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Chinese investment for joint ventures in textile industry invited

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The All Pakistan Textile Mills Association (APTMA) Chairman Aamir Fayyaz has invited Chinese investment for Joint Ventures (JVs) in textile industry. He said Pakistan has opportunities for Chinese investors to enter into joint ventures or relocation of their industry and avail duty free market access under the GSP Plus facility.

Prime Minister of Pakistan has offered a package to the exporting industry with an added attraction of 12 to 15 percent for producing and manufacturing in Pakistan, he added. He made a presentation to a delegation of textile groups from Tianjin city of China at the APTMA Punjab office on Thursday, which was headed by Chen Weiming, Vice President of Tianjin People's Association for friendship with foreign countries.

To lessen the cost of doing business in Pakistan, he said, the Prime Minister of Pakistan has recently announced Export led Growth Package encompassing provision of DLTL at 4 percent on yarn and greige fabric, 5 percent on processed fabric, 6 percent on textile made ups, 7 percent on textile garments against realization of exports. He said Pakistan's foreign investment policy offers zero percent duty on imports of capital goods, zero percent corporate income tax rate, 10 years corporate income tax holiday, 50 acres minimum land required for SEZ, and permission of 100 percent private ownership. The visiting Chinese delegation said the high cost of doing business and environmental issues in China has made Pakistan an ideal destination for relocation of Chinese textile industry.

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CM threatens to cease gas supplies, take over SSGC

ANWAR KHAN

Sindh Chief Minister Syed Murad Ali Shah on Thursday threatened the federal government of ceasing gas supplies to rest of the country if Sui Southern Gas Company (SSGC) did not restore gas supply to Sindh's Nooriabad power plant within a week. Giving a speech at the Sindh Assembly sitting, he said his government would also cease operations of the company. "We know how this company can be run," he said in a hard-hitting in response to PPP's Ghulam Qadir Chandio's point of order.

According to Chandio, power outages are up to 16 hours a day by the Hesco amid soaring temperatures. Not only has the federal government started shedding power supplies, it has also started gas load shedding in various parts of Sindh, he said, urging the CM Sindh to raise the issue with the Centre at the earliest.

"Undoubtedly, power cuts in Sindh are up to 20 hours a day," Murad said, adding that the Nooriabad power plant can ease electricity supplies to consumers especially in Hyderabad. The Hesco despite an agreement with the Sindh government refused to purchase electricity from Nooriabad plant which has the capacity to generate 100 Megawatts of power. He said Hesco justified its refusal by saying that it already has surplus electricity to effectively deal with demand. "The federal state minister for water and power and other people of the federal government are telling 'white lies' about the electricity availability," he slammed, saying that the Sindh government was compelled to sign a deal with K-Electric.

"Over the last four months, the Sindh government is demanding of the Sui Southern Gas to supply 20 million cubic feet gas a day," he said, adding that the gas company continues to ignore the request. "He said he had asked the SSGC Managing Director to explain the situation with regard to the issue by Thursday morning. "He [MD] has set some conditions for the gas supply, which are unacceptable to us," the chief minister added.

Sindh produces some 70 percent of the country's total gas, Murad Ali Shah said and added that the province that produces or generates gas has the first right to utilise it in line with Article 158 of the Constitution. He asked the legislators to support him in the cause of gas supply restoration to the power plant. He also told lawmakers that the K-Electric continues to demand of the Sindh government to provide 100 megawatts under an agreement to ease load shedding woes.

"Not as being the CM Sindh but also on behalf of the entire legislature, I warned the federal government and Sui Southern Gas Company of ceasing gas supplies from Sindh if they did not provide gas within a week," he said, adding that the Sindh government will take over company's operations. He was received applause from both treasury and opposition benches during his speech.

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SSGC's response

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This is apropos the statement of Chief Minister Sindh. At the outset it may be noted that SSGC cannot comment on the distribution of natural gas under Article 158, as it doesn't come under its domain. "With regards to not supplying gas to a power plant, it may be noted that SSGC is ready to supply gas to the power plant referred by the CM in his speech, provided the management of the plant submits the admissible Security Deposit of Rs 1.0 billion.

As soon as the deposit is submitted, SSGC will connect the plant as the necessary infrastructure in this regards has already been completed which is in the knowledge of the plant's management. "Furthermore, the Gas Sales Agreement (GSA) between SSGC and the management of power plant has already been signed however there were few amendments requested by the management of the power plant which have been approved by SSGC's Board of Directors and needs to be incorporated in the GSA with mutual consent."-PR

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Minister threatens to reveal power theft details

AAMIR SAEED

Minister for Water and Power Khawaja Muhammad Asif on Thursday threatened members of the opposition, especially Pakistan Peoples Party Parliamentarians (PPPP), of presenting details of electricity theft with particular reference to regions and feeders in the National Assembly. Responding to points raised by some PPPP members about excessive load-shedding in Sindh during the Question Hour, he said that he wanted to present the details in the House in the past too but was barred from doing so.

The minister said that millions of rupees electricity bills against SCARP tube wells were not paid and theft of the electricity is also rampant in the province. "I will reveal names of all those involved in electricity theft with particular feeders and areas," he threatened, adding that the members could get minuscule details about the load-shedding and recovery in terms of the power bills by giving him the feeder name.

The minister said that it is unfair to demand uninterrupted power supply in the areas where line losses and power theft are rampant. PPPP member Naveed Qamar, however, said that it is responsibility of the minister to ensure monthly recovery in terms of electricity bills from consumers and his ministry should not punish those who are paying their bills regularly.

The PPPP member earlier claimed that more than 18 hours of load-shedding is being observed in many parts of Sindh, even in the cities and areas where the recovery is above 80 per cent. Leader of Opposition in the National Assembly Syed Khursheed Ahmed Shah said that according to a survey, the electricity theft in Lahore was 4 per cent higher than the whole Sindh. He, however, admitted electricity theft in numerous areas of Sindh but said that it is done in collusion with the Water and Power Development Authority (WAPDA) officials.

Responding to a question asked by the PPPP member Shahida Rehmani, Minister of State for Water and Power Abid Sher Ali said that his ministry sent over 4,000 applications to Sindh Police for registration of FIRs against the electricity thief, but only 17 of them were entertained.

He also informed the House that his ministry's receivables from provincial governments, Azad Jammu and Kashmir and Federally Administered Tribal Areas are over Rs 500 billion and that's why the circular debt has increased. The minister claimed that the circular debt was between Rs 330 billion to Rs 340 billion while his government has decreased the line losses too by 2 per cent.

He said that all the independent power producers (IPPs) are generating electricity in the country at present in accordance with respective capacity and demand. "In case, the IPPs generate less electricity then their generating capacity, they are liable to heavy penalties, which are more than the fixed capacity payments," he added. Earlier, Speaker National Assembly Sardar Ayaz Sadiq took exception on not receiving replies of questions from the Ministry of National Health Services, Regulations and Co-ordination.

The speaker directed Parliamentary Secretary for Ministry of National Health Services, Dr Darshan to look into the matter and explain it to him. The parliamentary secretary said that details were to be collected from all the provinces and that is why it took sometime. "Members put in a lot of efforts to submit their questions," the speaker said and added, "The ministries should ensure timely replies to the questions."

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FBR chief accused of protecting 'corrupt' officials

ZAHEER ABBASI

Chairman Senate Standing Committee on Finance, Senator Saleem Mandviwalla on Thursday termed the Federal Board of Revenue (FBR) a most corrupt institution of the country. While presiding over a meeting of the Senate Standing Committee on Finance, Mandviwala stated, "The chairman FBR has been protecting the corrupt officials."

During discussion over agenda item of reassessment of value of vehicles after four years of 2013 amnesty motor vehicles scheme, Mandviwalla said if any under-valuation of imported vehicles was done at the time of amnesty, it was FBR's fault and it should be responsible for it and not the people.

The committee chairman said, "Give me a single example that you have taken action against any of your officials. You, FBR should pay and not the people." Mandviwalla stated, "You are the most corrupt department and your commissioners are asking money on every notice and you have not taken action against them. You protect them." The chairman FBR said, "I protest these remarks." He added that committee chairman was being unfair to him. "I will take action against each person involved in misconduct," said the chairman FBR.

The collector FBR Quetta said that 17,414 vehicles were registered in Quetta under amnesty scheme. The chairman of the committee said the committee has been asking the chairman FBR to repatriate the FBR official Waseem Altaf, who is posted on deputation in AJK on corruption charges, but the FBR has not repatriated him and is giving different excuses in each meeting. Committee Member Senator Saud Aziz said he would personally pursue the matter while chairman stated he would take the matter to the Senate if it is not resolved. He said there were complaints of corruption against the FBR official.

The finance committee said that Competition Commission of Pakistan (CCP) has been unable to act effectively against various cartels which are operating freely in the country, but the CCP has failed to take any action against them. Chairperson CCP Vidya Khalil briefed the committee that the draft Telecom Rules, 2017, of the Ministry of Information Technology would lead to creating parallel jurisdictions of CCP and PTRA. The committee sought the Law Division's opinion on the matter which stated that CCP law overrides the Pakistan Telecommunication Regulatory Authority draft rules, and IT Ministry can not make such rules for competition.

While Senator Mohsin Aziz questioned the performance of the CCP and stated it was not visible; however, the chairman stated the commission has taken action against various cartels but these cartels have challenged the constitutionality of the CCP. She sought help of the committee to expedite the pending cases with the court through the attorney general for Pakistan. The committee was informed that the CCP had passed orders and directives against the key sectors of the national economy over collusive behaviour and other various abuses including cartelisation and abuse of dominance, etc.

The chairperson of the CCP stated that these sectors include cement, sugar, auto; however, most of them have moved the court against the orders and challenged the legality of the CCP, stating that the subject was a provincial matter. The committee was informed that the hearing of CCP order against the cement sector has been concluded three times by a full bench at Lahore High Court and the last argument was concluded some three months back.

However, Senator Saud Majeed, Senator Mohsin Leghari, Senator Mohsin Aziz and Senator Kamil Ali suggested that the attorney general should be called in the next meeting to discuss the issue whether the chief justice can be requested for expediting the pending cases in the courts in the interest of the public.

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Government tells Senate:

2.3 percent decline in foreign remittances in nine months

ZULFIQAR AHMAD

The government informed Senate on Thursday that there was overall 2.3 percent decrease in foreign remittances in the first nine months of this fiscal year because of declining petroleum prices as well as decrease in value of British pounds, besides other reasons. Minister for Law and Justice Zahid Hamid while responding to a calling attention notice by Tahir Hussain Mashhadi of Muttahida Qaumi Movement (MQM) said that overall foreign remittances decreased from $14.4 billion to $14.1 billion, while there was a decrease of 6.2 per cent in remittances from Saudi Arabia.

He said that foreign remittances from Saudi Arabia had decreased from $4.3 billion to $4.1 billion. In addition to that, he said that there was 11 per cent decrease of Pakistani labourers working in foreign countries and a number of overseas Pakistani working abroad, mostly in Gulf countries, had returned due to unemployment. Mashhadi drew the attention towards decline in remittances due to deportation of huge number of labourers from Gulf countries, especially Saudi Arabia, which has deported around 40,000 labourers.

Hamid said that decrease in oil prices, reduction in demand for foreign workers and cut in wages are the main reasons behind this downward trend in remittances. He said heavy reliance on sending money through Hundi and depreciation in value of British pound also contributed in remittances' decline. He said greater efforts are needed to increase foreign remittances to further strengthen the country's economy. Following Sindh chief minister's tirade, Pakistan Peoples Party Parliamentarians (PPPP) lawmakers along with some Baloch senators came down hard on the Centre for gas load-shedding in Sindh, pressing for resolving the issue quickly.

Speaking on a point of order, Senator Sassui Palijo of PPPP said that remarks by Chief Minister Sindh Murad Ali Shah who threatened to stop gas supply to the country, is the last option with the provincial government as there is a serious gas crisis in the province. She said that Sindh produces 70 per cent gas, but it is being treated as a 'colony' of Punjab which is in no way acceptable, adding the province which generates 70 per cent of the country's total revenue will not accept the step motherly treatment at hand of the big brother [Punjab].

Another PPPP Senator Sherry Rehman seconded the remarks of Senator Palijo, and said the federal government is treating Sindh as colony, which is the reason the largest gas producing province is not being given its due share of gas. "Sindh is the largest gas producing province. It is a business hub and attracts millions to its workforce and generates a lot of economic activity. Karachi generates 65% of Pakistan's revenue, but Sindh is being deprived of its produce - gas," she regretted.

About death sentence awarded to Indian spy Kulbhushan Yadav, Sherry said that 'the government itself is tight-lipped but when we speak we are dubbed as jingoists,' which is unfair, as PPPP leader late Benazir Bhutto was declared security risk, but when Musharraf turned things upside down, he was facilitated.

"This is very unfortunate to label a party jingoist, as we all know that war is not in anyone's favour, but at least we should present our case before the world. The Prime Minister is not ready to break the silence, and the country is being run without any foreign minister," she lamented.

Senator Mir Kabir Shahi of National Party sided with the PPPP senators and said Balochistan has been facing the highhandedness of the Centre for the last over five decades, as only ten per cent of the province has gas facility. He recalled that Nawab Akbar Khan Bugti, a slain Baloch nationalist leader, was killed when he demanded gas royalty, adding, "I am afraid to say the Sindh chief minister who has also raised his voice for his

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right, may also meet the similar fate like Bugti."

Responding to a calling attention notice by Saleem Mandviwalla and some other senators about ranking of green passport as second last in global Indexing Arton capital passport index, Minister for Parliamentary Affairs Sheikh Aftab said that it is mainly because of poor law and order situation.

He said that the security situation is improving with each passing day and the day is not far when the green passport will become one of the best passports of the world. According to him, on diplomatic and officials passports, Pakistanis are allowed to travel to 39 and 24 countries respectively without any visa. After listening to the lawmakers pertaining to paragraph (c) of sub clause (1) of rule 100 of Rules of Procedure and Conduct of Business in Senate, 2012, Chairman Senate Raza Rabbani reserved his ruling.

Senators Muzaffar Hussain Shah, Tahir Hussain Mashhadi, Law Minister Zahid Hamid and Usman Saifullah Khan assisted the chair about a starred question whether there is inconsistency in paragraph () of sub-clause (1) of rule 100 of Rules of Procedure and Conduct of Business in Senate, 2012 regarding referral of a bill, reported back to the standing committee, to a select committee and if it amounts to undermining the recommendations/report of a standing committee

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Senate informed:

$2.557 billion foreign loans obtained by January 31st:

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The Senate was informed Thursday that $2,557.39 million foreign loans were obtained from international organisations during fiscal year 2016-17 by January 31, 2017. While responding to questions on behalf of Finance Minister Ishaq Dar, Law and Justice Minister Zahid Hamid said that debt servicing was made through budgetary allocation based on amortisation schedule of each loan.

While giving details, he said that out of the said amount US $1200 million have been obtained from China Development Bank, China ICBC and Noor Bank while US $1255 million were obtained from the multilateral institutions like Asian Development Bank (ADB), AIIB, IBRD, IDA, IDB, IDB (ST) and IFAD. During the fiscal year 2016-17 up to January 31, 2017, Pakistan had received an amount of US $102.1 million from International Monetary Fund (IMF), he said, adding borrowing under EFF is subject to IMF's market related interest rate and normal service charges for special drawing rights assessments.

He said on receipt of demand notice from lender, payment authority is accordingly issued before due date of payment to State Bank of Pakistan for remitting the amount on due date to the lender. Zahid Hamid said that State Bank makes the payments and communicates the same to Economic Affair Division (EAD) for taking into account the impact of payment.

The minister said the expenditure incurred on the debt servicing of foreign loans is reconciled with the office of AGPR and State Bank of Pakistan on regular basis. When asked whether the quantum was going up, the minister said, quantum might go up but the government had the capacity to repay these loans.

He said in certain cases where the loans had been obtained for different activities including the China-Pakistan Economic Corridor, the terms and conditions are favourable, including the grace period and the interest rate. In a written reply, Finance Minister Muhammad Ishaq Dar told the Senate that 26 banks had total outstanding loans around Rs 300 billion (including principal amount and mark-up) against the sick industrial units in Pakistan as of February 28, 2017.

To another question, Zahid Hamid noted that the amount collected through direct and indirect taxes sine fiscal 2013-14 stood at Rs 7,956 billion. He explained that Rs 2,254 billion were collected in 2013-14, Rs 2,590 billion in 2014-15 and Rs 3,112 billion in 2015-16. Throughout this period, Sindh has been the main contributor while Balochistan remained at the bottom.

While answering a supplementary question regarding facilities to bank account holders, the minister said where there are lockers available at banks, the customers are facilitated accordingly. About facilities to senior citizens, the minister said banks have been directed to accommodate them on priority and have been asked to set up special counters for them.

The house was also told that no sovereign guarantee was issued by the government for Pakistan-China Economic Corridor (CPEC) projects. During the question hour, Minister for Planning, Development and Reform Ahsan Iqbal said that during the martial law regimes, the capability of the state's civil institutions was destroyed. He wanted discussion in the Parliament on this particular aspect of the military rules.

He claimed that before General Pervez Musharraf took over in 1999, the performance of the public departments was 95 per cent, which was reduced to 12-13 per cent when PML-N formed government in 2013. Regarding the question and answer given by the minister on development funds for the senators, Chairman Senate Raza Rabbani retorted that a game like ping-pong is being played on this particular matter, one ministry shifts responsibility to another.

Senator Rozi Khan Kakar of

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PPPP had sought details of development funds released to each MNA since 2013 with year-wise break-up, which was not provided. "Ministry of Planning, Development and Reform has transferred this question to the Cabinet Division and the Division has not accepted this so far," these were the two lines mentioned in response to the question.

He cautioned if this ping-pong continues, notice would be issued to the secretary Cabinet Division, as the minister said that the matter regarding development funds was referred to the Cabinet Division. PTI's Senator Muhammad Azam Swati claimed that the MNA in NA-21 was issued development funds worth Rs 2.5 billion, when the minister said that the Supreme Court had barred the government from issuing such funds to lawmakers. Rabbani asked him to bring a motion if he desired so.

To a question by MQM Senator Mian Ateeq Sheikh, the minister said that for the last four years, the Competition Commission of Pakistan has taken a number of actions against cartelisation in cement, sugar and automobile sectors: Rs 140 million fine was imposed on the Pakistan Automobile Manufacturers Authorised Dealers Association in 2015 for its price fixing cartel, Indus Motor Company Ltd was found to have abused its dominant position in the terms and conditions set in its provisional booking order (PBO) but the matter was disposed of when it agreed to revise its PBO as per the related rules and in 2009, All Pakistan Cement Manufacturers Association was fined Rs 6.402 billion.

Ahsan Iqbal said Lahore Orange Line Metro Mass Transit Project, Greater Peshawar Region Mass Transit System, Karachi Circular Railway, and Quetta Mass Transit System are part of the CPEC. He said in addition to these projects, coal-fired Port Qasim Electric Company in Sindh, and Quetta Water Supply Scheme would also be completed under the CPEC.

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World oil market ‘close to balance’ despite Opec cuts: IEA

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Supply and demand in the oil market are close to matching up, the IEA said Thursday, as landmark Opec-led production cuts are mitigated by rising US supply and slipping worldwide demand growth. The compliance rate with the agreement among Opec members and some non-members, including Russia, "has been impressive", the International Energy Agency (IEA) said in its monthly oil market report, giving a lift to oil prices.

But oil at above $50 a barrel has, in turn, attracted higher-cost producers in the United States back to the market, and frantic American drilling will push non-Opec supply to surprisingly high levels throughout the year, the IEA predicted. "It can be argued confidently that the market is already very close to balance, and as more data becomes available this will become clearer," it said in the report. "Although the oil market will likely tighten throughout the year, overall non-Opec production, not just in the US, will soon be on the rise again," it said.

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Budget in third week of May: FBR Member

TAHIR AMIN

Member IT of the Federal Board of Revenue (FBR) disclosed Thursday that the federal budget for 2017-18 would be announced in the third week of May 2017 and a legislation would be proposed in Finance Bill 2017 to exempt mobile phone subscribers (below taxable limit) from payment of withholding tax in cases where they are not liable to file returns.

The issue of exemption from withholding tax to consumers came under discussion during the meeting of Senate Standing Committee on Information Technology and Telecommunication which met with Taj Mohammad Afridi in the chair.

The committee members observed that it is a serious issue whereby billions of rupees are being collected on account of WHT from cellular subscribers, even from those poor people of Pakistan who do not fall under the tax network and unfortunately the FBR has still no mechanism to analyse the data of taxes collected by Telcos, resultantly the FBR has failed to provide relief to the common man.

During the committee proceedings, the tax officials of FBR refused to entertain a proposal of the parliamentary panel on exemption from withholding tax deduction to persons not labile to file income tax returns, saying legislation is required to grant such kind of exemption to the consumers having income below taxable limit.

The committee in its last meeting had recommended FBR for establishment of mechanism for connectivity with the servers of the mobile phone operators for monitoring of withholding taxes.

The FBR officials revealed that there are some technical issues in the system and it is facing problems in uploading bulk of consumer data. About the status on the online withholding data sharing by telecom companies, the FBR officials said that FBR/PRAL has developed the utility which allows telcos to upload withholding data file on agreed format on both FTP and HTTP based web service.

The FBR/PRAL has also finished the task of data reading and populating the relevant data repository at FRB's end. The FBR/PRAL has communicated to all telcos the process of uploading withholding data files, the added.

A meeting was held in LTU Islamabad on 13th February, 2017 for the enforcement of above process and telcos agreed to upload their data. So far all telcos have not uploaded withholding tax data. Even the telcos, such as Mobilink, has uploaded the data that is not in the required format. The FBR and LTUs are in constant touch with the telcos for uploading of the data and communicate them if the data is uploaded in incorrect format. Once entire date is uploaded, the Large Taxpayers Unit would analyse and further action, if any, would be initiated. The committee gave three months time to FBR for finalising the arrangement.

The committee expressed serious concerns over suspension of mobile phone networks in Mohmand Agency, FATA, and suspension of internet as well as PTCL services in the area.

The PTA official responded that Ministry of Information Technology issued a policy directive, dated 26th December 2009, titled 'Closure of Telecom Services due to National Security Concerns,' which authorises designated organisations to initiate closure requests. The PTA is the focal point to receive closure of services request from all concerned and issue necessary instructions for implementation through concerned operators.

In pursuance to the instruction of Ministry of Interior (MoI), only internet/wireless data services 3rd generation (3G)/4th generation (4G)/general packet radio service (GPRS) of cellular mobile operators (CMOs) and Pakistan Telecommunication Company Limited (PTCL) are suspended in entire FATA to deny this facility to the terrorists since 14th June, 2016 till further orders. Furthermore, on the instructions of army, complete

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mobile services of CMOs operating in Mohmand Agency have been suspended since 15th March, 2017 due to an ongoing military operation.

Taj Afridi said that if phone services are suspended in the area due to security concerns, why not services were suspended on Line of Control and Wagah border.

PTA chairman Ismail Shah said that the cross-border signal issue has been raised with Afghanistan through Foreign Office. He further said that jammers are not the solution to the problem. The committee directed secretary interior and secretary defence to brief the committee on the matter in the next meeting.

The committee was further briefed on the franchisee issue of Warid/Mobilink. Ismail Shah said that two meetings were held on the issue and the matter is likely to be resolved in the meeting to be held on April 19.

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Positive response received from one tax haven so far

SOHAIL SARFRAZ

In a major development to access record of Pakistanis having offshore companies in tax havens, the Federal Board of Revenue (FBR) has received a positive response from one tax haven, which is willing to sign a treaty on avoidance of double taxation for exchange of information.

Sources told *Business Recorder* here on Thursday that it is a very positive development on the issue of accessing records of Pakistanis having offshore companies in tax havens. One of the tax havens, ie Samoa, is not ready to share information on the argument that Pakistan and Samoa have not inked any treaty on avoidance of double taxation for exchange of information. At the same time, the government of Samoa has shown its willingness to sign treaty on Tax Information Exchange Agreement (TIEA). Authorities of Samoa have also invited an official request from Pakistan through Ministry of Foreign Affairs to start negotiations on the said agreement.

The FBR will also request other tax havens including Panama, the Bahamas, the British Virgin Island, Jersey, NIEU, Seychelles and Anguilla through Ministry of Foreign Affairs of Pakistan to negotiate conventions on avoidance of double taxation for exchange of information. In this regard, the FBR may issue invitations to other tax havens to start the process of negotiating TIEAs with Panama, the Bahamas, the British Virgin Island, Jersey, NIEU, Seychelles and Anguilla.

Earlier, the FBR had written to nine foreign jurisdictions/tax havens about those having offshore companies/entities in Panama and the Bahamas. Besides Panama and the Bahamas, these tax havens include the British Virgin Islands, Seychelles, Niue, Samoa, Anguilla, Mauritius, and Jersey. Initially, letters were written by the FBR in November 2016. The FBR had issued reminders to the said foreign jurisdictions seeking details of information about the owners of offshore companies. The FBR had sent letters to the secretary Foreign Affairs for onward submission to foreign jurisdictions/tax havens. The Ministry of Foreign Affairs has sent, through diplomatic channels, the letters to the tax havens.

The FBR through Ministry of Foreign Affairs is seeking more evidence and information about bank accounts, business assets, investments, etc of those persons and entities named in the leaks. In this regard, the FBR had communicated with the governments of Panama, the Bahamas, the British Virgin Islands, Samoa, Anguilla, Seychelles, Mauritius, Nieu, Jersey, etc, through the Ministry of Foreign Affairs for obtaining necessary information and documentary evidence from the revenue authorities of these tax havens.

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THE RUPEE: Rising trend

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The rupee managed to gain modestly against the dollar on the money market on Thursday, dealers said. The rupee was trading versus the dollar at Rs 104.85 and Rs 104.86 respectively, they said.

INTERBANK MARKET RATES: OPEN MARKET RATES: The rupee picked up 10 paisas in relation to the dollar for buying and selling at Rs 106.00 and Rs 106.20 respectively, they said. The national currency was down by 25 paisas in terms of the euro for buying and selling at Rs 112.25 and 113.75 respectively, they said.

In the fourth Asian trade, the Canadian dollar strengthened on Thursday to a fresh six-week high against its US counterpart as oil prices rose and domestic manufacturing sales fell less-than-expected, while the greenback lost ground against a basket of major currencies.

The greenback fell after U.S. President Donald Trump said it was getting too strong and that he would prefer the Federal Reserve to keep interest rates low. The dollar was trading against the Indian rupee at Rs 64.675, the greenback was at 4.421 in terms of the Malaysian ringgit and the US currency was at 6.877 versus the Chinese yuan.

Open Bid	Rs. 106.00
Open Offer	Rs. 106.20

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pakistani rupee depreciated by five-paisa on buying side while it stayed unchanged on selling side against the greenback in the local currency market on Thursday.

According to currency dealers, the greenback further depreciated by five-paisa on buying side and ended at Rs 106.20 as compared to the day earlier closing rate of Rs 106.25. However, it did not witness any change on selling side as it sustained its opening trend of Rs 106.60 respectively, they added.

Furthermore, the local currency remained under pressure for the third consecutive day against the pound sterling. The pound's buying and selling rates further improved from Wednesday's closing rates of Rs 131.60 and Rs 132.30 to Rs 132.10 and Rs 133.00 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The rupee gained strength against the dollar on the open currency markets of Islamabad and Rawalpindi here on Thursday.

The dollar opened at Rs 106.35 (buying) and Rs 106.45 (selling) against last rate of Rs 106.50 (buying) and Rs 106.60 (selling). It closed at Rs 106.35 (buying) and Rs 106.45 (selling).

Pound Sterling opened at Rs 130 (buying) and Rs 131.50 (selling). It closed at the same rate.

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Wapda's hydel petition:
Nepra's decision invites criticism

MUSHTAQ GHUMMAN

National Electric Power Regulatory Authority (Nepra) has been accused of accepting Wapda's hydel petition for a tariff increase that would pass the financial burden of Net Hydel Profit (NHP) onto consumers unlawfully. This was stated in a letter by Barrister Asghar Khan, a power sector legal expert, to the regulator on its decision to accept the petition for formal public hearing.

Article 161 (2) of the Constitution states that "the net profits earned by the Federal Government, or any undertaking established or administered by the Federal Government form the bulk generation of power at hydroelectric station shall be paid to the province in which the hydro-electric station is situated. "For the purpose of this clause "net profits" shall be computed by deducting from the revenues accruing from the bulk supply of power from the bus bars of a hydroelectric station at a rate to be determined by the Council of Common Interests, the operating expenses of the station, which shall include any sums payable as taxes, duties, interest or return on investment and depreciations and elements of obsolescence, and over heads and provision for reserves," he wrote.

This implies that Wapda hydroelectric cannot pass on the Net Hydel Profit (NHP) to the consumers through the tariff. Barrister Asghar Khan further clarified that NHP is to be calculated by deducting expenses from the revenues as allowed in the rate base and it, in itself, cannot be converted into the rate base and passed on to the consumers.

The letter argues "constitutional intent and prescription for determination of NHP and its collection cannot be modified by the CCI, Federal Government, WAPDA and or NEPRA. Any such action will be violation of the Constitutional provisions and will be nullity in the eyes of law and an enormous burden is being passed on to the consumers of electricity at the rate of 3.61 per kWh whereas the average cost of generation is 3.69 per kWh. This means 50% of the proposed increased tariff is due to NHP which is not a prudent utility practice and should not be included in the rate base of the consumer tariff.

"Wapda hydel has not submitted any of the pervious calculations, actual generation and sales figures, that would reflect the actual tariff charged to the consumers in the previous years, actual rate of NHP passed on to the consumers and its comparison to the present proposed tariff.

"It has also not submitted any cost calculations and revenue generation in relation to individual power stations duly backed up by audited reports or regulatory accounts which are in contravention of Article 162 of the Constitution and any determination by Nepra without fulfilling mandatory requirements of the law and the Constitution will be illegal and untenable".

According to Barrister Asghar Khan, entire passing of the NHP to the consumers is illegal, unlawful and in breach of the fundamental rights of the consumers and Article 8 of the Constitution provides that any law, or any custom or usage having the force of law, in so far as it is inconsistent with the rights conferred by the Fundamental Rights under the Constitution, shall, to the extent of such inconsistency, be void.

Nepra is conferred with powers and functions under Section 7 of the Nepra Act whereby it shall determine tariff, rates, charges and other terms and conditions for supply of electric power services by the generation, transmission and distribution companies to the consumers. It is not conferred with any powers and functions to covert NHP into tariff, rates, charges and other terms and conditions for supply of electric power services by Wapda hydel.

He further stated that Wapda hydel is attempting to modify the "Kazi" formula without the sanction of the CCI which is the competent forum. "Consumers of electricity should not be penalized for the inefficiency of WAPDA Hydro Electric in obtaining loans for the payment of NHP which is an imprudent practice and hence disallowable as per the international regulatory law and practice," he wrote, adding that the consumers of electricity cannot be burdened with past costs of a transaction and burdened retrospectively. It is an established principle that public authority actions cannot be applied retrospectively or to that effect.

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Forex reserves up $194 million

RECORDER REPORT

The country's total liquid foreign exchange reserves rose by $194 million during last week supported by arrival of multilateral inflows.According to State Bank of Pakistan (SBP), the country's total liquid foreign exchange reserves stood at $21.744 billion on April 7, 2017 compared to $21.55 billion as on March 31, 2017. The entire surge has been registered in the SBP's reserves, while the reserves held by banks witnessed a slight decline during last week.

During the period under review, the SBP's reserves increased by $222 million to $16.688 billion up from $16.466 billion. During the week, the SBP received multilateral inflows of $317 million and made payments of $118 million on account of external debt servicing and other official payments. Similarly, reserves held by banks fell slightly by $28.5 million to $5.056 billion at the end of last week.

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TDAP chief Munir being replaced with bureaucrat

MUSHTAQ GHUMMAN

Federal government is likely to replace Chief Executive Trade Development Authority of Pakistan (TDAP) S. M. Munir with a serving bureaucrat aimed at improving the organization's performance, well-informed sources told *Business Recorder*. Commerce Ministry, sources said, maintains that the incumbent CE who is from the private sector and a Canadian citizen with personal business interests in leather sector, has failed to deliver.

The newly appointed Secretary Commerce, Younus Dagha who has been given the assignment to improve the country's exports, has visited TDAP head office in Karachi wherein he was given a detailed presentation on the performance and functions of TDAP. The sources said, Establishment Division had issued a notification on S. M. Munir's appointment on March 12, 2014 till further orders as CE of TDAP on a contract basis on purely honorific basis (without any salary) and S.M. Munir assumed the charge on March 18, 2014.

TDAP Act 2013 clearly states that "there shall be a Chief Executive of the Authority who shall be appointed by the federal government. The tenure of the Chief Executive shall be of three years extendable by the federal government. The Chief Executive shall, however, serve at the pleasure of the federal government".

Analysts, who are aware of the Corporate Governance Rules of SECP, maintain that 'till further orders' means that the government can terminate his/ her services prior to completion of the three years, adding that 'till further orders' does not mean that he/she would stay in the organisation for an indefinite period.

Commerce Minister Engineer Khurram Dastgir recently stated that this confusion also exists in the Ministry, adding "we are doing precedent determination between the Act, contract and the notification". Commerce Ministry, which has issued a warning to habitual late comers of the Ministry, is waiting legal guidance from Establishment Division on the lacuna of "till further orders". However, there are indications that the government does not want to retain the services of S. M. Munir who recently criticised the presence of a large number of Chinese in the country.

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Prime Minister urged to help release exporters' refunds claims

RECORDER REPORT

Textile exporters on Thursday demanded of the Prime Minister to intervene in to the FBR's decision of rolling back the Electronic Payment Release Orders (ERPOs), ensuring immediate release of all the pending refunds claims for giving boost to exports. The demand was made by representatives and exporters of textile sectors at a press conference held here at the PHMA House, Karachi.

Those who spoke on the occasion included Council of All Pakistan Textiles Associations' (CAPTA) chief coordinator Jawed Bilwani, chairman Zubair Motiwala, Pakistan Knitwear & Sweater Exporters Association's chairman Rafiq Godil, PHMA's central chairman Irfan Bawany and Pakistan Towel Manufactures Association's chairman Haroon Shamsi. Others present on the occasion included Pakistan Hosiery Manufacturers & Exporters Association's zonal chairman Riaz Ahmed, Pakistan Cotton Fashion Apparel Manufacturers & Exporters Association's chairman Khawaja Usman Chairman, Pakistan Weaving Mills Association's Irfan Motan AmjadJalil, Pakistan Readymade Garments Manufacturers & Exporters Association's Owais, Saleem Parekh, Kamran Chandna, Jawed Akhtar.

They said that the Federal Board of Revenue (FBR) has been continuously targeting the exporters by delaying billions of rupees refunds of sales tax, withholding, customs rebates, duty drawback on taxes & levies for achieving its budgetary revenue collection targets. They said that the FBR's act of rolling back all pending electronic refunds payment orders of five export-oriented sectors, including textile, leather, carpets, surgical and sports goods, is a lethal attempt to destroy value-added textiles and shatter Pakistan's textile exports.

The conduct of FBR is also highly contradictory as their entire energy is focused to further squeeze the already existing tax-payers, while no efforts are being made to bring tax-evaders into to net for broadening tax-to-GDP ratio, they said and added that "We are also consulting the legal experts for the reversal of all rolled back ERPOs to safeguard exporters' rights and interests.

They alleged that the FBR officials are treating exporters and tax-payers as "thieves" and arbitrarily debiting amounts directly from the banks accounts of exporters since last four decades or more. Amid liquidity crunch, exporters have failed to materialize new export order which will further decline textile exports in the coming months, they said, adding that if exporters' genuine demands were not met they will have no option but to protest.

"We have been disappointed in view of facing repeatedly same situations and circumstances since last so many years and if the government is not interested to resolve the matters and problems of textile should at least suggest us to change our lines of business from export to trading or import or else", exporters said.

They said that on the one hand, the trade deficit is likely to touch $30 billion market by the end of June 2016 due to decrease in exports while, on the other hand, our competitor Bangladesh's textile exports alone have touched $28 billion mark and they have set their target of $35 billion in next five years.

Presently, Pakistan has the highest-ever cost of doing business/ manufacturing as compared to its eight competing countries in the region. The difference of cost of doing manufacturing between Pakistan and Bangladesh is from 15 to 22 per cent, while refunds in competing countries are released by their respective governments in 30 to 45 days positively, besides assurances and availability of all other incentives, they pointed out.

"Under such circumstances, we are fighting like soldiers to defend the economic forefront of Pakistan to earn valuable foreign exchange without required support from the government" they said and added that even the federal government has also not implemented its Rs 180 billion textile incentive package.

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They urged the prime minister to realise the gravity of the situation and get the textile export refunds released immediately, besides announcing more incentives for the value-added textile sector. Criticising the role of FBR, they said that 23,000 FBR officials have not only miserably failed in achieving budgetary revenue collection targets, but also in broadening the tax-base while registering new tax-payers.

They said that FBR has become habitual of holding refunds and demanding advance taxes on various pretexts two or three months before announcement of budget every year which are adjusted after prolonged time span of several months and even in years. They held the FBR responsible for declining export, saying that FBR had been taking decisions without taking stakeholders on board, and blindly attempting to overcome their targets, and their actions are proving detrimental, besides putting exports at stake.

They said that textile looms sector in major cities, including Karachi, Faisalabad, Gujranwala, Multan and Kasur have collapsed, 70pc water and air-jet looms, power looms have been closed, while remaining are working under-capacity. Such a situation, they opined will result in massive unemployment, unrest and poor law and order situation.

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Cotton prices continue to remain steady

DR ZAFAR HASSAN

Cotton prices continued to remain steady and stable on Thursday even though ready business remained modest. Now it is estimated that unsold cotton from the current crop (2016/2017) was down to about 300,000 bales (155 Kgs). Sowing of new crop cotton (August 2017/July 2018) has started in small number in Sindh because of water shortage. In the Punjab sowing of cotton has not started in earnest because the leftover of the wheat crop has not been fully harvested and also prevailing hot weather has also been an impediment to quick sowing. Thus, sowing of new crop cotton (2017/2018) in Punjab has just started in a few pockets.

The price for ready lint cotton in Sindh as well as Punjab was said to have ranged between Rs 6500 and Rs 7000 per maund (37.32 Kgs), according to the quality. However, yarn and textile sector was said to be unremunerative and under extreme pressure.

Textile millers, value-added textile producers as well as textile exporters have blamed the government for not implementing measures announced much earlier by the government to boost exports. The textile sector has blamed the government in no uncertain terms for deliberately withholding large amounts of outstanding refunds to the textile sector and even raising unnecessary objections. Indeed they have charged the government for undue delay in the payment of long outstanding refunds in an attempt to sabotage the prime minister's vision of economic growth.

The textile millowners, processors and exporters have charged the government claiming that billions of rupees of textile exporters are stuck up in sales tax, income tax, custom rebate refunds and incentives announced in the textile policy since a very long time. Reports added that the Chairman of the All Pakistan Textile Mills Association (APTMA) Aamir Fayyaz has blamed the Federal Board of Revenue (FBR) for rolling back all sales tax refund payment orders (RPOs) issued to the export oriented sectors.

Press reports added that APTMA Chairman has requested Prime Minister Nawaz Sharif and Finance Minister Ishaq Dar to intervene personally to solve the liquidity crunch being faced by the textile industry which is by far the largest contributor to exports and forms a major sector of the economy of the country.

On the global economic and financial front, it was noted that the year 2017 started with high hopes of a steady growth in recovery which even mostly materialized during the first quarter in many parts of the world. However, in recent talk amongst leading economic institutions, observers and analysts, fears have arisen that the global economy could again enter the doldrums and push the prospects of any growth and restitution downstream.

The International Monetary Fund (IMF) is said to have observed that the emerging economies are moving towards a slowdown as and how the American Federal Reserve Bank continues to raise interest rates steadily. IMF has further warned that the high-pitched protectionist rhetoric amongst the leading economies of the world coupled with tightening of money supply is a credible formula to slow down the global economy.

The managing director of IMF, Christine Lagarde, observed that the advanced economies would have been about five percent higher today if they had maintained their pre-2008 rate of productivity. Contrarily, however, she pointed out to a significant deterioration in productivity over the past ten years. She also referred to the possibility of a breaking up of economic integration in the developed country which worked successfully over the past seven decades.

Emerging political problems pertaining to populism and movements to the right in several European countries coupled with rising protectionism is again impinging on global growth. The IMF has also warned that keeping low interest rates in major economies of the world, including the United Sates where interest rates are still low compared to earlier levels, will continue to put a heavy load on the working of the banks and saddle the future with additional stress.

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On its part, the World Trade Organisation (WTO) foresees a feeble global trade recovery during 2017. Global trade could inch up slightly in 2017. But WTO remains fearful that the threat of growing protectionism and sundry other uncertainties could slow down global growth and recovery. WTO has cautioned that "the unpredictable direction of the global economy in the near term and the lack of clarity about government action on monetary, fiscal and trade policies raises the risk that trade activity will be stifled". Britain's, and later possibly France's decision after the elections later this month, to leave the European Union would certainly hamper global economic growth.

France far-right leader has reportedly promised to hold a referendum on France's membership of the European Union if she wins the election starting on 23rd April 2017. Early this week, as reported by the news agency AFP from Berlin, "the Chiefs of IMF, WTO and OECD (Organisation for Economic Corporation and Development) vowed Monday in a joint statement to defend free trade against creeping protectionist trends, amid growing global alarm over U.S. President Donald Trump's America First call". The threesome added that "Disappointing trade growth figures and the danger of increasing protectionist tendencies give us a clear incentive to support the (existing) international trading system even more".

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Stable trend on modest trade activity

RECORDER REPORT

Prices recovered on the cotton market on Thursday in the process of modest trade, dealers said. The official spot rate recovered overnight losses, gaining Rs 50 to Rs 6750, they said. In the ready session, nearly 2400 bales changed hands between Rs 6850-7000, they said. Market sources said that prices gained momentum in line with the international track. Some leading ginners were not ready to sell at the present levels in expectations of further increase in the rates, cotton analyst, Naseem Usman said. Delay in sowing in Punjab and shortage of water are also another factors behind the rise in demand and rates, as well, other experts observed.

Reuters adds: The New York cotton futures were lower on Wednesday. The following deals reported: 2000 bales from Haroonabad at Rs 7000, 200 bales from Khanewal at the same rate and same figure from Bahawal Nager at R 6850, 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 12.04.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,750	135	**6,885**	**6,835**	+50
40 Kgs	7,234	145	**7,379**	**7,325**	+54

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Cotton gains on strong export sales

RECORDER REPORT

ICE cotton futures nudged up on Thursday in thin volume trading, helped by positive US export sales data ahead of the Easter weekend holiday in the United States. "If we weren't in the holiday week prices would have been higher," said Jim Lambert, director of sales at FCStone Merchant Services.

"The export report was excellent again. If you take that over to statistical bales we are probably right at USDA's number so we're in really good shape." Weekly export sales data from the US Department of Agriculture (USDA) showed net upland sales totalled 307,200 running bales for the previous week, up 14 percent from the week before.

The USDA raised its US exports projection by 800,000 bales to 14 million bales, which it said would be the fourth-largest volume ever for US exports, in its World Agricultural Supply and Demand Estimates (WASDE) data released earlier this week. The July cotton contract on ICE Futures US was up about 1.5 percent for the week. The July cotton contract on ICE Futures US settled up 0.31 cent, or 0.41 percent, at 76.54 cents per lb. It traded within a range of 76.10 and 76.75 cents a lb.

Total futures market volume fell by 3,310 to 45,814 lots. Data showed total open interest fell 5,136 to 245,852 contracts in the previous session. The dollar index was down 0.21 percent. A US government weather forecaster on Thursday projected a possible El Nino developing in the Northern Hemisphere in the late summer or fall.

New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	74.80	75.74	74.66	75.62	14:20 APR 13	75.62	0.89	23162	74.73
Jul'17	76.23	76.75	76.10	76.54	14:20 APR 13	76.54	0.31	22308	76.23
Oct'17	-	73.91	73.91	73.91	14:20 APR 13	73.91	-0.01	-	73.92

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Unprecedented rise in trade deficit

RECORDER REPORT

According to the latest figures released by the Pakistan Bureau of Statistics (PBS), trade deficit has widened to 23.38 billion dollars during the first nine months of the current fiscal year due to a declining exports and rising imports. The decline in exports during the first nine months in comparison to the comparable period last year is 3 percent from 15.597 billion dollars to 15.119 billion dollars. And the rise in imports is estimated at 19 percent from 32.445 billion dollars in the first nine months of 2016-17 compared to 38.504 billion dollars in the comparable period last year.

The decline in exports is all the more worrisome as it post-dates what was believed at the time as a game changer for our exporters, namely the grant of Generalized System of Preference (plus) to Pakistan by the European Union after considerable opposition by several countries. Equally disturbing is the rise in imports at a time when the international price of oil declined dramatically from a peak of over 147 dollars per barrel during part of the tenure of the PPP-led coalition government to 36 dollars per barrel, our major import item in previous years. The oil price has begun to rise again and the forecast is that it would rise to 60 dollars per barrel.

Business Recorder, together with other stakeholders including exporters and independent economists, has been consistently pointing out to the Sharif administration that an overvalued rupee is not a desirable policy in itself as, by definition, it has a negative impact on exports as local products would be unable to compete internationally (at a time when other countries particularly our competitors in the global markets are depreciating their currencies notably China and India) while, at the same time, incentivizing imports thereby widening the trade deficit. It is unfortunate that this sage advice premised on basic economic theory has consistently fallen on deaf ears and the overarching focus of the Dar-led Finance Ministry continues to be on understating the external debt in terms of interest payable and principal as and when due in the budget documents.

The International Monetary Fund (IMF) under the 6.64 billion dollar three-year Extended Fund Facility stated in its twelfth and final mandatory quarterly review dated 13th October 2016 that Staff emphasised that, in parallel, greater downward exchange rate flexibility would contribute to strengthening external buffers and supporting competitiveness, which has been affected by significant real effective exchange rate appreciation (about 17.5 percent) over the three-year programme. The 17.5 percent appreciation of the rupee is regarded as a very conservative estimate and based on the State Bank of Pakistan (SBP) data the difference between real effective exchange rate (REER) and average exchange rate has considerably widened during the Sharif administration: in March 2013, REER was 101.517 while the exchange rate for the month was 98.0615 - a difference of 3.4565. By November of 2016, the last month for which this data is available on the SBP website REER rose to 125.9848 with average exchange rate of 104.693 or a difference of 21.29. Data for subsequent months is not available though the SBP website notes that the expected release date for nominal/effective exchange rates for the month of December would be no later than 30th January 2017.

Additionally, the refunds that are delayed mainly to show a revenue generation lower than is in fact the case, continues to adversely impact on competitiveness of our exporters in the international market. The liquidity problem due to the non-release of refunds has prompted many an exporter to borrow from the banking sector which raises the cost of production. The Prime Minister recently announced a 180 billion rupee export package, but according to *Business Recorder* reports, this package has not begun to be implemented. And in the event that it is implemented there are concerns that it may not be sufficient in itself to fuel exports or reduce imports unless the government abandons its policy of deliberately overvaluing the rupee and not paying refunds

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Filers and non-filers

HUZAIMA BUKHARI AND DR IKRAMUL HAQ

A collection of tax where it is not due is as detestable as its non-payment when it is due-Nasim Sikander J, CIT Companies, Lahore v State Cement Corporation (Pvt) Ltd, Lahore 2002 PTD 1603 This deprivation [collecting taxes in advance] results in unjustly enriching and benefiting the department-Syed Mansoor Ali Shah J, Sui Northern Gas Pipelines v Deputy Commissioner of Inland Revenue, etc (2014) 110 TAX 221 (H.C. Lah.)

In a civilised society, the government demonstrates recognition and gratitude to citizens who pay their taxes as well as to those who act as withholding tax agents on the State's behalf and collect taxes for the well-being of their fellow countrymen. The State not only acknowledges their services but also authorises them to hold back a certain percentage of collection as their charges to compensate expenses incurred by them in their performance of the official function. In Pakistan the converse is the case. The law says no one is entitled to compensation for collecting tax on behalf of the State. Not only are withholding agents the most insulted and humiliated, citizens are deprived of money by way of withholding provisions and on asking for refund.

Millions of those who are not liable to tax suffer heavy withholding of taxes. They have to file tax returns and claim refunds online. This is in violation of Article 4(c) of the Constitution which says that a person cannot be compelled to do which the law does not require him to do. If he/she has below taxable income, why are they subjected to advance tax collection for which they have to spend money, in case more than what they have to claim as refund? The same is the case with withholding agents. They are treated as "slaves", subjected to forced labour with no financial compensation. This is in gross violation of Article 11 of the Constitution. No service fee is allowed to withholding agents for man-hours and other expenses they incur to collect taxes on behalf of the government [section 168(6) of the Income Tax Ordinance, 2001]. Adding insult to injury, they are subjected to penal actions even when tax is paid by the person on whose behalf it was collectable. This shows the ugly face of our tax system and machinery that collect hardly 10 percent of total revenues with its own efforts and for the rest not only uses the citizens of Pakistan as withholding agents but also humiliates them. One does not need any other indicator to gauge the level of high-handedness, arbitrariness, sadist mindset and cruel attitude that prevails in all revenue authorities-both federal and provincial. The tax baboos sitting in the tax agencies get kudos from the panjandrums of the International Monetary Fund and the World Bank for these excesses. Through these oppressive measures the tax authorities are destroying the socio-economic fabric of society, depriving citizens of their self-esteem and their legal rights guaranteed under the Constitution of Pakistan.

There are more than 60 provisions in the Income Tax Ordinance, 2001 that are related to deduction or payment of income tax in advance. This implies that even before one can determine one's income and amount of income tax payable for a tax year, he/she may have already paid a substantial amount of tax as advance. For example, if a salaried individual earns Rs 2,500,000 for the period starting from 1st July 2016 to 30th June 2017 (tax year 2017), by the time he/she files returns as on 31st August 2017, approximately Rs 259,500 tax would have already been paid in the form of deduction from salary received from the employer each month. Besides salary, there may have been payments of tax with telephone bills, tax paid with a child's school fee, tax paid to the provincial authorities during renewal of the token for self-owned vehicle, tax with dividend, tax while withdrawing money from savings account, tax deducted on profit on debt on savings account, etc. Some of these advance payments/deductions can be adjusted against final tax liability while some, like on dividend and profit on debt, would comprise final tax liability, especially for individuals and associations of persons. This is all very well, even though there are many filers who would not be aware of the fact that many of their advance payments of tax fall either in the final tax or a separate block of income category, wherein these are not adjustable against their admitted tax liability computed on the basis of total income. In other such instances, this payment or deduction of tax could become a minimum tax liability, in which case if the actual tax liability is less than this becomes the final tax. These provisions are meant for filers of returns but what is the case of those who do not file their returns or those who are commonly known as non-filers?

Through the Finance Act, 2014, the government introduced a "unique" concept with respect to varied rates for deduction (withholding) of tax in the case of filers and non-filers of return of income, adding to the burden of withholding tax agents who have to verify whether a person whose advance tax is to be

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deducted or collected is mentioned in the active taxpayers' list or not, since they need to determine the rate at which tax is to be withheld, which is higher in the case of non-filers.

With this background, it is important to know about the persons who are required to file a return of income under the law. For this, relevant provisions of sections 114 and 115 of the Income Tax Ordinance, 2001are reproduced as under:

114. Return of income.- (1) Subject to this Ordinance, the following persons are required to furnish a return of income for a tax year, namely:

(a) every company;]

(ab) every person (other than a company) whose taxable income for the year exceeds the maximum amount that is not chargeable to tax under this Ordinance for the year; or

(ac) any non-profit organisation as defined in clause (36) of section 2;

(ad) any welfare institution approved under clause (58) of Part I of the Second Schedule;]

(b) any person not covered by clause (a), (ab), (ac) or (ad)] who,-

(i) has been charged to tax in respect of any of the two preceding tax years;

(ii) claims a loss carried forward under this Ordinance for a tax year;

(iii) owns immovable property with a land area of two hundred and fifty square yards or more or owns any flat located in areas falling within the municipal limits existing immediately before the commencement of Local Government laws in the provinces; or areas in a Cantonment; or the Islamabad Capital Territory ;

(iv) owns immoveable property with a land area of five hundred square yards or more located in a rating area;

(v) owns a flat having covered area of two thousand square feet or more located in a rating area;

(vi) owns a motor vehicle having engine capacity above 1000CC;

(vii) has obtained National Tax Number; or

(viii) is the holder of commercial or industrial connection of electricity where the amount of annual bill exceeds rupees five hundred thousand;

(ix) is a resident person registered with any chamber of commerce and industry or any trade or business association or any market committee or any professional body including Pakistan Engineering Council, Pakistan Medical and Dental Council, Pakistan Bar Council or any Provincial Bar Council, Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan.

(1A) Every individual whose income under the head 'Income from business' exceeds rupees three hundred thousand but does not exceed rupees 7[four hundred thousand] in a tax year is also required to furnish return of income for the tax year.

"115. Persons not required to furnish a return of income.-]..............

(3) The following persons shall not be required to furnish a return of income for a tax year solely by reason of sub-clause (iii) of clause (b) of sub-section (1) of section 114-

(a) A widow;

(b) an orphan below the age of twenty-five years;

(c) a disabled person; or

(d) in the case of ownership of immovable property, a non-resident person.

(4) Any person who is not obliged to furnish a return for a tax year because all the person's income is subject to final taxation under sections 5, 6, 7, 148, 151 and 152, sub-section (3) of section 153, sections 154, 156 and 156A, sub-section (3) of section 233 or sub-section (3) of section 234A shall furnish to the Commissioner a statement showing such particulars relating to the person's income for the tax year in such form and verified in such manner as may be prescribed.]............................"

Combined reading of the above sections clearly shows that there are some persons who are legally NOT required to file a return of income, among whom are conspicuously those persons whose annual total income chargeable to tax is below Rs 400,000, which is the case of many labourers, small traders and vendors, students, and users of mobile phones. However, if the Commissioner so requires, he can issue a notice for filing a return of income, even to such persons but unless there is some specific information in the possession of the authorities, this provision is rarely invoked.

The question is: where it is legally not a requirement to submit a return, why such harsh measures for non-filers? If income tax (no matter how small the amount) is withheld at all, from say mobile phone bills or pre-paid cards, then in order to obtain their refund they are supposed to file a return, and that too online. This means that they must be computer literate, have access to the internet facility, and, most important, have the ability to fill up the return form. An educated person

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might be able to perform these functions, but what about an illiterate labourer or an artisan? Besides, how would they know about their rights unless they are made aware of them? How would they know that along with sales tax they have also paid income tax even though they were not liable to this tax? Even if somehow they do get to know this fact, who is to guide them about what is to be done? Are they supposed to engage the services of expensive tax consultants in order to get a small amount of refund? Any sane person who can make a cost-benefit analysis would prefer to forego this income tax rather than entangle himself with ruthless tax authorities and unscrupulous tax lawyers and accountants. A closer scrutiny would reveal that the government, in order to fill its coffers, is ready to deceive innocent citizens and deprive them of their hard-earned money. In doing so it has also given those non-filers subjected to heavy tax deductions for a number of transactions a free hand for defiance of the law.

According to the latest report of Groupe Speciale Mobile (GSMA), there are 90 million unique mobile users that paid both 14 percent income tax and 19.5 percent sales tax. However, about 1.5% of mobile users filed income tax returns in 2017. According to the FBR's own admission, it received 1,039,291 returns till March 9, 2017. An earlier disclosure by the FBR confirms that in 2016 return filers were 1.1 million. It is pertinent to mention that in 2011 this number was 1,443,414. Jorge Martinez-Vazquez and Musharraf Rasool Cyan in their book, 'The Role of Taxation in Pakistan's Revival', mentioned at page 676 [Figure 36] that 2.1 million Pakistani individuals filed income tax returns in 2006-07. This shows that the FBR has lost one million return-filers since 2006-07, despite prescribing higher withholding tax rates for non-filers. The FBR needs to conduct a study to find out what has gone wrong after penalizing non-filers! They are happy to pay more by way of advance tax than to file returns.

Instead of nabbing big tax evaders, compelling corporate bodies, parliamentarians, judges and military high-ups to discharge their obligations of filing returns and paying their due share, bridging the obnoxious tax gap whereby billions remain irrecoverable, registering business houses, checking leakages and rampant corruption within their ranks, cutting corners in its expenditure, incentivizing economic growth, the government conveniently picks on the poorest of the poor to quench its thirst for more and more revenue. What kind of government strips its needy for the luxury of its officials? What kind of laws are being thrust upon people where they are made to do what the Constitution does not require them to do? When the Income Tax Ordinance does not legally bind them to file a return of income, why do government officials insist that they do so in order to claim refunds, to obtain, which, by the way, is next to impossible?

A handful of target-oriented, imprudent and self-acclaimed wizards, sitting as policymakers think that by introducing such illogical and unconstitutional provisions they would improve their revenues but they fail to realise that these measures are actually causing backlash and disregarding all norms of justice and fair play, to say nothing of the real philosophy of taxation. Due to their short-sightedness, the number of income tax return filers is rapidly declining with each passing year. People have become so indifferent to the tax authorities that they refuse to register themselves, knowing very well that once these officials find their way to them, their lives will be made miserable by their unholy demands and inhuman attitude. They lack faith in the justice system and are wary of long and expensive bouts of litigation that culminate as a result of high-handedness of the revenue authorities, as well as the appellate system.

Besides, many argue that when they have already paid heavy taxes in the capacity of non-filers, why should they aggravate their woes by filing returns? They are fully aware that to prevent their money from being squandered, it is best to stay miles away from the tax authorities or falling into the trap of unethical professionals. Time wasted in dealing with them could be utilised to earn much-needed money with which they can purchase the fundamentals of life denied to them by the government.

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

DAWN
Friday, 14th April, 2017

Exports to India grow despite border tensions

SHAHID IQBAL

A truck enters Indian territory at the Wagha border crossing in this file photo.—White Star

KARACHI: Despite mounting tension along the border, the trade between Pakistan and India has remained intact since the beginning of the current fiscal year.

A recent report by the State Bank of Pakistan (SBP) revealed that Pakistan grew its exports to India during the first eight months of 2016-17 while curtailing imports by 23 per cent.

The trade balance, however, remains in favour of India.

The two countries have long been locked in a bitter rivalry. But worsening political relations seem to have little impact on bilateral trade relations.

After growing by 14pc, exports from Pakistan to India amounted to $286 million in July-Feb. Imports from India fell 23pc to $958.3m from $1,244m recorded a year ago.

People who are in favour of better trade relations with India have to face harsh criticism in Pakistan. The same situation prevails across the border.

One reason for Pakistan's improved exports to India is high cement demand in the neighbouring country. This has offset the negative impact of a decline in Pakistan's cement exports to Afghanistan and South Africa.

The SBP said cement exports continued their downward trend, with the largest share in the year-on-year decline in the first half of 2016-17 originating from two markets — South Africa and Afghanistan.

"A slight consolation was continued strong demand for Pakistani cement from India. This partially offset the declines witnessed in the two other major markets," said the SBP report.

For more than five years, the balance of trade has been in favour of India as Pakistan failed to create a market for its products in the neighbouring country. Political resistance to better trade relations continues to exist in both countries.

In the first eight months of the current fiscal year, Pakistan recorded a trade deficit of $672m with India. The deficit was $993m in the same period of the last fiscal year.

Imports from India in 2015-16 were worth over four times the exports from Pakistan. In fact, imports from India were at a five-year high, although political and diplomatic relations with the eastern neighbour were at a low ebb. Pakistan imported goods worth $1.8 billion in 2015-16 compared to the exports of just $400m.

DAWN
Friday, 14th April, 2017

Service exports rose 90pc in February

THE NEWSPAPER'S STAFF REPORTER

ISLAMABAD: Pakistan's exports of services witnessed growth of 90 per cent year-on-year to $668.33 million in February, the Pakistan Bureau of Statistics (PBS) reported on Thursday.

The increase will help the government control the widening current account deficit in 2016-17.

In the first eight months of the current fiscal year, exports of services recorded negative growth. They fell 2.98pc to $3.52 billion in July-Feb. The annual drop was 7.14pc to $5.46bn in 2015-16.

The services sector has emerged as the main driver of economic growth. Its share increased from 56pc of the gross domestic product (GDP) in 2005-06 to 57.7pc in 2014-15.

Its major sub-sectors are finance and insurance, transport and storage, wholesale and retail trade, public administration and defence.

Pakistan has opened up its market to foreign service-providers, particularly in banking, insurance, telecommunications and retail areas.

The import of services went up 1.35pc to $5.51bn in July-Feb. On a monthly basis, the increase was 15.45pc in February when services imports amounted to $650.92m.

They fell 10.96pc to $7.87bn in 2015-16 against $8.843bn of services imports in the preceding year. Services whose imports declined included transportation, travel, communications, insurance, financial, computer/information and other business services.

The trade deficit in services increased 10.09pc to $1.98bn in July-Feb on a year-on-year basis.

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Ogra, oil companies at loggerheads over ban on retail network expansion

KHALEEQ KIANI

ISLAMABAD: The Oil and Gas Regulatory Authority (Ogra) is at loggerheads with a group of 13 leading oil marketing companies (OMCs) over massive storage capacity shortfalls and the expansion of retail networks.

On January 12, Ogra announced that it stopped the 13 OMCs from expanding their retail outlet networks because of their failure to develop proportionate storage capacity required under the government policy. Every OMC is required to ensure product-wise storage capacity as well as stocks for a minimum of 20 days.

The directive came following the historic supply chain disruption of January 2015 that caused serious logistical problems across the country, leading to the removal of top 10 government and industry officials.

The debate re-emerged last week when oil tankers went on strike over taxation issues. Retail outlets started drying up within 36 hours.

An Ogra official said the regulator did not ban the expansion of retail networks suddenly. It has been warning OMCs for more than two years to develop storage infrastructure before expanding retail outlets, the official said.

"In some cases, we imposed penalties on OMCs for expanding retail networks significantly without backup storage, taking the matter a little leniently before going for the extreme step of banning new retail outlets," he said, adding that the regulator will ensure that all companies develop storage capacity and build stocks proportionate to their product-wise retail networks and sales.

The Oil Companies Advisory Council (OCAC), a representative body of OMCs and refineries, questions the basic premise that the storage facilities are currently insufficient for 20-day stock cover. It called the ban illegal, unfair and counter-productive. This could lead to a larger supply crisis rather than being a solution, it said.

In its latest communication to Ogra and the petroleum ministry, the OCAC contended that the regulator's calculation of storage capacity and stocks for 20-day coverage was misplaced. Given its mandate, Ogra's decision to "issue such a ban is questionable" because the regulator did not cite any provision of law under which it exercised the power to impose the ban, the OCAC said.

Also, the ban on new outlets was a violation of Article 18 of the Constitution that gives every citizen the right to carry on lawful business.

The OCAC claimed the supply chain began with imports of premier motor gasoline (PMG) and high-speed diesel (HSD) and stretched from the shore tanks of the OMCs to their movement to the depots by road and pipelines and thereafter to retail outlets that supply the actual product to the consumer. Each retail outlet has its own storage as well. "All these storages must be accounted for when determining the real days' cover."

Based on this principle, oil companies have argued that their own storage as well as rented and lease storages at the ports, total in-transit stock (stocks on wheels) and storages at retail outlets must be part of the calculation for the days' cover. On that basis, it is a lot higher than 20 days for all products, it said.

"Ogra has arbitrarily decided to impose a ban on the retail side development, which is not only hampering the OMCs' business but also inconveniencing the customer," it said.

It said the volumes of petrol and diesel had been growing rapidly over the last year, creating new pockets of consumption that required to be serviced through new sites. "Not allowing new sites to develop is not justified and is in fact harming the interests of the OMCs and the consumer."

The OCAC complained that even when the OMCs planned to build new storage capacity, the Ministry of Defence imposed a ban on new storages at Keamari and Machike with no approvals being given for new storage tanks. "Under such circumstances, no OMC can add new storage even if it wants to," it said, adding that a ban on retail outlets on top of the storage ban would create more problems for the consumers who get the tanks of their vehicles filled at the outlet and not at the depot.

Ogra imposed a ban on the opening of new outlets by PSO, Shell, Total-Parco, Attock, Hascol, Total-Parco Pakistan, Askar Oil, Byco, Overseas Oil, Bakri Trading, Gas and Oil, Zoom and Admore.

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Reserves increase $193m

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $21.7 billion on April 7, up $193.6 million or 0.9 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

The SBP's reserves increased $222m to $16.68bn. During the week, the SBP received multilateral inflows of $317m and made payments of $118m on account of external debt servicing and other official payments.

Net foreign exchange reserves held by commercial banks amounted to $5bn on April 7, slightly down from the preceding week.

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Commodities

Cotton price rises on renewed buying

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Cotton prices rebounded on Thursday on renewed buying from some spinners. Brokers said new cotton crop could be delayed due to a heatwave across the country. There were also reports that re-sowing could be needed in many cotton-growing areas of Sindh.

Therefore, with no hope of early arrivals of cotton from Sindh this season, many spinners rushed to replenish their stocks.

Normally, the arrival of cotton from Sindh starts in early June, but due to hot weather this season it is feared to be delayed until August when Punjab crop would also arrive in the market, brokers said.

The Karachi Cotton Association raised its spot rates by Rs50, to Rs6,750 per maund (around 37 kilograms).

Trading on the ready counter, however, remained moderate to slow due to limited stocks of quality cotton. Major deals were: 2,000 bales from Haroonabad at Rs7,000 per maund, 200 bales from Khanewal at Rs7,000 and 200 bales from Bahawalnagar at Rs6,850.

Meanwhile, the US Department of Agriculture has released this week's export figures, showing a growth of 14 per cent. India was the leading buyer, followed by Turkey and China.

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	**6,750**	**135**	**6,885**
40 Kgs	**7,234**	**145**	**7,379**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	106.40	106.70
UK	130.45	130.70	132.00	133.75
Euro	110.79	111.00	112.75	113.95
S. Arabia	27.86	27.92	28.25	28.45
UAE	28.45	28.50	28.90	29.15
Japan	0.9543	0.9561	0.9400	0.9700

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.89	6.14
Six months	5.92	6.17
One year	5.98	6.48

LIBOR

Special US dollar bonds for April 12

Three months	1.15844%
Six months	1.41044%

THE NEWS
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Textile industry mulls moving court on refund issue

KARACHI: Value-added textile industry is considering moving court against the Federal Board of Revenue (FBR) for not releasing refunds, which crossed around Rs300 billion in various heads.

The Council of Textile Association said at a press conference on Thursday the industrialists are consulting with lawyers on the longstanding refund claims and would soon file an appeal in the court in this regard. The industrialists were gathered to protest against the ongoing FBR action against tax evaders and non-filers. They said the action should be restricted to defaulters, but the tax departments are harassing the genuine taxpayers, as well.

They criticised the recent action of the FBR to rollback electronically generated refund payment orders (ERPOs) and said due to this move, the exporters' liquidity issue would further deepen.

Jawed Bilwani, chairman of the Value-Added Textile Exporters Association said that instead of releasing due refunds, the FBR has started harassing the exporters.

The FBR is not releasing sales tax refunds of exporters, besides income tax refunds were also stuck up for the last 12 months, he said, adding, Customs rebates and Drawback of Local Taxes and Levy (DLTL) claims are also pending.

Bilwani said that the tax departments are issuing unnecessary audit notices to exporters and harassing them. “In some cases, the tax offices have frozen bank accounts of the taxpayers and recovered the so-called defaulted amount,” he added.

The FBR is also sending notices related to deduction of withholding taxes, he said, adding, the exporters have been made withholding agents without their knowledge and now the FBR is demanding the payment that is not deducted as the withholding agent.

Zubair Motiwala, a leading textile expert and industrialist, said that the non-issuance of refunds has aggravated the situation, as the cost of doing business in Pakistan is the highest in the region.

He urged the government to appoint international experts for determination of the cost of doing business in Pakistan, which would clear the position.

The cost of doing business is 22 percent higher than Bangladesh, 12 percent than India and 15 percent higher than Sri Lanka, he said. “With such a high cost, how Pakistan will be able to increase exports?” He questioned.

THE NEWS
Friday, 14th April, 2017

SSGC links Rs1 billion security deposit for gas supply to Sindh's power plant

KARACHI: Sui Southern Gas Company (SSGC) has linked the gas supply to provincial government's 100MW power plant in Nooriabad with the submission of Rs1.0 billion security deposit.

"SSGC is ready to supply gas to the power plant, provided the management of the plant submits the admissible security deposit of Rs1.0 billion," SSGC said in a statement in response to Sindh chief minister Murad Ali Shah's speech in the provincial assembly on Thursday.

Shah warned the federal government and the SSGC to cut off gas supply from Sindh to the country if Sindh's concerns over gas distribution were not addressed by the end of this week. Shah also threatened that in case the SSGCL does not take the province's concerns into consideration then the provincial government would forcefully take over their offices.

"Sindh produces 70 percent gas of the total production and ironically the province is not getting it. We are not able to test-run a 100mg powerhouse at Nooriabad because SSGCL is not providing us enough gas," he said

SSGC, however, did not comment on the distribution of natural gas under Article 158, as it doesn't come under its domain. Murad Ali Shah came hard on SSGC for not supplying 20mmcfd of gas to Sindh Nooriabad Power Company's 100MW power plants.

Since the country's law permits provinces to set up power generation facilities of any size, at any location and on fuel of their choice, the Sindh government decided to build, own and operate generation facilities at various industrial estates across the province.

Subsequently, Sindh Nooriabad Power Company was formed as a public-private partnership. The plant was scheduled to start commercial supply to K-Electric by April 2017. However, even the test-run could not be launched because of the unavailability of gas.

According to SSGC, necessary infrastructure in this regard has already been completed, which is in the knowledge of the plant's management. "As soon as the deposit is submitted, SSGC will connect the plant," the statement said.

Furthermore, the Gas Sales Agreement (GSA) between SSGC and the management of power plant has already been signed. However, there were few amendments requested by the management of the power plant, which have been approved by SSGC's board of directors, and need to be incorporated in the GSA with mutual consent.

Miftah Ismail, chairman SSGC, said he is ready to address all concerns of Sindh government, however, "any unilateral action will be a violation of the constitution." Ismail told Geo News that an agreement was signed between the Sindh government and SSGC on Nooriabaad powerhouse, according to it, whenever the Sindh government will provide a bank guarantee, the company will provide them the demanded gas quota.

THE NEWS
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Punjab releases water from Punjnad for Sindh, Balochistan

LAHORE: River supplies through Punjnad Barrage on Thursday started for Sindh and Balochistan with a view to supplementing shortage being faced by the lower riparian provinces from the Indus arm, official sources told The News.

The outflow from Punjnad Barrage in Punjab commenced with outflow of 4,000 cusecs, which will gradually be increased to 10,000 cusecs. This step has been taken to augment supply of river water to Sindh and Balochistan as a result of increasing outflow of water from River Jhelum through Mangla Dam.

The outflow from Mangla Dam too was increased by 5,000 cusecs. In the last 48 hours, the water releases from Mangla Dam swelled to 65,000 cusecs from 35,000 cusecs, said a senior official.

The arrangement of supplying water to Sindh and Balochistan through Punjab would continue as long as outflows of Indus arm below Chashma barrage are not improved, said the official.

The decision in this regard was taken at the platform of Indus River System Authority (IRSA), after Punjab decided to abandon storage of water at Mangla Dam in order to provide water to Sindh and Balochistan.

Traditionally, both these provinces are fed from Indus. However, owing to unprecedented dip in river flows of River Indus and Kabul this year, a shortfall of about 15 to 20,000 cusecs of water was being faced in Guddu Barrage downstream, official said.

Owing to widespread rains in catchment area of Jhelum River from April 4 to April 8, and early melting of snow, a surge in River Jhelum inflows greatly complemented filling of Mangla Dam, increasing its level by about 40 feet or with about 0.5 million acre feet (MAF) of water if compared with the estimated quantum of water.

Keeping in view very low inflows of Indus and Kabul Rivers, but contrastingly above normal supplies available at Mangla, Punjab has decided to share its water with other provinces. The official said Mangla Dam is primarily used for running Mangla Command canals of the province and associated channels of southern Punjab.

The consensus for sharing available water was reached following criticism raised by various representative of Sindh government, who were wary of low water supplies in recent weeks. There have been fiery statements by leader of opposition in National Assembly and Sindh chief minister about shortage of water.

About prospects of water availability in early kharif season, a senior official said, “We are expecting some positive development after mid-April as far as river flows are concerned with rising mercury level in Northern Areas which will accelerate snow melting.”

The temperature in Gilgit is now hovering around 23 Celsius, It is predicted that it would touch the level of 30C in next few days. This level of warm weather was indispensable for accelerating snowmelt in the catchment area of Indus River, the official explained.

As per estimates for early kharif (April 1 to June 100, there is 12 percent reduction in flows of rivers as compared to average flows. In the remaining part of Kharif, up to September 30, this shortage would be ended on the back of increased inflows.

THE NEWS

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Public appeasement may reward in polls not on economic front

LAHORE: Economy is sure footed if the entire nation takes the ownership of government policies, as is happening in India and Bangladesh, whereas the economy trudges on sloppy ground, as in Pakistan, where government policies are globally acclaimed but lack national consensus.

When in early 90s, Narasimha Rao lost elections on opening the Indian economy, all the governments that followed adhered to his economic agenda; and kept bringing second and third generation reforms. All economic reforms introduced to date enjoyed the blessing of whoever was in the opposition. Even today, the most contentious issue of general sales tax has been resolved as the parties that matter supported the move.

This is the reason that the multilateral agencies and economic experts the world over confidently predict the growth rate of India in the medium term. There are no if and buts attached to these predictions that are normally in line with the government set targets. Today, India is the largest growing economy in the world.

Sheikh Hasina Wajed and Khaleda Zia are the two bitter opponents in Bangladesh's politics. These two have changed hands in power for several times during the past 25 years. They do not see eye to eye on any political issue, but when it comes to the economy, they are on the same page.

In fact, the current Bangladeshi Prime Minister Sheikh Hasina Wajed in her meeting with Pakistani business tycoon Mian Muhammad Mansha at Dhaka had wondered at the approach of different ruling parties on economic issues.

She in fact said neither she nor her bitter enemy Khaleda Zia would tinker with the economic policies of the other when in power. She said this assurance of consistency in economic policies has given the confidence to the investors to chalk out long term plans.

In case of Pakistan, when Nawaz Shariff was removed in 1993 while the construction of Lahore-Islamabad Motorway was half completed, the Benazir government that followed reduced the number of lanes from four to two.

When she was again replaced by Nawaz Shariff in 1997, he reverted to the original plan, but questioned the award of power contracts to independent power producers that were given sovereign guarantees to ensure the sanctity of these contracts.

After long bickering and international arbitration, the original contracts were restored but investors lost confidence in Pakistan's economy. Both interferences caused losses worth billions to the national exchequer.

The GST issue has remained unresolved for the last 30 years. Both Benazir and Nawaz governments supported imposing value-added tax regime while in power, but aggressively opposed when in opposition.

The documentation of economy remains elusive because of this and as a result of which we have the lowest tax to GDP ratio. Privatisation process is in limbo as politicians are divided on the issue.

This absence of consensus on economic policies is the reason that the reviews of all multilateral institutions on Pakistan's economy are based on ifs and buts. The International Monitory Fund, the World Bank and the Asian Development Bank appreciate the economic policies of the present regime, but going forward warn of various obstacles and risks of derailment of these policies.

The policies can, at the most be guaranteed for the tenure of each government. Then again the tenure of any elected government is not sure.

No elected government in the past 30 years had been able to enjoy smooth sailing. The risks of being removed are always there, and that uncertainty is detrimental for the economic growth.

This makes the investors uncertain, and they are not sure whether the next government would continue with the same economic policies. Governments have changed in Bangladesh too as a result of agitation, but the economic policies remained unchanged.

Every government in Pakistan appeases the public to ward off agitation from the opposition. Drug rates are not allowed to increase fearing public backlash. The resultant shortages and higher black market prices do not bother the rulers.

The petroleum products rates are fixed on the whims of rulers not on the basis of their prices in the global market. While users

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complain of low gas pressures, the government, keeping the coming elections in mind, has lifted ban on gas connections for residential colonies, industries and commercial entities. The kissan package was a public appeasing gesture too.

All elected governments launch only projects that can be completed during their tenure. The absence of long term beneficial projects keeps high growth at bay.

THE NEWS

Friday, 14th April, 2017

'PTA competition rules against CCP mandate'

ISLAMABAD: The Competition Commission of Pakistan (CCP) on Thursday informed the Senate Committee on Finance, Revenue, Economic Affairs, Statistics and Privatisation that the newly drafted Pakistan Telecommunication Competition Rules 2017 were against the mandate of the commission as per law.

Briefing the committee on the newly drafted Pakistan Telecommunication Competition Rules 2017, CCP chairperson informed the committee that the rules were tantamount to taking the telecommunication sector out from the ambit of the CCP.

The meeting of the committee was chaired by Saleem Mandviwalla, and was attended by Senator Muhammad Mohsin Khan Leghari, Senator Kamil Ali Agha, Senator Saud Majeed, Senator Osman Saifullah Khan, Senator Mohsin Aziz, and Jehanzeb Jamaldini.

The committee was informed that Pakistan Telecommunication Authority (PTA) had the mandate to regulate technical and economic matters of the telecom sector, but not the competition in the sector.

On the request of the CCP, the committee decided to write to the attorney general for speeding up the resolution of court cases for promoting competitive market practices.

Meanwhile, the Securities and Exchange Commission of Pakistan (SECP) informed the senate body that out of the 40 percent shares of Pakistan Stock Exchange (PSX), 30 percent were sold to a foreign company, while the remaining 10 percent were divested to a local consortium.

The commission informed the committee that investigations were ongoing against some brokers over share manipulation accusations; while efforts were on to bring back the broker who had fled from the country.

The committee, while further reading some clauses of the Companies Bill 2017, deferred further discussion till the upcoming meeting. The bill has been passed by the National Assembly and referred to the committee for consideration and report.

Debating on the issue related to short-assessment of duty/tax on vehicles under the amnesty scheme initiated in 2013, the committee asked the Federal Board of Revenue (FBR) to withdraw notices issued after three years of assessment of vehicle taxes, as the law does not permit this action beyond a particular period.

Senator Jamaldini informed the committee that the authorities had started demanding more amounts in the shape of duty/taxes which were short assessed. He said the value of vehicles was even lower than the new tax assessment, varying from Rs250,000 to Rs300,000.

He informed the committee that as many as 2,800 people were affected by this short-assessment practice, and added that it was the fault of the FBR, so it should be held responsible. Chairman of the committee expressed dissatisfaction and disappointment over the performance of the FBR.

On the issue of repatriation of an FBR BS-19 officer, Muhammad Waseem Altaf, the committee chairman said if the issue was not sorted out, it would be referred to the house, assigning Senator Saud Majeed responsibility to conclude investigations in the matter as soon as possible.

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Aptma invites Chinese investors for JVs in textile industry

Our Staff Reporter

LAHORE - All Pakistan Textile Mills Association (Aptma) Chairman Aamir Fayyaz has invited Chinese investment for Joint Ventures (JVs) in textile industry.

He said Pakistan has opportunities for Chinese investors to enter into joint ventures or relocation of their industry and avail duty free market access under the GSP Plus facility.Prime Minister Nawaz Sharif has offered a package to the exporting industry with an added attraction of 12 to 15 percent for producing and manufacturing in Pakistan, he added.

He expressed these remarks while giving a presentation to a delegation of textile groups from Tianjin city of China at the APTMA Punjab office on Thursday, which was headed by Tianjin People's Association for Friendship with Foreign Countries Vice President Chen Weiming.

Fayyaz said that to lessen the cost of doing business in Pakistan, the prime minister has recently announced export led growth package encompassing provision of DLTL at 4 percent on yarn and greig fabric, 5 percent on processed fabric, 6 percent on textile made ups, 7 percent on textile garments against realisation of exports.

He said Pakistan's foreign investment policy offers zero percent duty on imports of capital goods, zero percent corporate income tax rate, 10 years corporate income tax holiday, 50 acres minimum land required for SEZ, and permission of 100 percent private ownership.

On the occasion, the visiting Chinese delegation said the high cost of doing business and environmental issues has made Pakistan an ideal destination for relocation of Chinese textile industry.

They appreciated the potential and opportunities highlighted by the Aptma chairman and expressed the hope that investors of both sides would enter in successful joint ventures to benefit from each others' entrepreneurial potential. They said they are planning to enter into joint ventures for 100,000 spindles, 500 airjet looms and fabric dyeing and printing plants in Pakistan.

The Nation on Web

The Nation

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Extra effort, prudent policies can help control trade deficit: experts

Salman Abduhu

LAHORE - The business community has said that high trade deficit, surging by almost 39 percent to high of $23.39 billion in nine months of this fiscal year along with the massive debt burden, is the toughest challenge for the country, requiring extra efforts and prudent policies to boost exports, taking the economy out of the present mess.

They said the trade deficit was the result of soaring import bill, increasing because of the largest-ever rise in power generating, construction and agriculture machinery, which has risen by more than 85 percent and this gap could be bridged with foreign inflows and selling of non-liquid government assets from which it was earning nothing. Exports would ultimately pick up after adjusting to new realities, they added.

Lahore Chamber of Commerce and Industry (LCCI) former vice president Kashif Anwar said that major hurdles responsible for the decline in exports include energy crisis, lagging competitiveness, outdated machinery, inadequate investment growth and government inconsistent policies. The government will have to enhance exports in a short term by focusing on other than traditional exporting industries, including horticulture, rice, halal meat, gems, agriculture and food sectors etc.

Kashif Anwar said that despite several achievements of the government, including huge foreign reserves, better GDP growth rate, low inflation, speedy infrastructure development, people were finding it hard to believe the government declaration in respect of high GDP growth rate and increase in foreign exchange reserves because they were finding it hard to make both ends meet on account of unchecked increase in the cost of living.

He said the Rs180 billion export package announced by the government had not yielded any results to halt deteriorating export trends, as not a single penny had been released so far. The LCCI former VP said that due to low level of exports, the country's external debt to export ratio had been projected at 440 percent by 2019-20, which is highly unsustainable. He said the doomsday scenario must cause alarm bells because economists' projections were mainly based upon stagnant exports which would continue hovering around $25 billion by 2020. With increasing exports and maintaining reasonable pace of remittances, the country can avoid its woes on front of external accounts, he suggested.

GCCI former president Samee Ullah Chaudhry said the government should ensure availability of electricity, gas, diesel and water to industry and agriculture at low rates to facilitate reduction in prices of foodstuff and industrial products. He said the government should pay special attention to poverty alleviation and job creation because class hatred was likely to increase on account of growing poverty and unemployment.

Samee Ullah said the government should allocate funds for starting work on at least one big dam in the forthcoming budget to generate cheap hydle power for agriculture and industry to make them competitive for boosting exports. If this trend continues, deficit will reach $30bn by the end of June this year, which will be the highest-ever trade deficit in the country's history.

Pakistan Readymade Garments Manufacturers and Exporters Association chairman Ijaz Khokhar has called for a new, aggressive marketing plan to enhance exports and get the maximum benefit of GSP Plus status.

He observed that the industry has been competing in the global market without support or a proper plan while major competitors like India and China were utilising all channels and resources. According to him, the association has already engaged the Japan International Cooperation Agency for technical assistance to develop technology to improve productivity. He demanded a reduction in input costs to keep the industry going.

Noted economist Dr Ashfaq Hassan Khan said the country had touched almost dangerous level of external balance of payment, forcing Pakistan to exceed its export to $50 billion for the first time in its history. He said that exports were hovering around $20 billion, touching trade gap to the level of $30 billion at the end of the year. It is unfortunate that the government

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has never taken notice of this dangerous situation and economic managers, including the finance minister, are responsible for widening external balance of payment, as government is not taking any serous measure to control this. This requires a long term strategy.

Former SBP governor Dr Ishrat Hussain said the industrial production base in Pakistan had remained unaltered for several decades. He said that Pakistan's export structure had remained the same since 1990. Consequently, Pakistan's share in the markets is declining while that of India and Bangladesh has doubled and tripled. He said that extracting concessions had become commonplace for the industry. Innovation and new start-ups are missing while R&D institutions and academic-industry interactions are almost non-existent.

FPCCI former president Mian Idrees expressed concerns over country's increasing trade deficit and urged the government to take local stakeholders into confidence and remove the hurdles hindering the exports. The government should immediately implement the textile package, as exports are witnessing a continuous decline due to uneven policies, high cost of doing business and taxation. Former finance minister Dr Salman Shah observed the supply of electricity and gas had yet to be improved to increase industrial productivity to a desired level. He said the govt would have to play a major role to increase exports. He said the cost of doing business was very high in Pakistan and the govt should support private sector by giving services, essentially power and gas, on reduced tariff to boost the declining exports.