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# Govt struggles to cut trade deficit

MUSHTAQ GHUMMAN

ISLAMABAD: Commerce Ministry has undertaken an extensive exercise to impose or enhance Regulatory Duty (RD) on import of non essential/luxury items aimed at reducing trade deficit which has reached an alarming level.

This was disclosed by Minister for Commerce Pervaiz Malik and Commerce Secretary, Younus Dagha at a briefing to the Senate Standing Committee on Commerce headed by Senator Syed Shibli Faraz.

Commerce Ministry's team recently gave a detailed presentation to Prime Minister Shahid Khaqan Abbasi on revision of Strategic Trade Policy Framework (STPF) 2015-18 and further incentives for all sectors including textile. However, Textile Division of Commerce Ministry is unaware of any new package for the textile sector.

Commerce Ministry is opposing surcharge on electricity and GIDC on gas so that industry is provided cheap electricity.

The Commerce Minister said the government is also worried about the economic situation of the country including trade and assigned the difficult task to him and he will try to find a solution on professional lines.

He said that institutions' human resource requirements will be met but at the same time the concerned officials will be held responsible.

"We are taking measures to increase exports and decrease imports through rationalization of duties and taxes," he added.

The Commerce Minister said that former Prime Minister had extended an incentive package of Rs 180 billion to exporters early this year; and another package will be announced.

Both Commerce Minister and Secretary Commerce claimed that exports in August 2017 increased by 25 per cent as compared to August 2016. However, Tuesday evening PBS clarified that actual increase in exports was 14.41 per cent and not 25 per cent.

Talking about FTAs, the Commerce Minister said that Commerce Secretary Younus Dagha is visiting China along with his team to discuss FTA-II as the existing agreement has expired, adding that Pakistan wants Early Harvest Program (EHP) with China. He said that recommendations of Senate Committee will be honoured in letter and spirit.

Secretary Commerce who is not negotiating FTAs with Turkey and Thailand said in the past Pakistan did not negotiate FTAs appropriately. Former Commerce Minister, Engineer Khurram Dastgir had made similar observations about existing FTAs.

Senator Ilyas Bilour suggested that the government should slap non tariff barriers to discourage unnecessary imports.

He said, Pakistan's exports cannot be increased until cost of doing business, especially energy, is rationalized and whatever package is given to exporters is actually implemented in letter and spirit.

Commerce Secretary agreed with Senator Ilyas Bilour that the cost of doing business is higher in Pakistan as compared to its competitors.

"We have requested Federal Board of Revenue (FBR) and State Bank of Pakistan (SBP) to take stringent measures to discourage imports," he said.

Senator Salim Mandviwalla, former Finance Minister, criticised the performance of the Commerce Ministry with respect to questionable export performance and a surge in imports which has created balance of payment difficulties.

He also suggested that Trade Development Authority of Pakistan (TDAP) should be wound up

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as it has limited itself to exhibitions.

Secretary Commerce, however, informed the committee that consultants are being hired for each sector with the title of Product Development Officers (PDOs).

Chairman Standing Committee said that new measures are required for sustainability in the economy, adding that until Industrial Policy is unveiled, benefits cannot be reaped from China Pakistan Economic Corridor (CPEC) in an effective manner.

He contended that the establishment of Exim Bank is pending since long whereas TDAP's performance is appalling and suggested that TDAP offices should be shifted to Islamabad.

Senator Usman Kakar criticised Chief Minister Punjab Main Shahbaz Sharif for supporting onion import from India at a time when onion crop in Balochistan is ready. He asked Commerce Ministry to set up a laboratory in Balochistan to test minerals. He further stated that two officers' posts in TDAP, from Balochistan, should be filled immediately.

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## Trade balance reviewed

ISLAMABAD: Prime Minister Shahid Khaqan Abbasi chaired a high-level meeting to review trade balance and measures to boost exports.

The Ministry for Commerce presented various short-term and medium-term options to increase exports and contain imports, says a press release issued here on Tuesday.

The Prime Minister directed to ensure that no option considered should have a dampening impact on Pakistan's economic growth rate and development.

The meeting also focused on GSP Plus status and reviewed various measures to expand and deepen exports into the European markets.

The Prime Minister stated that he would like the Pakistani diplomatic missions abroad to serve as economic and trade ambassadors of Pakistan. The Prime Minister took notice of the revision of export numbers by the Bureau of Statistics, and instructed that all reports should be duly verified for accuracy before public announcements. The Prime Minister appreciated that the overall balance of trade has improved in the month of August 2017. The meeting was attended by the Minister for Commerce Parvaiz Malik, Special assistant to the PM on Economic Affairs Miftah Ismail, Spokesperson to PM Musadik Malik and senior government officials.—PR

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# PBS clarifies export, import figures

ISLAMABAD: Pakistan Bureau of Statistics would like to clarify that the figures of exports and imports presented in the summary trade statistics placed on the PBS website on 11th September 2017, for the month of August 2017 carried an incorrect number for the export and import figures for the month of August 2017 in US $ terms.

On August 11, 2017, the PBS trade summary noted an increase of 26.85 percent in exports during the month of August 2017 over July 2017 subsequent to exports increased $2.609 billion from $1.631 billion while an increase of 13.59 percent was in imports was noted with imports surged to $5.492 billion in August 2017 from $4.835 billion in July 2017, said a press release.

PBS in a statement uploaded on its website stated that this occurred due to use of incorrect exchange rate for August 2017. This error was rectified and the correct numbers placed on the website. The exports and imports data in rupee terms and for the July-August period was correct.

As per the corrected numbers, the exports in August show a healthy growth of 14.41% over July and 12.8% growth over the last August in dollar terms. Similarly for imports the data shows a low growth of 2.42% over July and 15.08% over the last August in dollar terms. PBS regrets its error and has put in place measures to ensure that such a lapse does not occur again.

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# Distribution, transmission: Projects worth Rs16bn approved by Ecnec

ISLAMABAD: The Executive Committee of National Economic Council (Ecnec) has approved two power distribution and transmission projects for Sukkur Electric Supply Company (Sepco) worth Rs 16 billion.

Ministry of Planning, Development and Reforms informed Ecnec that the new 132KV grid stations and transmission lines entailed construction of new grid stations, conversion of 66 kV to 132kV and extension and construction of new transmission lines.

The scope of work for the project was as follows: (i) construction of 12 new Grid stations; (ii) conversion of 9, 66 kV to 132 kV grid stations; (iii) augmentation of 22, 132 kV grid stations; (iv) extension of 15,132 kV transformers; (v) extension of 21 lines bays; and (vi) construction of 545 km 132 kV SDT transmission lines.

Ministry of Planning, Development and Reforms further intimated that CDWP considered the project in its meeting held on April 11, 2017 and recommended it for consideration of Ecnec at a total cost of Rs12.702 billion, including an FEC of Rs 1.360 billion subject to the conditions that: (a) Sepco will make fool-proof arrangement for proper functioning of capacitors; and (b) allocations may be made as per their financial scheduling and the project will be completed in time without any revision. Sepco ensured to fulfil the said condition.

In another summary, Ministry of Planning, Development and Reforms revealed that the main objective of the project was to expand distribution network of Sepco to meet growing demand of the area. Following main components of the project were submitted: (i) providing 61151 new electricity connections to prospective consumers; (ii) an addition of 2050km 11kV lines; (iii) an addition of 1150 km LT lines; and (iv) installation of 2498 distribution transformers of different capacities.

CDWP had recommended the project for consideration of Ecnec at a total cost of Rs 3.825 billion without FEC subject to the conditions that: (a) Sepco will make fool-proof arrangements for proper functioning of capacitors; and (b) Allocations may be made as per their financial scheduling and the project will be completed in time without any revision. Sepco ensured to comply with the directives of CDWP.

Ecnec directed that the project be completed in given time period without escalation of cost.—MUSHTAQ GHUMMAN

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# 90pc of 'nil' filers are exporters, importers and distributors

SOHAIL SARFRAZ

ISLAMABAD: Around 90 percent of the 'nil' filers of sales tax returns are exporters, importers or sole distributors who have either already paid final sales tax at import/ purchase stage or filed returns to claim refunds as admissible under the law.

Sources told Business Recorder here on Tuesday that the exporters are legally allowed to claim adjustment or refund of sales tax paid on inputs used in manufacturing of export products. For this purpose, the exporters file 'nil' return as their supplies are zero rated. In most of the cases, 'nil' filers are primarily exporters. Therefore, the exporters are not required to deposit tax while claiming refunds of raw materials consumed in finished items to be exported.

Sources said that most of sales tax refund claimants within the category of exporters belong to Faisalabad, Sialkot and Multan. The 25 percent of the Lahore-based registered sales taxpayers are exporters. All of them are filing 'nil' sales tax returns.

Likewise, commercial importers are paying advance sales tax at import stage under Special Procedure Rules 2007 along with value addition sales tax, hence by and large they were not necessarily required to make further payment at subsequent stage and thus they are also filing 'nil' sales tax returns. In case of sole distributor or supplier of items covered under Third Schedule of Sales Tax Act, the maximum amount of sales tax has already been charged by the principal manufacturer and distributor. The traders/suppliers of Third Schedule items are also need to only report purchase and sales in their sales tax return without requiring any net payment of sale tax.

According to sources, if a sales tax registered person is not depositing any tax along with the sales tax returns, it is not illegal.

There are approximately 15,000 to 20,000 service providers, who were registered with the sales tax department but they have not obtained de-registration from the FBR. These service providers are filing 'Null' returns with the FBR that they do not have any taxable activity. They continue to file 'Null' sales tax returns with the FBR.

After 18th Amendment, service providers get themselves registered with the respective provincial boards and authorities like Sindh Revenue Board (SRB) and Punjab Revenue Authority (PRA). However, these service providers have not got de-registration from the FBR to claim input tax adjustment. In case they get themselves de-registered with the FBR, their customers would not be able to get tax adjustment of sales tax since the input tax credit adjustment is only admissible against registered person. The service providers filing 'Null' returns are, therefore, require to maintain their sales tax registration with the FBR as well as registration with the provincial revenue authorities.

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## Projects for Sindh

# ADB inks $100m loan agreement

ISLAMABAD: The Asian Development Bank (ADB) and Pakistan have signed a loan agreement for $100 million that will improve and strengthen the standards in the development and delivery of Public-Private Partnership (PPP) projects to increase investment in infrastructure and services in Sindh.

Xiaohong Yang, the ADB's Country Director for Pakistan, Shahid Mahmood, Secretary Economic Affairs Division (EAD) for the government of Pakistan, and Hasan Naqvi, Secretary Finance for the government of Sindh signed the agreement here. Finance Minister Ishaq Dar witnessed the signing ceremony.

The project will help establish a PPP Support Facility (PSF), a not-for-profit company with private sector led management, to manage government support for PPPs in a fiscally responsible manner. The support will be mainly provided to PPPs through viability gap funding for mobilizing private sector investments in infrastructure, including social services. The project will help strengthen the Sindh government's capacity to identify, develop, and implement projects with the private sector participation, bringing innovation, efficiency and overall value-for-money, said a press release.

"The project will build on ADB's previous partnership with the Government of Sindh to strengthen the PPP framework and will draw from national and international best practices to support the provincial government's policies for fast-track provision of sustainable infrastructure," said Ms. Yang. "After the successful completion of this project, ADB aims to continue supporting the PPP initiative in the province by replicating this model in the future to encourage a stream of PPP projects across various sectors."

The government of the United Kingdom, through the Department for International Development (DFID), is co-financing the project through a $19.23 million (equivalent to GBP 14.74 million) and $4.75 million (equivalent to GBP 3.64 million) technical assistance (TA), both of which will be administered by ADB. The total cost of the project is $188.98 million, with the Sindh government contributing $65 million. The expected completion date of the project is mid-2022.

Sindh is Pakistan's second most populous province and is the most urbanized, with about 52 percent of the people living in cities. Providing the crucial sea-port access and key industrial and business hubs, Sindh generates 32 percent of Pakistan's gross domestic product. The Project will support increased private sector financing in infrastructure investment and public services in Sindh province.—PR

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# Corporate rehab bill passed by Senate

**RECORDER REPORT**

ISLAMABAD: The Senate on Tuesday passed 'The Corporate Rehabilitation Bill, 2017 to ensure rehabilitation and reorganization of distressed corporate entities.

The bill was moved by Law and Justice Minister Zahid Hamid on behalf of Finance Minister Ishaq Dar, which was then unanimously passed by the house.

Senator Saleem Mandviwalla, who is the chairman of the Senate standing committee, said it was his brainchild which the government later snatched by introducing its own bill, but he had no objection over the bill after his amendments were incorporated.

According to the statement of objects and reasons, the existing institutional arrangements and legal process for revival and rehabilitation or distressed companies are both inadequate and time consuming.

Efforts in the past have been made largely on creditor friendly recovery laws which resulted in an imbalance of legal remedies for rehabilitation of debtors. Therefore, a comprehensive legal framework is now urgently needed to rehabilitate the distressed companies and businesses in the country.

The Corporate Rehabilitation Bill, 2016 provides a mechanism for rehabilitation of the distressed companies which is need of the hour for sustainable growth of corporate sector. The Bill will put the economy on fast track and will result in reduction of number of Non-Performing Loans.

The Bill provides an equal opportunity to the companies and its creditors to come up for the rehabilitation proceedings of the companies before the High Court(s). The Bill requires submission of rehabilitation plans before the High Court.

The Bill further provides that rehabilitation plans will be mutually agreed upon by the shareholders of the companies and their creditors. In this regard, the High Court shall appoint insolvency experts who will undertake mediation between the companies and their creditors for determination of liabilities towards the creditors.

The specialized features and unique requirements of Corporate Rehabilitation Bill necessitate the promulgation of an independent and comprehensive piece of legislation.

Speaking on a point of public importance, Senator Usman Khan Kakar accused the Industries Ministry of cancelling the explosives license for supplying dynamite which is used for blasting rocks during mining operations. The chair directed the industries minister to brief the house on the issue on Sep 14.

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## THE RUPEE
# Steadier trend

**RECORDER REPORT**

KARACHI: The rupee gained modestly against the dollar on the money market on Tuesday in the process of trading, dealers said.

The interesting thing is that the difference between open and inter-bank market rates is narrowing mainly because of smooth supply of greenback, currency experts said.

**INTER-BANK MARKET RATES:** The rupee was unchanged in terms of the dollar for buying and selling at Rs 105.40 and Rs 105.41 respectively, they said.

In the second Asian trade, the dollar held on to most of its gains on Tuesday, following a sharp rebound on improving investor risk sentiment as worries over North Korea and Hurricane Irma receded.

The dollar index, which tracks the greenback against a basket of six major rivals, was steady at 91.874, after it skidded to a 2-1/2-year low of 91.011 on Friday.

The euro was little changed at $1.1955 after shedding 0.7 percent overnight. The common currency reached $1.2092 on Friday, its highest since January 2015, as the dollar suffered a broad retreat.

The dollar was available versus the Indian rupee at Rs 64.000, the greenback was at 4.204 in terms of the Malaysian ringgit and the US currency was at 6.546 versus the Chinese yuan.

**OPEN MARKET RATES:** The rupee picked up 10 paisas versus the dollar for buying and selling at Rs 105.60 and Rs 105.80 respectively, they said. The rupee was trading against the euro for buying and selling at Rs 125.00 and Rs 126.50 respectively, they said.

| | |
|---|---|
| Open Bid | Rs. 105.60 |
| Open Offer | Rs. 105.80 |

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

| | |
|---|---|
| Bid Rate | Rs. 105.40 |
| Offer Rate | Rs. 105.41 |

**RUPEE IN LAHORE:** The Pak rupee showed strength as it registered appreciation versus the US dollar on the local currency market on Tuesday.

The demand and supply situation of the US dollar remained under pressure throughout the trading session amidst lack of buyers' interest in the currency market. Consequently, it slipped to Rs 105.40 and Rs 105.85 for buying and selling, respectively, as compared to the overnight trend of Rs 105.70 and Rs 106.10 respectively, local currency dealers said.

The local currency, however, remained under pressure for the second consecutive day against the pound sterling. The pound's buying and selling rates further rose from Monday's closing of Rs 137.60 and Rs 138.50 to Rs 138.45 and Rs 139.00 respectively, they added.

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

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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## Malicious messages
# UBL seeks FIA's help

**RECORDER REPORT**

KARACHI: United Bank Limited (UBL) has sought help from the Federal Investigative Agency (FIA) for investigation into the massages circulating in social media against the bank.

According to information sent by the bank to the Pakistan Stock Exchange (PSX), for the last several months some fake, false and malicious massages being circulated through the social media, particularly WhatsApp. These messages contain inter-alia, derogatory and defamatory remarks against the bank with the intent to damage its reputation.

Therefore, UBL has taken a serious notice of the matter and decided to report to the FIA Cyber Crime Circle under the appropriate laws including the Prevention of Electronic Crime Act (PECA) 2016, the notice said.

A high official of UBL told Business Recorder that fake news against UBL is spreading from March this year, when a fake report regarding detention of top management of the bank was released on social media.

"We believed that misinformation and fake messages on social media were a part of a malicious campaign against the bank and fake massages/news on social media can hurt the performance of a corporate institution, therefore UB has reported FIA to avoid the same in future", he added.

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# For PML-N, winter is coming

**Analyses & Comments by BR Research**

The wait isn't over yet for the loyal brother. So close yet so far is the top job for Shahbaz Sharif. First he was publicly announced as the elder Sharif's replacement. Then Nawaz changed his mind. Later Shahbaz was tipped as the PML-N's next chief. But even there, a snub seems in the works. Nawaz is busy playing a game of musical chairs. But Khadim-e-Aala, who isn't a political novice, doesn't seem inclined to rock the boat.

In the wake of Nawaz's disqualification, many observers were puzzled by the idea of an immediate elevation of Shahbaz to 'the PM post. It was a losing hand on various counts. Shahbaz would have to go through a bitterly contested by-election, only to become premier for less than a year. That's hardly time enough to get governance going at the center, while leaving Punjab's complex politics to inexperience.

In that sense, Nawaz's change of heart unwittingly saved Shahbaz from failure. Six to eight months from now, Shahbaz retains the chance to walk down the red carpet rolled out for him by a party that may start looking for direction and leadership away from an increasingly belligerent Nawaz. But those prospects will be affected by the fate of two individuals, the current and former prime ministers.

It's time for some political reckoning now that NAB cases have been filed against Nawaz, his family, and Mr. Dar. The political reputation of Nawaz, and by extension PML-N, will suffer more damage should the accountability courts order former premier's assets frozen and name put on the ECL. One man's loss is another man's gain. Calls for Shahbaz to step up will grow if Nawaz becomes radioactive.

But there is a twist in the tail.

One, the incumbent premier, Shahid Khaqan Abbasi, has been drawing generally positive reviews. A reputation is growing that he is paying attention, making swift decisions, and consolidating his grip on economic governance. The PML-N may have found a competent premier by accident. But Abbasi's rise is no good news for Shahbaz, who, over the years, had cultivated an aura of competence solely around himself.

And two, Nawaz seems in no mood to share the fruits of power at the top with the Shahbaz branch of the family. Keeping it all in his immediate family that is in serious legal limbo, Nawaz may want a bigger political role for his ailing spouse, who is contesting the NA-120 by-election to replace Nawaz this Sunday. Whether isolated or not, Shahbaz and his progeny watch this game of thrones from a distance. They stand to lose no matter what the outcome of this by-election.

If Nawaz is a master of electoral politics, Shahbaz knows well how to get development projects going. Both bros need each other if the PML-N is to survive the coming winter. If Nawaz refuses to share and continued to treat PML-N as a fief, he would take revenge on his own party. And if Shahbaz gets the timing of his defiance wrong, it will divide the party, too. Nawaz must realise that Shahbaz has earned his stripes for the top job. If he is sidelined, the PML-N may face a hard landing in the next general elections.

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# Spot rates fall sharply on cotton market

RECORDER REPORT

KARACHI: Official spot rates fell sharply on the cotton market on Tuesday in the process of trading, dealers said.

The official spot rate was down by Rs 100 to Rs 6050, they said. In ready session, over 20,000 bales of cotton changed hands between Rs 5925 and Rs 6225, they said. In Sindh, seed cotton prices were unchanged at Rs 2600-2800 and in Punjab rates were at Rs 2600-2900 as per 40 kg, they said.

Commenting on falling trend in rates, cotton analyst, Naseem Usman said that arrivals of seed cotton increased and fears of damages from Hurricane in cotton producing areas shedding, bringing down prices.

Other brokers said that if cotton arrivals improved further, prices may show more weakness in days to come.

Reuters adds: ICE cotton futures fell more than three percent on Monday on profit taking ahead of a monthly crop supply and demand report from the U.S. government which is expected to show a large natural fiber crop.

Cotton contracts for December settled down 2.48 cent at 72.11 cents per lb. It traded within a range of 71.59 and 75.45 cents a lb.

December prices slumped 3.32 percent, its biggest one-day percentage fall since the release of last month's WASDE report on Aug. 10.

Total futures market volume fell by 2,212 to 33,679 lots. Data showed total open interest gained 5,289 to 246,407 contracts in the previous session.

The following deals reported: 1400 bales of cotton from Mirpurkhas sold at Rs 5925/6100, 200 bales from Jhole at Rs 6000, 1200 bales from Kotri at Rs 6000/6050,1600 bales from Hyderabad at Rs 6000/6050, 2000 bales from Shahdadpur at Rs 6000/6075, 1800 bales from Sanghar at Rs 6000/6075, 2600 bales from Tando Adam at Rs 6050/6100, 1000 bales from Nawabshah at Rs 6100, 200 bales from Dulatpur at Rs 6100, 800 bales from Haroonabad at Rs 6200, 600 bales from Toba Tek Singh, 800 bales from Mongi Bangla, 1800 bales from Burewala, 800 bales from Hasilpur, 200 bales from Gaggo Mandi, 400 bales from Layyah all finalised at the same rates, 2200 bales from Vehari, 1200 bales from Alipur, 400 bales from Kabbirwali and 400 bales from Dera Ghazi Khan all sold at Rs 6225, dealers said.

| THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL | | | | | |
|---|---|---|---|---|---|
| **Rate For** | **Ex-Gin Price** | **Upcountry Expenses** | **Spot Rate Ex-Karachi** | **Spot Rate Ex-Karachi As on 11.09.2017** | **Difference Ex-Karachi in Rupees** |
| **37.324 Kgs Equivalent** | 6,050 | 145 | **6,195** | **6,295** | -100 |
| **40 Kgs** | 6,484 | 155 | **6,639** | **6,746** | -107 |

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# 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 | 73.38 | 73.47 | 70.71 | 70.71 | 14:45 Sep 12 | 70.71 | -3.00 | 72 | 73.71 |
| Dec'17 | 72.10 | 72.10 | 69.11 | 69.11 | 14:45 Sep 12 | 69.11 | -3.00 | 22157 | 72.11 |
| Mar'18 | 71.50 | 71.50 | 68.47 | 68.47 | 14:45 Sep 12 | 68.47 | -3.00 | 7741 | 71.47 |

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# Tax bias against industry must end

A Business Recorder exclusive sourced to officials of the Federal Board of Revenue (FBR) has revealed that thousands of sales tax deregistration applications remain pending with the Board due to what has been claimed as strict audit requirements for leaving the sales tax registration system. Additionally, officials also pointed out that the difference between deregistration and cancellation of registration is that the former, under Rule 11 of the Sales Tax Rules, is initiated by the taxpayer and requires a procedure which, when completed, would entail the loss of the Sales Tax Registration Number (STRN) while cancellation may lead to FBR initiating proceedings against the individual and in this event, the STRN can be reactivated.

This is an appalling admission by FBR officials for two broad reasons. One, it reflects a cumbersome FBR procedure for deregistering/cancellation of a unit that is prompted by the filing of nil sales tax returns - claiming zero sales tax liability – which may require FBR to determine and/or investigate the reasons behind filing nil sales tax returns; or filing null sales tax returns that claim that the unit has ceased production/closed down. In other words, there is a need to expedite pending applications for deregistration as well as cancellation. And secondly, the number of units that have closed down is clearly rising and there is corroborating evidence released from chambers of commerce and other industry sources that suggests that during the past four years, there has been a rising number of units that have closed down due to higher input costs relative to the regional average that is not only the reason behind a disturbing decline in the country's exports but also an increase in smuggling across our porous borders that is making inroads into the domestic markets.

Sales tax is the single largest revenue source for the country – at 1.44 trillion rupees in last year's revised estimates. Income tax was the second largest revenue source for the government at 1.36 trillion rupees in the revised estimates noted in the budget documents though the bulk of taxes (over 70 percent) collected as income tax are not on income but on products/services primarily in as withholding taxes. Additionally, sales tax on services sector, experiencing the highest growth rate in recent years, is essentially a provincial subject and its collection no longer is in the domain of the FBR.

Be that as it may, the budgeted sales tax collections for the current year are estimated at 1.605 trillion rupees (compared to 1.577 trillion rupees budgeted under income tax). This, by definition, implies that the number of units that are expected to generate the bulk of the resources for the government are from sales tax (which is a regressive tax whose incidence on the poor is greater than on the rich) and that with the rise in the number of closures or shutdown of units the onus of this tax is on a narrower manufacturing base which, in turn, would render smuggling across the borders even more lucrative.

Since 2006, a shift from industrialization to the service sector has been noticeable in the economy. It is indeed regrettable that this shift did not occur because of excess manufacturing capacity but because of the bias in our tax policy against manufacturing. The share of manufacturing in the economy is about 13.5 percent of GDP whereas it contributes around 57 percent of the tax revenue. The manufacturing sector is also subject to a slew of labour laws irrespective of the size of the manufacturing unit whereas the small and medium sized service sector manages to escape the Industrial Relations Ordinance and various levies/taxes. It is a well-known fact that real estate and stock exchange are the avenues of choice for the investor today and not manufacturing. If this trend continues further, it will have a debilitating effect

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on the economy and also spawn higher unemployment and related social problems.

It is very disturbing that in spite of successive incoming Pakistani governments committing to a complete overhaul of the tax system to render it fair and non-anomalous (tax administration and the structure of taxes) all have failed to undertake the necessary reforms and continue to rely on further burdening the existing taxpayers – be they income tax or sales taxpayers.

DAWN
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# PBS reissues trade figures for August

**The Newspaper's Staff Reporter**

ISLAMABAD: The Pakistan Bureau of Statistics (PBS) said on Tuesday that it had previously released incorrect trade figures for August.

It said the error occurred due to the use of an incorrect exchange rate for August. This error has now been rectified and correct numbers now appear on the PBS website.

Prime Minister Shahid Khaqan Abbasi also took notice of the error and instructed the PBS that it should duly verify all reports for accuracy before making them public.

The statement said the premier appreciated the fact that the overall balance of trade improved in August.

As per the corrected figures, exports recorded growth of 12.89 per cent to $1.87bn in August against $1.65bn a year ago.

In the first two months of 2017-18, exports grew 11.8pc to $3.49bn against $3.13bn over the corresponding months of 2016-17.

On the other hand, imports recorded growth of 24.85pc to $9.79bn in July-August against $7.84bn a year ago.

Imports increased 15.08pc to $4.95bn in August against $4.3bn in the corresponding month of the last fiscal year.

The trade deficit in the first two months widened 33.52pc to $6.29bn against $4.72bn a year ago.

The prime minister also chaired a meeting to review the trade balance and measures to boost exports. The Ministry of Commerce presented various short-term and medium-term options to increase exports and contain imports.

An official statement issued after the meeting quoted the premier as saying that the government would not take any measure that could have a dampening impact on Pakistan's economic growth rate and development.

The meeting also discussed the country's GSP+ status and reviewed various measures to expand exports to the European market. The premier said Pakistani diplomatic missions should serve as economic and trade ambassadors.

Meanwhile, Pakistan Bedwear Exporters Association (PBEA) Chairman Shabbir Ahmed demanded that monthly trade statistics should be published immediately at the end of each month on the PBS website.

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# Remittances rise by13pc

**Shahid Iqbal**

KARACHI: Remittances sent by overseas Pakistani workers increased 13.2 per cent in the first two months of 2017-18, the State Bank of Pakistan (SBP) reported on Tuesday.

Inflows from all major sources rose in July-August, indicating that the trend of negative growth witnessed in 2016-17 has reversed. The country received $3.49 billion in the period under review compared to $3.09bn in the same two months a year ago.

Remittances from the United Kingdom increased 33.3pc, the largest jump from any major source of inflows. The United Kingdom was the fourth largest source of remittances during the two months as expatriates sent home $448 million.

The highest remittances were recorded from Saudi Arabia. Inflows from the kingdom grew 3.86pc year-on-year to $920.12m. The increase was in contrast with the negative growth rate of 7.5pc recorded over the same period a year ago. Remittances from the United States grew 15.4pc to $454m as opposed to negative growth of 13.5pc in the corresponding period a year ago.

The second-highest inflows were from Dubai. They amounted to $578.29m after registering an increase of 31pc. Inflows from Dubai recorded negative annual growth of 7.8pc in the same two months of the preceding fiscal year. Remittances from the entire United Arab Emirates grew 11.5pc to $775m against the growth rate of only 1.2pc registered in the similar period a year ago.

Remittances from the European Union registered the highest annual growth from any region. They surged 45pc in July-August compared to 31.5pc growth in the same period of the last fiscal year. Pakistan received $114.8m from the European Union in the two-month period.

DAWN
Wednesday, 13th September, 2017

# AGP finds irregularities worth over Rs275bn

**Mubarak Zeb Khan**

ISLAMABAD: The Auditor General of Pakistan (AGP) has detected irregularities in sales tax, income tax and federal excise duty worth over Rs275.55 billion during scrutiny of receipts and expenditures of taxes.

The audit report for 2016-17 on Federal Board of Revenue's (FBR) Inland Revenue taxes identified cases of non/short assessment of taxes, grant of incorrect exemptions, wrong adjustment of brought-forward losses, non-levy of default surcharge, non-recovery of adjudged revenue, inadmissible adjustment of input tax, incorrect sanction of refund.

The report includes audit observations in respect of compliance with authority, audit of receipts and expenditure relating to Inland Revenue 2014-15 and 2015-16 audited between Jan-Nov 2016 as well as systemic deficiencies.

The revenue loss was reported at Rs1.30bn due to likely fraudulent and collusive non-deduction of withholding tax on contractual receipts. In a departmental audit meeting, FBR tried to twist the issue but could not provide justification as to why it could not recover the amount involved despite lapse of about a year.

The report noted that income tax amount of Rs245.59m was not deposited into the government exchequer and an amount of Rs855.3m stood as loss of revenue due to concealment of income.

The report identified non-recovery of adjudged dues/arrears of Rs55.74bn. The audit recommendations suggested expediting recovery and pursuing sub-judice cases at an appropriate level.

An amount of over Rs4bn loss was reported due to non-implementation of statutory provision resulting in inadmissible adjustment of input tax; another amount of Rs2.18bn due to inadmissible adjustment of input tax against exempt supplies and Rs2.34bn was not realised from retailers.

In two other cases, the non/short realisation of sales tax caused a revenue loss of Rs5bn. Non-registration of taxpayers in sales tax regime resulted in potential loss of sales tax amount of Rs1.615bn. The non-realisation of further tax, and extra tax due to non-implementation of statutory provisions.

In the income tax department, the non-levy of minimum tax on income caused a loss of Rs1.45bn due to weak internal control.

The loss of revenue due to concealment of income or assets was reported at Rs16.09bn. The audit department not only recommends collecting the revenue but also fixing responsibility against the persons at fault.

The short levy of tax of Rs3.28bn was reported due to issuance of SRO without approval of the parliament. In another case, short levy of super tax amounted to Rs6.24bn was reported during the year under review. The super tax was imposed for the rehabilitation of temporarily displaced persons.

Under various cases, a loss of Rs3.29bn revenue was reported due to non-apportionment of expenses between final and normal tax regime; Rs2.08bn due to non-levy of default surcharge on payment after due date, Rs1.94bn due to short deduction of withholding tax on supplies and contracts.

The audit report reveals loss of tax amounted to Rs7.35bn due to incorrect adjustment of brought forward losses, Rs6.02bn due to short levy of tax due to inadmissible depreciation allowance on fixed assets, and a loss of Rs27.47bn due to non-levy of tax on contract receipts.

Under further irregularities, the department placed non-recovery of tax demand of Rs10.68bn, another Rs4.56bn short levy of tax due to incorrect computation of taxable income, and Rs31.19bn potential loss of tax revenue due to excess claim of unaccounted for gas.

DAWN
Wednesday, 13th September, 2017

# Cotton prices under pressure

**The Newspaper's Staff Reporter**

KARACHI: Cotton prices came under pressure after buying activity slowed down on Tuesday after past one week's intense buying.

Trading was influenced by rising cotton prices on New York market and suddenly subsided after global prices came under pressure.

As fears of extensive damage in a couple of leading cotton growing states of the US by successive hurricanes faded away, New York cotton also came under heavy correction.

The Chinese and Indian markets also came under pressure and closed easy in line with New York cotton which recorded a fall ranging between US1.88 to 2.48 cents per lb.

As a result, the domestic market also witnessed some profit selling. Buyers preferred to change their approach and indulged in small lot deals which could meet their short term cotton demand.

According to reports, there are quality issues with phutti (seed cotton) and cotton due to high moisture content. Due to this, phutti prices have been affected adversely — coming down in the range Rs2,600 to Rs2,800 per 40kg for both Sindh and Punjab varieties. Previously, the prices stood between of Rs2,900 to Rs3,300 per 40kg.

However, it is encouraging that no pest attacks on cotton crop have been reported.

The Karachi Cotton Association (KCA) spot rates were revised downward by Rs100 to Rs6,050 per maund.

The following major deals were reported on Tuesday: 1,400 bales, Mirpurkhas, at Rs5,925 to Rs6,100; 1,200 bales, Kotri, at Rs6,000 to Rs6,050; 1,600 bales, Hyderabad, at Rs6,000 to Rs6,050; 2,000 bales, Shahdadpur, at Rs6,000 to Rs6,075; 1,800 bales, Sanghar, at Rs6,000 to Rs6,075; 2,600 bales, Tando Adam, at Rs6,050 to Rs6,100; 1,000 bales, Nawabshah, at Rs6,100; 1,800 bales, Burewala, at Rs6,200; 2,200 bales, Vehari, at Rs6,225; 1,200 bales, Alipur, at Rs6,225; 800, Mongi Bangla, at Rs6,200; 600 bales, Toba Tek Singh, at Rs6,200; and 800 bales, Haroonabad, at Rs6,200.

| 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** | **6,050** | **135** | **6,195** |
| **40 Kgs** | **6,484** | **145** | **6,639** |

DAWN
Wednesday, 13th September, 2017

# MARKETS

## FOREX

Exchange Rates for Currency Notes (Rs)

| | Interbank market* | | Open market** | |
|---|---|---|---|---|
| | Buying | Selling | Buying | Selling |
| USA | 105.40 | 105.60 | 105.60 | 105.80 |
| UK | 138.78 | 139.04 | 138.80 | 140.30 |
| Euro | 125.93 | 126.17 | 125.00 | 126.50 |
| S.Arabia | 28.08 | 28.13 | 27.90 | 28.20 |
| UAE | 28.67 | 28.72 | 28.60 | 28.90 |
| Japan | 0.9631 | 0.9649 | 0.9492 | 0.9692 |

*forex.com.pk **ECAP

## KIBOR

Karachi Interbank offered rates

| | Bid | Offer |
|---|---|---|
| Three months | 5.90 | 6.15 |
| Six months | 5.91 | 6.16 |
| One year | 5.97 | 6.47 |

## LIBOR

Special US dollar bonds for Sept 11

| | |
|---|---|
| Three months | 1.31667 % |
| Six months | 1.44933 % |

THE NEWS
Wednesday, 13th September, 2017

# Textile sector to add half a million spindles this year

LAHORE: Basic textile is at a crossroad as there is no chance of revival of over 100 closed mills, while the surviving mills know upgrading technology is the only option. Pakistan is likely to add half a million new spindles this year.

Some of the closed mills have sold their entire spinning machinery and are pleased that the leftover high-priced land and buildings, after clearing their liabilities, would leave them with enough capital to start some other business. They told this scribe that operating mills with old technology was not feasible.

They admitted that they had the opportunity to upgrade technology in phases but they squandered this chance and do not have the resources to replace the obsolete machines. The bigger players after realising that they are being booted out of the global and domestic markets have made elaborate plans to replace older machines with state of art technology. They realise that time is running out and they cannot wait for government facilitation that has not come in last two years.

It has been learnt that all major mills have placed orders for around 500,000 state-of-art spindles that are faster, consume much less power and 1/3 workforce. They know that with this technology they can regain their lost markets.

The comparative advantage that Pakistan enjoyed a decade back would again be available as Pakistan enjoys advantage of own cotton and highly skilled workforce in basic textiles. These players were shocked to find that a novice country like Vietnam that imports cotton and lacks skilled basic textile workers has emerged as yarn exporter on the strength of new technology. They feared that soon other countries with similar drawback would become yarn exporters by edging out Pakistani yarn.

They also realised that these countries would be no match for Pakistani spinners if they operated with the same technology. Another factor that worried the big players was that if the technology void was not filled, the Chinese would come in a big way with latest technology and wipe out the local basic textile industry.

These players did not take seriously the oft repeated apprehensions of some experts that the Chinese would establish basic textile units at the huge industrial complex adjacent to Pakistani border with China. They reasoned that it makes no business sense to make such huge investment to establish lowest value-added textile factories.

Moreover, they pointed out that the basic textile viability declines when the per capita income of a country crosses $4,000. Currently, they added the per capita income in China was above $10,000. Chinese even with subsidies would not be able to compete with Pakistani spinners operating with same technology.

This thinking is shared across the basic textile industry, but the surviving smaller players that even have resources, are waiting for the government to come up with some investment incentives. They also want export rebate for a while till the technology is replaced.

They do realise that they cannot bank on government subsidy for a longer period. They also admit that even after government subsidies they would be able to put a stop on the slide in basic textile exports, but substantial increase in exports may not be possible.

They understand that the government would be forced to withdraw the export package if exports failed to pick up. Majority of the mills are operating with average 30,000 spindles. The sale value of these machines is junk. They will have to upgrade or close down.

It is worth noting that though the textile exports have increased in July 2017 in value terms, if we calculated in terms of quantity, the exports of yarn that stood at 42,319kg were 49 percent lower than the peak exports of yarn in a month that was 75,260kg.

In the same way Pakistan exported 138,458 square meter of fabric in July 2017, while Pakistan’s peak fabric export is 284,303 square meters, which is 51 percent higher than current exports. This data has been provided by All Pakistan Textile Mills Association. The long term solution of textile industry is not limited to improving technology only. The industry would have to address its structural imbalances as well.

It would have to increase the use of manmade fibres to at least 60 percent though the global average is 70 percent manmade fibre and 30 percent cotton. In Pakistan cotton is 75 percent and manmade fibre 25 percent. The government would have to fully deregulate manmade fibre trade.

THE NEWS
Wednesday, 13th September, 2017

# ADB to provide loans totalling $435mln to fill infrastructure gap

ISLAMABAD: Pakistan on Tuesday signed two loan agreements totaling $435 million with the Asian Development Bank (ADB) to fund infrastructure gap and develop modern transportation system in its two provinces.

Manila-based lender sanctioned $100 million in credit to improve standards in the development and delivery of public-private partnership (PPP) projects and to increase investment in infrastructure and services in Sindh.

In addition, the Bank agreed to provide a $335 million loan to help develop a bus rapid transport (BRT) system in Peshawar, the capital city of Khyber Pakhtunkhwa.

Xiaohong Yang, country director ADB for Pakistan, Shahid Mahmood, secretary of Economic Affairs Division, Hasan Naqvi, secretary finance for Sindh government and Dawood Khan, secretary of Transport and Mass Transit Department in Khyber Pakhtunkhwa signed the agreements.

Finance Minister Ishaq Dar witnessed the signing ceremonies. UK-owned Department for International Development is cofinancing the Sindh scheme through a $19.23 million and $4.75 million technical assistance to be administered by ADB.

BRT system was expected to be cofinanced by Agence Française de Développement and the European Investment Bank. The Sindh project's total cost is estimated at $188.98 million with the provincial government contributing $65 million. It is expected to complete in mid-2022 and will support increased private sector financing in infrastructure investment and public services in the province.

ADB, in a statement, said the project will help establish a PPP support facility, a not-for-profit company with private sector led management, to manage government support for PPPs in a fiscally responsible manner. The support will be mainly provided to PPPs through viability gap funding for mobilising private sector investments in infrastructure, including social services. The Bank further said the project will help strengthen the Sindh government's capacity to identify, develop, and implement projects with the private sector participation, bringing innovation, efficiency and overall value-for-money.

“The project will build on ADB's previous partnership with the government of Sindh to strengthen the PPP framework and will draw from national and international best practices to support the provincial government's policies for fast-track provision of sustainable infrastructure,” the statement quoted Yang as saying.

Sindh is Pakistan's second most populous province and is the most urbanised, with about 52 percent of the people living in cities. The province accounts for 32 percent of the country's GDP.

The modern integrated Peshawar's BRT corridor will span 26 kilometres from Chamkani to Hayatabad, mainly at-grade along the GT road with a 6km elevated section in the city-centre and tunnel or trench section at junctions to ensure its full segregation.

The system will include 32 stations, 1 staging facility, and 2 depots. The entire corridor will be restructured along the new BRT infrastructure, including upgraded mixed traffic lanes, sidewalks, streetlights, and drainage. ADB, in a separate statement, said the BRT project is expected to generate 4,000 jobs and more than 20 percent of them will be for women.

“The BRT corridor will improve the quality of life of the city's residents by offering safer, efficient, and affordable public transportation,” the statement cited Yang of ADB as saying. “The modern technology used in the project will also cut emissions, and make commuting easier and safer for women, and attract businesses and investors to the city.”

THE NEWS
Wednesday, 13th September, 2017

# No ‘statement of origin’ sans REX enrolment: TDAP

LAHORE: The Registered Exporter System (REX System) would progressively and completely replace the current 'System of Origin Certification' based on 'Certificates of Origin' issued by Trade Development Authority of Pakistan (TDAP), an official said on Tuesday.

“It is the system of 'Certificate of Origin of Goods' that applies to the Generalized System of Preference (GSP) of the European Union and observance of the same is mandatory for all exporters to the European Union countries,” said Kamal Shahryar, consultant TDAP, at a seminar organised under the auspices of the authority.

Highlighting its main features, Shahryar said that this system is based on the principle of self certification by economic operators, who by themselves would be able to make out “Statements of Origin."

“To be eligible to make out the 'Statement of Origin', an economic operator will have to be registered into the EU data base by TDAP,” the consultant added. Riaz Ahmed, director general TDAP Lahore, said the authority was trying its best to support and facilitate all the stakeholders in updating their knowledge regarding the REX system so that they could be able to make their businesses in line with the global business requirements.

“Being the premier trade organisation in the country, TDAP is striving to help enhance the country’s trade through assistance and awareness like these programs for the entrepreneurs,” said Ahmed.

At the end of the discussion, Muhammad Irfan, director Trade Development Authority of Pakistan Lahore, thanked the participants for taking part in this seminar which he said, was aimed at apprising the participants for their future course of action regarding their business consignments to European countries.

A large number of exporters attended the seminar.

THE NEWS
Wednesday, 13th September, 2017

# PBS corrects trade data error

KARACHI: Pakistan Bureau of Statistics (PBS) on Tuesday said trade data for July-August 2017/18 erroneously carried incorrect numbers for the export and import figures for August in dollar terms.

“This (error) occurred due to use of incorrect exchange rate for August 2017,” PBS said in a statement referring to the summary trade statistics placed on its website on September 11.

“This error was rectified and the correct numbers placed on our website. The exports and imports data in rupee terms and for the July-August period was correct,” it added.

As per the corrected numbers, the exports in August show a healthy growth of 14.41 percent over July and 12.8 percent over the last August in dollar terms. Similarly, for imports the data shows a low growth of 2.42 percent over July and 15.08 percent over the last August in dollar terms.

Previously, exports were shown rising 26.85 percent month-on-month and 25.17 percent year-on-year to $2.07 billion in August. Imports were also recorded increasing 13.59 percent month-on-month and 27.63 percent year-on-year to $5.49 billion in August.

THE NEWS
Wednesday, 13th September, 2017

# Cotton down

KARACHI: Cotton arrivals increased in the market on Tuesday while spot rate decreased Rs100 a maund. Spot rate was slashed to Rs6,050/maund (37.324 kilogrammes) and Rs6,484/40kg. Ex-Karachi rates also fell to Rs6,195/maund and Rs6,639/40kg after addition of Rs145 and Rs155 as upcountry expenses, respectively.

One analyst said demand of lint continued in the market but prices were reduced as arrivals soared. The market will stabilise in the coming days, he said.

A total of 20 transactions were recorded of around 22,000 bales at a price of Rs5,925 to Rs6,225 a maund. Among them, notable deals were recorded from Mirpurkhas, Kotri, Hyderabad, Shahdadpur, Sanghar, Tando Adam and Nawab Shah from Sindh and Burewala, Vehari , Alipur, Mongi Bangla, Toba Tek Singh, Layyah and Dera Ghazi Khan from Punjab.

The Nation on Web
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Wednesday, 13th September, 2017

PM package

# Textiles ministry to receive Rs40b claims till April 2018

**Our Staff Reporter**

ISLAMABAD - The Ministry of Textiles will receive Rs40 billion worth claims of January 16, 2017 to June 30, 2017 till April 2018 under the prime minister package.

In a meeting of Senate Standing Committee on Textile and Commerce, the ministry announced that they have received claims of Rs14.5 billion so far and the government has paid Rs9 billion. The officials said that duty drawbacks on taxes are continuing, while exemption of custom duty and sales tax on import of cotton will be carried out till July 15, 2017. It is pertinent to mention here that under the PM package for textile sector, duty drawbacks on different textile components along with withdrawal of custom duty and sales tax on cotton imports and zero rating of textile machinery was announced in January 2017.

Discussing the different aspects of the economy, Minister for Commerce and Textiles Pervaiz Malik said that the economy was going through a bad patch. Exports are declining fast and the trade deficit is swelling, he added. He said the ministry is needed to be run on long term and permanent basis. He said ministries need to be revamped in accordance with prevailing challenges.

During the meeting, the senators also highlighted the issues being faced by textile and other industries. They said the government has increased rate of industrial electricity and per unit rate has now reached at Rs13. They said electricity and gas are two major industrial inputs if their prices are lowered the industry can breathe.

The government side was represented by Minister and Secretaries commerce and textile. Secretary Commerce Younis Dhaga was removed from Ministry of Water and Power and transferred to Commerce, early this year, on allegations of failure to bring down load shedding in the country and inability to control circular debt.

The chairman said that loadshedding of up to 16 hours is still being carried out in different industrial areas. He directed the officials to complete the under construction building of State Life immediately and complete IT software zones by December 2017.

The Nation on Web
The Nation
Wednesday, 13th September, 2017

# 9pc increase in production of electricity in July

**NNI**

ISLAMABAD - Electricity production increased by 9% during the first month of the year 2017-18. In July, the production of electricity increased to 497,000 GW. Interestingly, government's interest has shifted from the costly furnace oil to RLNG. According to details, with the use of RLNG in producing electricity, the electricity production has increased by 51%. The electricity production has shot up to 1,514 GW. On the other hand, electricity production from nuclear plants went up by 48% and increased to 642 GW.

According to the government, at the end of this year, 6,800 MW will be added to the national grid. Out of these, 2,480 MW will be produced through the use of RLNG.