allied Bank Rs8.87bn, National Bank of Pakistan Rs7.05bn, Habib Metropolitan Bank Rs4.97bn, Standard Chartered Bank Rs4.25bn and Zarai Taraqiati Bank Rs3.24bn.

Other banks paying heavy taxes include Industrial and Commercial Bank of China, which contributed Rs1.12bn to the exchequer, Askari Bank Rs2.51bn and Meezan Bank Rs1.66bn.

In the non-banking sector, Pak-Arab Refinery was the top taxpayer with a contribution of Rs10.36bn, followed by Pakistan State Oil Rs8.16bn, Government Holdings (Private) Ltd Rs7.96bn, Oil and Gas Development Company Rs5.65bn, Kot Addu Power Company Rs5.03bn, Indus Motor Company Rs5.48bn, United Energy Pakistan Rs4.63bn, Nestle Pakistan Rs4.03bn, Lucky Cement Rs4.54bn, Pakistan Tobacco Company Rs3.31bn, and Telenor Pakistan Rs3.73bn.

Companies that paid taxes in the range of Rs2bn and Rs3bn include Huawei Technologies Pakistan that contributed Rs2.25bn, followed by Kirthar Pakistan BV Rs2.02bn, National Refinery Rs2.09bn and Pakistan Telecommunication Authority Rs2.71bn.

According to the directory, Attock Petroleum contributed Rs1.86bn to the national kitty, Kohat Cement Rs1.31bn, Pakistan Telecommunication Company Rs1.1bn, Pakistan Security Printing Corporation Rs1.24bn, Abbott Laboratories Rs1.38bn and Aga Khan Fund for Economic Development Rs1.13bn.

Mr Dar said the tax directory was the manifestation of the government’s commitment to providing access to information to the general public. It should help in creating public awareness, motivation and transparency, he added.

DAWN
Saturday, 12th August, 2017

Cotton prices fall on panic selling

The Newspaper's Staff Reporter

KARACHI: The cotton market on Friday witnessed panic selling from ginners which pushed prices lower. Higher arrival of phutti (seed cotton) along with a downward trend in world's leading cotton markets influenced trading.

Lower cotton output estimate of 12.6 million bales as against the estimated production of 14.04m bales, shared a day earlier by the Cotton Crop Assessment Committee, should have pushed cotton prices higher but on the contrary these came under pressure.

Late in the evening, selling pressure intensified and pushed prices even lower at Rs6,200 per maund – strongly indicating that ginners have indulged in panic selling.

Phutti prices also declined in the range of Rs2,800 to Rs3,000 form earlier rates of Rs3,000 to Rs3,300 per maund.

Almost all the leading cotton markets closed easy. New York cotton took the lead, down US three cents per lb.

Sindh variety cotton slightly moved higher on ready counter while Punjab cotton declined by Rs300 per maund.

The Karachi Cotton Association (KCA) spot rates were revised downward by Rs50 to Rs6,400 per maund.

The following deals were reported on Friday: 2,000 bales, Hyderabad, at Rs6,375 to Rs6,450; 1,000 bales, Mirpurkhas, at Rs6,375 to Rs6,425; 2,000 bales, Kotri, at Rs6,400 to Rs6,450; 1,000 bales, Winder, at Rs6,400 to Rs6,475; 2,400 bales, Sanghar, at Rs6,400 to Rs6,475; 3,000 bales, Tando Adam, at Rs6,400 to Rs6,475; 3,000 bales, Shahdadpur, at Rs6,400 to Rs6,475; 800 bales, Chichawatni, at Rs6,625 to Rs6,650; 800 bales, Khanewal, at Rs6,660 toRs6,675; 500 bales, Vehari, at Rs6,675; and 400 bales, Gojra, at Rs6,690.

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	106.80	107.00
UK	136.88	137.14	138.20	139.20
Euro	123.56	123.80	125.00	126.00
S.Arabia	28.08	28.13	28.25	28.50
UAE	28.67	28.72	29.00	29.25
Japan	0.9576	0.9594	0.9689	0.9889

*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 Aug 10

Three months	1.30911 %
Six months	1.45278 %

THE NEWS
Saturday, 12th August, 2017

FBR working on new unit to boost tax base

KARACHI: Authorities are set to launch a new unit that aim to increase tax base in the country, part of government's efforts to boost revenue collection, officials said on Friday.

They added that the dedicated unit, which will identify new taxpayers and monitor withholding tax collection, is likely to establish by the month end.

"The new broadening the tax base office will identify potential taxpayers on the basis of monitoring of withholding taxes and third party sources," a senior official said.

At present, the activities of broadening the tax base has been done through existing field staff, who already had other responsibilities of enforcement and audit of the existing taxpayers. Considering the importance, the government announced the establishment of new directorate to broaden the tax base in the budget 2017/18.

In chief commissioners' conference held last week, the finance minister has directed the FBR to focus on enhancing the number of taxpayers, besides increasing the ratio of direct taxes.

Presently, the lack of tax culture is a major hindrance in narrow tax base. The FBR identified reasons for narrow tax base, which included heavy reliance on indirect taxes; discontinuity of regular survey; the lack of proper and effective enforcement by the FBR offices; the lack of proper computerised stock register; the lack of balance between facilitation and enforcement; and the lack of capacity and motivation to utilise available information.

The FBR has issued National Tax Number (NTN) to around four million people of over 200 million in the country. As per the latest Active Taxpayers List (ATL) issued by the FBR, only 1.23 million taxpayers filed their income tax returns for the tax year 2016.

Sources in the FBR said the new directorate would have its separate enforcement and audit teams to conduct examination of available data of potential taxpayers and through field surveys.

The new directorate would have a strategy of zero-tolerance for non-filers and it would ensure enforcement of returns in the cases of all NTN holders, the sources added.

The new directorate, besides available data of potential taxpayers, will also obtain records from Nadra, telecom companies, banking companies, utility providers, property registration authorities, land developers, provincial excise and taxation authorities, schools, clubs, hotels, domestic and international airlines, dividend, interest, rental income, etc, they said.

One of the major priorities of the directorate will be to target 10 million mobile phone subscribers. The directorate will also focus on untaxed sector such as doctors, lawyers, architects / engineers, fashion designers, etc, the sources said.

The FBR has also started collecting information in the case of transactions of records of property transactions.

For the last three years, the government has enhanced the withholding tax rates for non-filers, which helped increased the number of return filers to 1.23 million to-date from 0.94 million in the tax year 2014.

The sources said the directorate will also prioritise the sales tax registration and would make it integral part of the BTB initiatives.

The FBR had already obtained information of six million transactions and initiated legal proceedings for enhancing the tax base, they added.

THE NEWS
Saturday, 12th August, 2017

Weekly inflation up 0.51 percent

ISLAMABAD: Inflation for the week ended August 10 for the combined income groups increased 0.51 percent as compared to the previous week.

According to the data released by the Pakistan Bureau of Statistics (PBS) on Friday, sensitive price indicator (SPI) for the week under review in the abovementioned group was recorded at 219.92 points against 218.80 points last week.

SPI for the combined group during the week under review witnessed an increase of 0.64 percent.

The weekly SPI has been computed with base 2007-2008=100, covering 17 urban centres and 53 essential items for all income groups.

Meanwhile, SPI for the lowest income group up to Rs8,000 increased 0.74 percent, as it went up from 208.32 points during the previous week to 209.86 points in the week under review.

SPI for the income groups from Rs8,001 to Rs12,000, Rs12,001 to Rs18,000, Rs18,001 to Rs35,000 and above Rs35,000, also increased 0.67 percent, 0.62 percent, 0.54 percent and 0.37 percent, respectively. Average prices of 11 items registered increase, 13 items declined, while the remaining 29 items' prices remained unchanged.

The items, which registered increase in their prices during the week under review included onions, sugar, chicken, LPG cylinder, gur, beef, mutton, garlic, mustard oil, milk (fresh) and vegetable ghee.

The items, which registered decrease in their prices included tomatoes, diesel, petrol, bananas, mash pulse, moong pulse, potatoes, tea (packet), gram pulse, wheat flour, chilly powder and eggs.

The items with no change in their average prices during the week under review included wheat, basmati broken, Irri-6, bread, curd, milk (powdered), cooking oil (tin), vegetable ghee (tin), salt, cooked beef, cooked daal, tea (prepared), cigarettes, long cloth, shirting, lawn, georgette, gents sandal, gents chappal, ladies sandal, electricity charges, kerosene, firewood, electric bulb, washing soap, match box, telephone local call and bath soap.

THE NEWS
Saturday, 12th August, 2017

FBR must track businesses that don’t pass on reduced levies to consumers

LAHORE: Economic issues cannot be solved in isolation, for instance any imposition or withdrawal of a government levy impacts prices. However in case of duty reduction, most of the benefit goes to producer/importer while entire increase in duty is borne by the buyer.

It is worth noting that when all the provinces levied sales tax of 19 percent on internet service providers, the Punjab government withdrew it to benefit its population using IT services. The tax was re-imposed this year, as according to Punjab minister for finance Ayesha Pasha, the service providers continued charging the same rates as they were charging in other provinces after paying the 19 percent provincial levies.

It is worth noting that the service providers have now added the re-imposed levy in their bills for the month of July. The sufferers are the unlucky consumers in Pakistan.

When a government levy is reduced it reduces the cost of that product or service. If the benefit of this reduction is not passed on to the end consumers then the supplier/manufacturer is making additional profits that should be reflected in its income tax returns.

These businessmen however do claim the losses that they allegedly suffer because of change in government levies (although in many cases the losses are recovered from the consumers).

The Federal Board of Revenue (FBR) despite various reforms still lacks the capacity to bring such under filers to book. Possibly there is also a lack of will on the part of tax collectors to apprehend those that are their permanent source of income. It is worth noting that importers always protest on increase in import duties because they claim that imposition of 10 percent import duty raises the cost of imported item by 40 percent.

They point out that a general sales tax of 17 percent has to be added on the duty paid value of the invoice.

In addition, they have to pay advance income tax and other incidental charges, the cumulative effect of which comes to 40 percent. So on any increase in duty they increase the price of their product according to this formula. When the government reduces the duty of an item from 10 percent to zero; they do not apply this formula.

All imports on which duties are paid are documented. All the FBR needs is a software that ensures the change of hands of that product from importer to dealers and finally to end consumers.

The price that the importer charges from the dealer would determine the profit margin based on the pricing formula of the importer. Tracking sales to the end would ensure final profit of each stakeholder. It is an open secret that most of the items on which duties are imposed are under-invoiced. This is particularly true in case of finished goods.

Past Customs record would prove that the rates of most of the finished goods being imported have not changed much even in cases when the duties have been reduced. Reduction of duties on finished products helps the importer doubly.

Firstly he continues to import the item at highly reduced value and save most of the duty. The reduction in duty gives him an additional benefit.

If the FBR through technology tracks the sales of that item throughout the sales chain, it would find that the importer is charging higher price from the dealers compared with his documented cost.

If he is invoicing it at documented rates and taking the balance amount out of book then the dealers’ sales invoice would reflect the actual price.

This would mean that either dealer is concealing the actual price at which he bought the item or he is making huge profit from the retailer. Once confronted by FBR, the dealer would think twice before becoming the importer’s partner in this dirty game.

Again, the basic question is how to stop FBR officials in partnering with take evaders or under filers. If FBR tracks the sales of each imported item through technology, it would be able to increase revenues and discourage imports of many products that are being produced in Pakistan.

THE NEWS
Saturday, 12th August, 2017

Cotton firm

Active trading was witnessed at the Karachi Cotton Exchange on Friday, while spot rates fell Rs50/maund.

The spot rates decreased to Rs6,400/maund (37.324kg) and Rs6,859/40kg. Ex-Karachi rates also dropped to Rs6,545/maund and Rs7,014/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said the international market remained down, while lint prices decrease in the local market amid an increase in arrivals ahead of the national holiday. KCE recorded 17 transactions of around 19,000 bales at a price of Rs6,375 to Rs6,690/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Winder, Hala, Sinjhoro, Tando Muhammad Khan, Burewala, Mian Channu, Haroonabad, Khanewal, Gojra, Vehari and Chichawatni.

The Nation on Web
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Number of taxpayers up by 50pc in 4 years

Our Staff Reporter

ISLAMABAD - Number of taxpayers in Pakistan has increased to 1.216 million during the year 2016, which has shown an increase of 50 percent during last four years.

Number of taxpayers has enhanced to 12,16,614 during the year 2016 from 7,69,892 of 2013 showing an increase of 50 percent, said Finance Minister Ishaq Dar at launching ceremony of 4th general tax directory, which consist more than 17,000 pages. The Federal Board of Revenue (FBR) few days backed launched the tax directory of parliamentarians.

On the occasion, Dar said that Pakistan is only fourth country of the world, which is publishing tax directory every year from last four years. “Issuing of tax directory will help in expanding tax base of the country,” he maintained. He further said that tax collection has increased to Rs3,362 billion during previous financial year 2016-17 from Rs1,946 billion of the year 2013 when incumbent government took charge. The government has also abolished tax exemptions given for different sectors to enhance revenues, he said and added that increase in tax revenues is imperative for promoting development and defence programmes of the country.

The minister vowed to take the country’s GDP growth to 6 percent during ongoing fiscal year 2017-18, which remained at 5.3 percent during last year. “Pakistan has recently signed agreements with Switzerland and Organisation for Economic Co-operation and Development (OECD) to stop corruption and tax evasion,” he said. He lauded the FBR’s team for their efforts for publishing tax directory. He called upon the FBR’s officials to contribute their best to achieve current year tax collection targets.

The Nation on Web
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Saturday, 12th August, 2017

Weekly inflation rises 0.51pc

APP

ISLAMABAD - The weekly inflation for the week ended on August 10 for the combined income groups increased by 0.51 percent as compared to the previous week.

According to the data released by Pakistan Bureau of Statistics (PBS) on Friday, the Sensitive Price Indicator (SPI) for the week under review in the above mentioned group was recorded at 219.92 points against 218.80 points last week.

As compared to the corresponding week of last year, the SPI for the combined group in the week under review witnessed increase of 0.64 per cent.

The weekly SPI has been computed with base 2007, 2008=100, covering 17 urban centers and 53 essential items for all income groups.

Meanwhile, the SPI for the lowest income group up to Rs 8,000 increased by 0.74 percent as it went up from 208.32 points in the previous week to 209.86 points in the week under review.

As compared to the last week, the SPI for the income groups from Rs 8001 to 12,000, Rs 12,001 to 18,000, Rs 18,001 to 35,000 and above Rs 35,000, also increased by 0.67 percent, 0.62 percent, 0.54 percent and 0.37 percent respectively.

During the week under review, average prices of 13 items registered decrease, while 11 items increased with the remaining 29 items' prices unchanged.

The items, which registered decrease in their prices during the week under review included tomatoes, diesel, petrol, bananas, mash pulse, moong pulse, potatoes, tea (packet), gram pulse, wheat flour, chilly powder and eggs.

The items, which registered increase in their prices during the week under review included onions, sugar, chicken, LPG Cylinder, gur, beef mutton, garlic, mustard oil milk (fresh) and vegetable ghee.

The items with no change in their average prices during the week under review included wheat, rice (basmati broken), rice (irri-6), bread, curd, milk (powdered) cooking oil (tin), vegetable ghee (tin), salt, cooked beef, cooked daal, tea (prepared), cigarettes, long cloth, shirting, lawn, georgette, gents sandal, gents chappal, ladies sandal, electricity charges, kerosene oil, firewood, electric bulb, washing soap, match box, telephone local call and bath soap.