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CPEC progressing satisfactorily, PM tells China's Xi

BEIJING: Prime Minister Muhammad Nawaz Sharif Saturday said his government was making all-out efforts towards active implementation of China Pakistan Economic Corridor (CPEC).

"China-Pakistan Economic Corridor is a core component of your visionary initiative of the "One Belt-One Road. We sincerely appreciate your commitment and leadership for the realisation of CPEC projects," the prime minister remarked in his meeting with President Xi Jinping at the Diaoyutai State Guest House on the sidelines of the 'Belt and Road Forum for International Cooperation.'.

The Forum is being hosted by Chinese government on May 14-15, being attended by 29 heads of state and government, besides delegates from around 130 countries.

On his arrival, the prime minster was received by President Xi and both the leaders shook hands.

During the meeting, the prime minister was accompanied by Chief Minister Punjab Shahbaz Sharif, Chief Minister Sindh Murad Ali Shah, Chief Minister Khyber Pukhtunkhwa Pervaiz Khattak and Chief Minister Balochistan Sanaulllah Zahri, besides Planning Minister Ahsan Iqbal, Finance Minister Ishaq Dar, Railways Minister Khawaja Saad Rafiq, State Minister for IT Anusha Rehman and Advisor to PM on Foreign Affairs Sartaj Aziz.

President Xi Jinping was also accompanied by his high level nine-member delegation.

The prime minister, who earlier met his Chinese counterpart Li Keqiang, also stressed for accelerating the implementation of projects in Gwadar and establishment of Special Economic and Industrial Zones.

Prime Minister Nawaz Sharif said the composition of his delegation represented the strong bonds of friendship between the two countries.

"The presence of all four provincial chief ministers symbolises the broad-based support in Pakistan for cooperation with China and the China-Pakistan Economic Corridor," he remarked.

He said Pakistan stood with China for promotion of President Xi Jinping's visionary initiative of One Belt and One Road (OBOR)

The prime minister congratulated President Xi on successful holding of the Belt and Road Forum and said that the participation of a large number of world leaders in Chinese capital was a testimony of his leadership and China's growing stature in the international community.

The prime minister said Pakistan-China friendship enjoyed popular support in Pakistan and high-level exchanges were indicative of the bilateral fast-growing bilateral relations.

However, he also stressed the need to sustain the momentum with a view to further strengthening of this relationship.

In his remarks, President Xi Jinping welcomed the prime minister and his delegation for attending the Forum.

He expressed his satisfaction over the pace of growing bilateral ties and resolved to cement the ties further by enhancing cooperation in multiple spheres.

He said the two countries had more potential to strengthen bilateral cooperation vis-a-vis implementation of CPEC and other regional connectivity projects.—APP

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Pakistan fully supports OBOR initiative: PM

BEIJING: Prime Minister Muhammad Nawaz Sharif Saturday said Pakistan fully supported China's giant One Belt, One Road (OBOR) initiative and would work closely with it to contribute for the region's prosperity.

He expressed these views in a meeting with the Chinese Premier Li Keqiang here at Peoples Great Hall of China. The meeting focused on intra-regional trade and connectivity as a crucial factor for sustainable development of Asia and beyond.

The two sides discussed progress on China Pakistan Economic Corridor (CPEC), - an important part of Chinese President Xi Jinping's One Belt, One Road vision. Prime Minister Nawaz Sharif in his statement congratulated Premier Li Keqiang on hosting the OBOR forum and said Pakistan fully supported the visionary project.

He mentioned that composition of his delegation to China particularly the presence of four chief ministers was testimony to the broad-based Pak-China friendship.

Pakistan believed that China's strategic policies in the region were for peace and prosperity, he added.

The Prime Minister said Pakistan was grateful to China's support for the launch of China Pakistan Economic Corridor (CPEC). He said the CPEC presented a great opportunity for strengthening regional economy.

The meeting was attended by Chief Minister Punjab Shehbaz Sharif, Chief Minister Sindh Murad Ali Shah, Chief Minister Khyber Pakhtunkhwa Pervaiz Khattak, Chief Minister Balochistan Nawab Sanaullah Zehri, Finance Minister Ishaq Dar, Commerce Minister Khurram Dastagir, Planning Minister Dr Ahsan Iqbal, State Minister for Information Technology Anousha Rehman and PM's Adviser on Foreign Affairs Sartaj Aziz.—APP

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Nawaz lauds Chinese cooperation on energy

BEIJING: Prime Minister Nawaz Sharif Saturday spoke high of cooperation by the Chinese government as well as the China's National Energy Administration (NEA) to help Pakistan cope with energy crisis through building power generation projects.

Addressing the Bhasha Project Conference held by NEA, the prime minister said the National Energy Administration had been an effective and reliable partner in its fight to cope with energy crisis.

The prime minister was accompanied by Chief Ministers Shahbaz Sharif of Punjab, Murad Ali Shah of Sindh, Pervaiz Khattak of Khyber Pakhtunkhwa and Sanaullah Zahri of Balochistan, besides Planning Minister Ahsan Iqbal, Finance Minister Ishaq Dar, Railways Minister Khawaja Saad Rafiq, State Minister for IT Anusha Rehman, Commerce Minister Khurram Dastgir and Advisor to PM on Foreign Affairs Sartaj Aziz.

Nawaz Sharif said apart from helping Pakistan in addressing the issue of power shortages, NEA had also helped Pakistan's power sector experts in going through the critical learning curve.

He thanked the NEA for hosting an extremely important and strategic session for Bhasha Dam, a project of critical importance for the future of Pakistan.

"Pakistan's human resource had benefited tremendously from its interaction with experts and academia under the Chinese NEA," he said, adding that the work done by the Joint Working Group on energy has laid a solid foundation for the development of Pakistan's energy sector to its optimal potential.

At present, he said, NEA was looking after the bulk of high impact power projects in Pakistan under the China-Pakistan Economic Corridor.

"I take this opportunity to acknowledge that the fast-track implementation of Early Harvest Projects will be a critical component of our effort to eliminate power outages by the middle of next year," he remarked.

Prime Minister apprised the audience, comprising heads of various power sector firms, that a 300 Megawatt solar power project and two wind power projects of 50MW each, had already begun power production.

Similarly, the Sahiwal coal-fired power project was ahead of schedule and its first unit of 660 megawatts was expected to begin production in the month of June. The first unit of the Port Qasim coal-fired project was also moving at a high pace and was expected to become operational by this November.

He said that apart from this, a number of other projects in the generation and transmission sectors are also under implementation.

He appreciated President Xi's visionary initiative of One Belt-One Roads saying that the CPEC was not only a "game-changer" for Pakistan, but also for the entire region. He said it would stimulate inclusive socioeconomic development, help eradicate poverty, and promote peace and prosperity in the region and beyond.

Prime Minister Nawaz Sharif said that CPEC was not merely a strategic agreement but it was a fruit of decades-long friendship between Pakistan and China. He said the success of the CPEC can also be gauged from the fact that a very large number of countries are now expressing eagerness to join and become part of this initiative.

"For economic development and long-term prosperity, Pakistan not only requires support in the energy sector, but it also needs mega initiatives to improve its water storage capacity. Therefore, development of the North Indus Cascade is a major focus of my Government, and the construction of the Bhasha Dam is the single most important initiative in this regard," he said.

Prime Minister said water and food security was of paramount importance for Pakistan keeping in view the challenges posed by climate change.

At the conference, the heads and representatives of power sector companies in China gave presentations on their study of the Dam project and called for a deeper study on the project owing to its crucial nature for Pakistan.

Later, the Prime Minister also witnessed the signing of an MoU regarding roadmap for power projects under CPEC that was signed by Secretary Water and Power Yousuf Naseem Khokhar and Chinese Ambassador too Pakistan Sun Weidong.—APP

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Chinese energy cos invited for investment

BEJING: Prime Minister Nawaz Sharif on Saturday met a delegation of Chinese energy companies in Beijing.

Addressing the delegation of the energy companies in Beijing, the Prime Minister said Pakistan was focusing on its energy sector and was currently executing projects which will help it overcome the current energy deficit.

Nawaz said he would himself monitor the energy projects and other matters of the sector. During the meeting, the Prime Minister discussed energy issues with the energy experts of China.

He invited the Chinese companies to invest in Pakistan's energy sector.

The Prime Minister is currently in China with a high-level delegation comprising four chief ministers of the provinces and other ministers to attend Chain's conned international moot on 'One Belt, One Road' initiative.—INP

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Concerns on CPEC:

India to skip Belt and Road Forum in China?

NEW DELHI: India will reportedly skip the two-day Belt and Road Forum(BRF) in Beijing starting today (Sunday) due to its “concerns” on China-Pakistan Economic Corridor (CPEC) which is a part of China’s ambitious One Belt One Road (OBOR) project, the Indian media reported on Saturday.

While government officials have chosen not to speak on the matter, an informed source apprised Press Trust of India (PTI) on India’s decision to not attend the summit. Apart from Bhutan, India is the only country in South Asia which has not signed any agreement on Chinese President Xi Jinping’s ambitious OBOR project.

Chinese Foreign Minister Wang Yi, had announced in April that India would have a representative at the forum. “Although Indian leader is not here, India will have a representative,” Wang had said.

However, Chinese Foreign Ministry spokesperson Geng Shuang said on Friday that some Indian scholars would be present at the meeting. The summit is crucial for China since it will be attended by 29 heads of state and government, including Russian President Vladimir Putin. Countries like South Korea, France, Germany and UK will have high-level delegations attending the event.

The BRF is likely to discuss the OBOR project and discuss ways to enhance the connectivity and cooperation between the Asian, European and African nations. An important part of the OBOR project is the CPEC corridor, which has brought $46 billion worth investment to Pakistan.

In the last one year, India and China have locked horns over multiple issues including India’s entry into the Nuclear Suppliers Group (NSG), UN ban against Jaish-e-Muhammad leader Masood Azhar and Dalai Lama’s Arunachal Pradesh visit.—NNI

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Pakistan, China ink six accords

BEIJING: Pakistan and China on Saturday inked six accords of cooperation in diverse fields including Framework Agreement on upgradation of Main Line-1 rail track and establishment of a dry port at Havelian.

Prime Minister Muhammad Nawaz Sharif and Chinese Premier Li Keqiang witnessed the signing ceremony here at the Peoples Great Hall of China.

The Memoranda of Understanding signed between the two countries are as under: - Framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative - Agreement on Economic and Technical Cooperation (1.5 billion RMB for Gwadar Airport etc.) - Framework Agreement on implementation of upgradation of ML-1 and establishment of Havelian Dry Port in Pakistan - MoU on implementation of ML-1 and establishment of Havelian Dry Port in Pakistan - Agreement on Economic and Technical Cooperation (0.8 billion RMB for Gwadar Airport) - Agreement on Economic and Technical Cooperation (1.1 billion RMB for East bay Expressway).—APP

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Energy crisis deepens

MUSHTAQ GHUMMAN

ISLAMABAD: The country's energy crisis has further deteriorated this summer due to gradual increase in demand verses generation with consumers facing 8-10 hours load shedding in urban areas and 16-hours in rural areas.

However, the Ministry of Water and Power, which is responsible for providing "authentic" figures to the public claims that load shedding in urban areas was 4-6 hours and in rural areas 8 hours, whereas industry connected to dedicated feeders is exempted from load shedding.

According to official figures on May 12, 2016 generation was recorded at 14649 MW while on May 12, 2017, generation stood at 15437 MW, which shows an increase of 788 MW or 5.38 percent increase.

This implies that generation is almost 4 per cent less than the average increase in demand of 8-10 per cent, hence accounting for a rising gap in demand and supply.

Officials also claim that the scheduled load management in 2016 was 3,807 MW by Discos whereas in 2017 it was 3,565 MW, showing a reduction of 6.35 percent.

The demand figures always create confusion in the government, consumers and energy sector experts.

The government claims that on May 12, 2017 demand was recorded at 19,868 MW as compared to 18,699 MW on the same date last year, showing a growth of 6.2 percent.

On the contrary, energy sector experts maintain that demand figures are grossly understated vis-à-vis generation which is evident from the volume of load shedding.

Talking at Aaj News programme "Paisa Bolta Hay" with Anjum Ibrahim, former Member (Energy) Planning Commission Shahid Sattar also challenged the demand figures of the government.

He said price of electricity for industry is higher as compared to India, Bangladesh and China due to which Pakistan's exports are uncompetitive in the world market.

The Ministry of Water and Power claims that 525 MW Nandipur Power project is on line after conversion to gas and Pakistan's first largest imported coal-fired power plant in Sahiwal has started operation. First unit is synchronized with national grid on May 12, 2017 and is ahead of schedule. Its initial successful load is 100 MW which was increased to 660 MW after a few hours.

According a spokesman of Water and Power Ministry, generation was 16803 MW at 8pm, which is highest figure during this season. Total demand was recorded at 20470 MW against the generation of 16803 MW, showing a shortfall of 3667 MW. Of this hydel generation was 5148 MW, Genco's 2736 MW and IPPs 8919 MW.

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Chinese industries:
PM may unveil incentive package today

WASIM IQBAL

ISLAMABAD: Incentive package for Chinese industries to be relocated in 9 prioritised Special Economic Zones in Pakistan is likely to be announced by Prime Minister Nawaz Sharif during his visit to China.

Prime Minister Nawaz Sharif is paying a visit to China at the invitation of Chinese President Xi Jinping. He along with chief ministers, federal ministers and others is attending the two-day ‘Belt and Road Forum for International Cooperation,’ starting in Beijing on Sunday (today).

A spokesman of Board of Investment (BoI) told Business Recorder that the incentive package is prepared by the Board in consultation with all provincial governments, federal ministries and businessmen, etc.

He maintained that two Chinese delegations of experts will visit these prioritised 9 SEZs in July 2017 to study the suitability of these zones and investment prospects there.

He said that these 9 prioritised zones are not yet approved but soon after relocation of Chinese industries, they will start in a big way.

The Board has also established CPEC-SEZ Cell for the purpose of facilitating stakeholders on the matters relating to China-Pakistan Economic Corridor (CPEC) and Special Economic Zones.

The Board has been assigned the lead role to oversee the industrial cooperation from Pakistan’s side and BoI Chairman is also serving as convener of the Pakistan side of Joint Working Group (JWG) under CPEC.

In November 2016, the federal government had announced a plan to establish 29 SEZs in all four provinces, Islamabad, Kashmir and Gilgit-Baltistan.

Under the SEZ Act 2012, about 41 special zones have been identified so far all over the country and 7 of them have already been notified by the federal government including Khairpur Special Economic Zone, Korangi Creek Industrial Park, Bin Qasim Industrial Park in Sindh, Quaid-e-Azam Apparel Park, Sheikhupura, M-3 Industrial City, Faisalabad, Value Added City, Faisalabad, and Hattar Economic Zone, Haripur.

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Budget (2017-18):

Host of legal, procedural changes in tax laws likely

SOHAIL SARFRAZ

ISLAMABAD: A number of legal and procedural changes in federal tax laws are expected in coming budget (2017-18) under the exercise to simplify sales tax/excise laws including possible adjustment of Federal Excise Duty (FED) on accrual basis and concept of group taxation in the Sales Tax Act, 1990.

Sources said the Federal Board of Revenue (FBR) is considering various budget proposals of the Tax Reform Commission's sub-committee for simplifying indirect tax laws. The FBR formed a committee for simplifying tax laws. Task and mandate of the committee was to suggest amendments to be considered in the forthcoming budget for 2017-18 in relevant laws to simplify (but not to make structural changes in) the existing laws relating to federal indirect taxes, without compromising the revenue of the government.

Within this limited time, the members of the sub-committee deliberated on various matters relating to indirect taxes, and based on that, submitted this initial report. Tax simplification is an ongoing process which evolves over time. Therefore, it was recommended to let this sub-committee work even after the current budget is announced towards other long-term issues for simplifying the indirect tax regime e.g. levy of sales tax on services on either origination or termination basis and single return with identification of provincial head of account and direct deposit of share of tax of each province, etc.

Following are the major amendments proposed in the existing tax laws and their rationale behind each proposal:

Present position of tax law: Group Taxation in Sales Tax: At present, there is no concept of Group Taxation in the Sales Tax Act, 1990 (STA) on the pattern allowed under the Income Tax Ordinance, 2001 (ITO). As a result, refund of one group company is not adjusted against ST liability of other group company. Further, intra-group transactions are also subjected to sales tax.

Proposed change: A new section to this effect should be incorporated in the STA whereby group companies, eligible for group taxation under income tax, can opt for sales tax under the concept of single fiscal unit. As a result, sales tax refund of one group company would be adjustable against the sales tax payable of another group company. Further, any intra group transactions will be considered as non-taxable / zero rated for Sales tax purposes thereby eliminating the duplication of sales tax on such transactions. It would also provide an ease to the tax authorities to examine the returns and claim on consolidated basis rather than carrying out such examinations for each of the entity on individual basis. The above concept is already part of VAT laws of various developed economies of EU.

Rationale for change: Sales tax refunds are not easy to obtain. Slow processing of sales tax refunds and their accumulation is resulting in an ever increasing cost to companies as well as for the Government. Since the FBR is legally bound to pay compensation for delay of refund. Adjustment of refund within group company would resolve the issue to certain extent, without any revenue loss. Further, the concept will be given preference of economic substance over legal form. Provisions relating to compulsory sales tax audit can be introduced for companies opting for group taxation for sales tax purposes.

Present position of tax law: Sales Tax on Advances: - Prior to amendment made in Section 2(44) of the STA through the Finance Act 2013, ST was levied at the time of actual delivery of goods regardless of time of payment. Subsequent to the amendment, sales tax is also being charged at the time of advance payment.

It is recommended that collection of sales tax on advances should either be completely done away with or restricted to those sectors where there is problem/ possibility of revenue leakage.

Rationale for change: Collection of sales tax on advances has no permanent tax advantage. Due to timing difference advantage presently accruing to the Government, the taxpayer has to bear unnecessary compliance cost and accounting issues resulting in unnecessary reconciliations, and also leads to discrepancies in CREST.

Present position of tax law: Rationalization in Time Limit for different Compliances/filings: Under different provisions/rules, a time period has been specified which can be increased to facilitate the taxpayers and avoid unnecessary process/compliance for obtaining extensions/condonations.

Proposed change: The time period for the following can be rationalised as under:

1. Claiming input tax within 6 months u/s 7 be increased to 1 year.

2. Filing of refund claim for unadjusted input tax u/s 10 read with relevant rules, can be reduced to 6 months, which should be optional.

3. Time period for filing refund claim u/s 66 can be increased from 1 year to 2 year.

4. Time limit for payment of input tax u/s 73 (180 days) can either be withdrawn as government now allow input tax once sales tax is paid by seller (under STRIVE).or time limit should be increased to at least 1 year.

5. Time limit for issuing debit/credit notes u/s 9, as provided under the rules, can be increased from 180 days to 1 year.

Rationale for change: Rationalisation in time periods will not only facilitate taxpayers but will also reduce unnecessary approvals/condonations, and interaction between taxpayers and tax officer.

Present status of tax law: Stay against demand till first appeal upon payment of 25 percent demand: In line with amendment made in section 140 of the ITO through FA 2016, a new provision may be introduced in section 48 of STA to allow stay against demand till first appeal, upon payment of 25% of demand. Section 37(3) of FEA, allows stay (till first appeal or six months which is earlier) upon payment 15 percent of demand. Section 37 (3) may also be aligned if required, accordingly.

Rationale for change: Reducing unnecessary litigation, facilitating the taxpayers, and alignment with income tax law.

Present status of tax law: Discharge of tax liability at subsequent stage:– It is now a settled principle that if any liability for short paid tax is subsequently discharged then the same cannot be recovered from the taxpayer again, as it would tantamount to double taxation. At present, there is no express provision in STA to that effect.

Proposed; it is suggested that subsection 4B be inserted in Section 11 as follows: "Where at the time of recovery of Sales Tax under sub-sections (1), (2), (3) or (4), it is established that the sales tax that was required to be paid or deducted has meanwhile been paid by that person or recovered from the supply chain, no recovery shall be made from the person who had initially failed to pay or deduct the sales tax or had paid or deducted short amount of sales tax without prejudice to any liability on account of default surcharge or penalty, if applicable". Furthermore, where a tax is collected from a registered person, in respect of past tax liability, there should a mechanism probably through debit/credit notes whereby the registered person in next supply chain can adjust the same as input tax.

Rationale of the proposal: Recovery of tax should be restricted to cases where the sales tax in question remains unpaid. The proposed changes would not only simplify the process, but would also reduce litigation and increased tax revenues in long term. This is further in line with the underlying concept of neutrality of VAT. Sales tax being an indirect tax has to be ultimately passed on the end consumer without any additional burden on the persons in supply chain (except where they are subject to special tax regimes). In most of the cases, failure to charge sales tax (due to interpretational issues) eventually result in a direct cost to the seller without any recourse of recovery from the buyer hence increase in litigation. One can consider restricting the above benefits to the persons who are not otherwise found to be engaged in any tax fraud and who decides not to contest the matter in litigation.

Present status of tax law: Sales Tax Withholding rules/Anti-avoidance

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Provisions - After the introduction of STRIVE, input of sales tax is allowed after the FBR has secured sales tax from the supplier. Hence, there is no need to keep withholding provisions and certain anti-avoidance provisions in statute.

Proposal: It is recommended that Sales tax withholding should now be restricted to payment to unregistered persons with some minimum threshold. Further, withholding should be applicable at the time of payment (instead of present position requiring withholding at the time of accrual). Presently, Federal Sales Tax withholding provisions are not expressly applicable on services covered by FED (under sales tax mode). There is a difference of opinion on such matter which should be resolved by expressly making amendments in the Federal sales tax withholding rules to specify that withholding provisions are also applicable on all taxable services covered by FED law (to the extent of those services which are covered by Sales Tax mode).

Moreover, following anti-avoidance provisions may be withdrawn:

Section 8 (1) (ca)——Goods or services in respect of which sales tax has

Not been deposited in the Government treasury by the respective supplier.

Section 8 (1) (caa)——Purchase

In respect of which a discrepancy is indicated by CREST or input tax of Which is not verifiable in the supply chain.

Section 8 (1) (d)——-Fake invoices Section 8 (A)———Joint and several liability of registered persons in supply chain where tax unpaid.

Rationale: Simplification of tax law, and withdrawal of unnecessary provisions in statute to avoid its misuse. To provide clarity on application of sales tax withholding on services covered by FED law.

Present status of tax law: Appeal Effect Order under the sales tax and FED law:– Presently provisions relating to appeal effect order, similar to section 124 of the Income Tax Ordinance, 2001, are not available under the STA and FEA. Further, provisions of section 124A of Income Tax also to be incorporated in Sales Tax and Federal Excise laws to make it mandatory for tax authorities to follow the Tribunal and high Court's order irrespective of further appeal.

Proposal: Introduce enabling provisions in STA and FEA, in line with similar provision contained in ITO, to provide for processing appeal effect, and for following binding judgements of Appellate Tribunal and High court in taxpayer's case by assessing authorities.

Rationale: To align/ simplify tax laws, reducing litigation, and for reflecting correct position of demand in the records of the FBR.

Present status of tax law: Adjustment of sales tax refund with income tax liability: - It has been seen that a registered person's funds are stuck with the Inland Revenue in the form of sales tax refund and at the same time the taxpayer is required to pay income tax at the time of assessment of his income tax liability.

Present status of tax law: Condonation of time limit - In terms of Section 74 of the STA and section 43 of FEA, the Board and the Commissioner is allowed to condone the time where any timeline has been prescribed under any provision of the law. Moreover, Pursuant to Section 74/43 of STA/FEA, read with SRO 394(I)/2009/ 395(I)/2009, the Commissioner may condone 1 year lapse in any compliance related issue.

Proposal: A new provision may be introduced in sections 74/43 of STA/FEA, whereby a condonation shall be deemed to have been allowed, if the application is not approved within a period of 30 days. In case of rejection, taxpayer be allowed to file review application with CCIR. Moreover, powers given to Commissioner for condonation may be extended to two years from existing one year and a transparent web based mechanism be laid down for electronic processing, and follow-up/status of pending applications.

Rationale of the proposal: To avoid wastage of time and cost of the taxpayer.

Present position of tax law: Show cause notices–Presently detail/records are sought in the name of show cause notices under section 11 of STA/section 14 of FEA.

Proposal: Amendments are proposed in section 11/14 of STA FEA to the effect that no show cause notice shall be issued unless the definite information of tax evasion illegal input tax adjustment or refund etc is available with the tax officer through tax audit or otherwise.

Rationale of the proposal: To reduce misuse of show cause notices and litigation, resulting in increased revenue.

Present position of tax law: Multiple tax audit: - As per Section 25 of STA/section 46 of FEA, there can only be one audit per year However, in practice multiple audits are conducted under different names, ie, investigative audit, desk audit, audit for abnormal profile, etc, without following agreed/defined parameters and specified time frame. Audit observations are also not submitted within the prescribed time limit.

Present position of tax law: 'Further tax be part of output Tax - "Further Tax" has always been part of output tax in the past. However through the amendment made in Section 7 vide Finance Act 2014, 'Further Tax' is now not part of output tax leading to higher mandatory payment pursuant to Section 8B. Moreover, it is not adjustable against overall liability of the registered withholding tax agents and is directly payable to the exchequer.

Further Tax" should be treated as part of output tax.

Proposal: It is proposed that the expression "sold in retail" be inserted to the preamble of the rule 58S to read as under: (proposed insertion in italics). Option 1: "58S. Application.- The provisions of this Chapter shall apply to supplies of goods "sold in retail" specified in the following table…………...". OR Option 2: Insert an additional sub-rule under Rule 58T as below in To avoid piling up of refund and reduce the high cost of doing business in Pakistan for registered sector.

Present position of tax law: Rationalisation of extra tax regime: A. Several items have been removed from the Third Schedule vide SRO 895(I)/2013 and these items have now been included in the "Special Procedure for Payment of Extra Sales tax on Specified Goods" vide SRO 896(I)/2013.

Included therein are items which are consumed by Manufacturing Sector as Raw-Material which are now subject to Extra Tax @ 2 percent in addition to the normal 17 percent sales tax. Further as per section 8(1)(c) of the Sales Tax Act, 1990,the claim of this extra tax of 2% by way of input tax is prohibited.

It is proposed that the expression "sold in retail" be inserted to the preamble of the rule 58S to read as under: (proposed insertion in italics). Option 1: "58S. Application.- The provisions of this Chapter shall apply to supplies of goods "sold in retail" specified in the following table…………...". OR Option 2: Insert an additional sub-rule under Rule 58T as below in the "Special Procedure for Payment of Extra Sales tax on Specified Goods": "The purchases made by registered manufacturers, who acquire the specified goods to manufacture or produce taxable goods, shall not be subject to extra tax under this Chapter".

Existing law: Extra tax is applicable @ 2% on various items tabulated in Rule 58S of the Special Procedure for Payment of Extra Sales tax on Specified Goods. Subsequent supply of items subjected to Extra Tax is exempt from the levy of sales tax as per Rule 58T(5).

Extra Tax is collected to recover value addition tax on the whole supply chain at initial stage from manufacturers/importers.

Further tax @ 2 percent under section 3(1A) is applicable on supplies of goods to unregistered persons.

Proposal: Amendments be made in law to specifically exclude items subjected to Extra tax from the ambit of Further Tax.

Rationale: Extra Tax is collected to ensure collection of value addition of subsequent supply stage, therefore, levying further tax is an irritant and absurdity which needs rectification to streamline the VAT regime.

Existing law: Rationalisation of input tax: Clause (a) of section 8(1) restricts input tax adjustment on goods and services used for purpose other than for taxable supplies. Restriction in almost similar manner have also been provided in clauses (f) and (g) of section 8(1).

Proposal: To delete clauses (f) and (g) of section 8(1) of STA.

Rationale: Extra Tax is collected to ensure collection of value addition of subsequent supply stage, therefore, levying further tax is an irritant and absurdity which needs rectification to

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streamline the VAT regime.

Clause (a) of section 8(1) is sufficient to disallow input tax adjustment on goods/services used for purpose other than taxable supplies, therefore, additional conditions, being superfluous, should be deleted.

Present position: Provisions relating to income tax neutrality on transfer/disposal of business under various scenarios are covered under sections 95 to 97A of the Income Tax Ordinance, 2001. However, such provisions are not specifically provided under the Sales Tax Act, 1990. Although the concept is embedded in section 49 but there is always a chance of misinterpretation.

Proposed change: in order to avoid chances of misinterpretation, express provisions be added for providing sales tax neutrality on transfer of assets under Scheme of Amalgamation/transfer of assets as part of going concern.

Rationale: To align sales tax and income tax laws and to avoid unnecessary interpretational disputes between tax department and the taxpayers.

Present status: Federal Excise Duty (FED) on purchases is adjustable on payment basis rather than on accrual basis. Moreover, there is also a condition for adjustment that sales proceeds of goods including related FED are received through banking channel. For services (such as franchise) which are subject to lower rate of tax under FED, there is no corresponding adjustment against the output tax.

Proposal: Adjustment of FED should be allowed on accrual basis i.e. in the month in which purchase is made, in the same manner as it is allowed in the sales tax law. Condition of adjustment after receiving sale proceeds of goods should also be abolished. For franchise services, it may be made optional for the franchisees (in line with Sindh Sales Tax law) that if they want to opt for normal rate of payment they can do so with a corresponding adjustment against their output tax. As an alternative, all services presently subject to FED should be removed from the scope of FED and incorporated in ICT Sales Tax law so as to be subject to normal sales tax rate with corresponding input tax adjustment.

Rational: Condition of claiming FED on payment basis is inconsistent with the requirement of discharging FED liability on sale of goods on accrual basis i.e. in the month of sales/supply.

Present law: At present, there are various services which are taxable in Provincial Sales Tax law but not taxable in ICT Sales Tax law or there are different definitions or interpretations of certain entries.

Proposed change: The existing list of taxable services in ICT Sales Tax law should be updated to include all services which are otherwise taxable in different provinces. This will remove the arbitrage as certain services are capable of being transferred to ICT instead of Provinces. Further, certain headings of ICT Sales tax law need to be revised to keep them all encompassing. For instance, the services of Software and IT based system development consultants need to be aligned with the similar entry in Punjab law which is more extensive and cover all services of IT sector.

Rationale: Brings consistency in provincial laws of sales tax to remove the arbitrage and possibility of avoidance of tax by shifting certain activities to Islamabad from other provinces.

Existing law: It is an accepted principle of VAT around the world that export of services is subject to zero rating regime. However, no such concept is explicitly available in FED or ICT sales tax law.

Proposed law: Enabling provisions should be introduced in both FED and ICT Sales tax law to provide zero rating/exemption on export of services subject to receipt of foreign exchange through official banking channels and subject to other reporting requirements of State Bank of Pakistan.

Brings consistency in provincial laws of sales tax to remove the arbitrage and possibility of avoidance of tax by shifting certain activities to Islamabad from other provinces.

Rationale: There are similar provisions in Punjab and Sindh sales tax law. The absence of such provisions in FED and ICT law is counterproductive for export related sectors situated in Islamabad particularly in IT Sector.

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AIIB approves seven new members

BEIJING: The China-backed Asian Infrastructure Investment Bank (AIIB) said on Saturday it had approved seven new members to join the bank, a day before China's biggest diplomatic event of the year kicks off.

Leaders from 29 countries will attend China's new Silk Road forum in Beijing on Sunday and Monday, an event orchestrated to promote President Xi Jinping's vision of expanding links between Asia, Africa and Europe underpinned by billions of dollars in infrastructure investment.

Delegations from around the world will attend including the United States and North Korea.

The new members are Bahrain, Bolivia, Chile, Cyprus, Greece, Romania and Samoa, bringing the bank's total membership to 77 countries.

The bank's president Jin Liqun held a joint press conference with Chilean President Michelle Bachelet to announce the new members.

“Better infrastructure across Asia will allow Chilean goods to access new markets, more investment in Chilean infrastructure in turn will further bind together the two great continents of Asia and Latin America,” said Jin.

“We think there are a lot of projects that can link Asia with or through Latin America,” said Bachelet, adding that she had spoken with Jin about the possibility of investing in a Trans-Pacific optic fibre cable to improve digital connectivity between Asia and Latin America.

“The cable could be considered a part of the ‘One Belt, One Road Initiative’ and transform the Pacific Ocean into a bridge between our regions,” she added, using another name for China's “Belt and Road Initiative” or new Silk Road plan.

Other investments could include tunnels and highways across the Andes Mountains and ports to link Latin America and South America to Asia, Bachelet added.

Thirteen prospective new AIIB members from around the world, including Canada, were approved in March.

“Expanded membership to Africa, Europe and South America, along with the addition of further members in Asia shows the level of global commitment towards the bank's mission and illustrates the momentum that has gathered since 20 countries signed initial memoranda on establishing the bank less than three years ago,” said Jin.

The multilateral institution, seen as a rival to the Western-dominated World Bank and Asian Development Bank, was initially opposed by the United States but attracted many US allies including Britain, Germany, Australia and South Korea as founding members.—Reuters

BUSINESS
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THE RUPEE: Steadier trend

RECORDER REPORT

KARACHI: Firmness prevailed on the money market on Saturday as the rupee held its overnight levels in process of trading, dealers said.

OPEN MARKET RATES: The rupee did not move any side against the dollar for buying and selling at Rs 105.80 and Rs 106.00 respectively, they said. The rupee lost 55 paisas versus the euro for buying and selling at Rs 114.70 and Rs 116.20, they said.

At the week-end, the US dollar fell, easing from a roughly two-month high against the yen touched in the prior session and slumping against the euro, after weaker-than-expected US economic data raised doubts about whether the Federal Reserve would assume a hawkish bent through the end of the year.

The US core consumer price index (CPI) increased 1.9 percent year-on-year in April, the smallest gain since October 2015. Economists polled by Reuters expected the inflation measure to remain at 2 percent.

Federal funds futures implied traders saw about a 49 percent chance the Fed would increase rates twice by the end of 2017 shortly after the data, compared with 54 percent just before the release of the latest readings on US store sales and the consumer price index, CME Group's FedWatch program showed.

Open Bid	Rs. 105.80
Open Offer	Rs. 106.00

RUPEE IN LAHORE: The Pakistani rupee failed to sustain as it depreciated by 10-paisa against the US dollar in the local currency market on Saturday.

According to currency dealers, the US dollar resumed trading on a positive note following fresh buyers' interest in the market.

As a result, it rose to Rs 105.90 and Rs 106.10 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 105.80 and Rs 106.00 respectively, they added.

Moreover, the local currency lost its worth on buying side while it stayed unchanged on selling side versus the pound sterling.

The British currency was bought and sold at Rs 135.70 and Rs 136.50 against Friday's closing rates of Rs 135.40 and Rs 136.50, respectively, they said.

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

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

Pound Sterling opened at Rs 135 (buying) and Rs 135.50 (selling). It closed at the same rate.

BUSINESS
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Business confidence declines during last six months: OICCI survey

RECORDER REPORT

KARACHI: Business confidence in Pakistan has declined during the last six months due to challenges the country is facing in energy, security and government policies, according to a recent survey conducted by the Overseas Investors Chamber of Commerce and Industry (OICCI). OICCI announced the results of the Business Confidence Index Survey (BCI) - Wave 14- conducted throughout the country in March/April 2017.

Overall Business Confidence Score (BCS) remains positive, but the positively has declined from 17% in November'2016 to 13% in the latest survey with a drop of 4%. The OICCI April 2017 Survey released on May10, 2017 shows decline in business confidence among manufacturing and retail segments but improvement has been recorded in the services segment.

In line with the previous surveys the April 2017 BCI survey is also not one dimensional and a large number of respondents have expressed satisfaction, albeit with a lower BCS as compared to the previous survey, on a number of same matters which have been cited as concerns by a majority of respondents.

The sentiments of the leading foreign investors, represented by OICCI members, who were randomly included in the current survey, also declined by 9% as compared to last November 2016 survey, but with a BCS of 37%, they continue to maintain significantly more positive sentiments than the remaining respondents, which augers well for future FDI inflow.

Commenting on the BCI results, OICCI President Khalid Mansoor said "downward trend in the business confidence, including amongst foreign investors, is alarming, considering current improved economic parameters, government focus on improving the energy and security situation, and the positive fall out expected from the ongoing CPEC projects". He added "OICCI members are confident that economic managers of the country will analyze key messages coming out of this latest comprehensive sentiment of the business community to take proactive corrective measures to reverse the trend."

The key factors affecting the current BCS results comprise of following indicators:

* Significantly reduced level (-17%) of capital investments foreseen in the next six months as compared to the plans in the previous survey.

* Global, Pakistan and Industry business situations in the past six months were perceived as negative (-15%, -9% and -4%), which contributed significantly to the decline in Business Confidence Score.

* Law & order situation/security concerns, energy shortages, inadequate basic Infrastructure, and high cost of doing business have been highlighted as key impediments for the low local and foreign direct investment in the country.

* Around 76% business entities believed that law and order situation in Pakistan has improved. The respondents are not sure of the sustainability of the improved security situation. Moreover the increasing level of street crimes and occasional act of terrorism, like the one in Sehwan and Lahore during the period of this survey, have had serious negative impact on the image of the country and also affected their response in the survey.

* Street Crimes (66%) followed by Kidnapping for ransom (57%) and Threats (52%) remain the major concern for businesses at all levels whether it is their own, customers' or suppliers businesses or their respective employees.

* Energy crises remains one of the biggest concern among business entities which they feel will have a more negative effect in future. Moreover business entities once again have confirmed that they do not foresee the government to be able to solve the energy issues before elections in 2018. The pessimism on energy is more pronounced in wave 14 than before.

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* Existing Government policies such as increase of Circular Debt (71%), unsatisfactory Inter-provincial Coordination on Taxation matters (53%), and continuation of Super Tax for another year (51%) are the major government policies brought into spotlight by this survey that are adversely affecting the businesses.

* Steady increase in inflation in the last few months has raised concern of rising cost of doing business.

* Around 48% business entities mainly in the manufacturing and services sector highlighted Pakistan's declining exports as a matter of serious concern. Exporters identified high cost of doing business, especially energy cost, as an impediment.

* Overall, 62 percent business indicated that recent revelations on offshore companies will negatively affect the trust level of investors/ businesses, in respect of government and regulatory institutions.

* High or volatile energy cost (79 %) , bribery and corruption (79 %) , supply chain disruption (79 %), and intellectual property right (IPR) infringements (78%) have been identified as potential threats for growth of business entities.

During April 2017 survey services sector BCS recorded growth of 4 % to 18 % which is quite encouraging considering this sector had recorded the highest fall by 28 % (42 % in April 2016) in the November 2016 BCI survey. Both manufacturing and retail sector were down compared to November 2016 survey. Retail sector BCS went down by 4 % (from 17 %in November 2016 to 13 %) and the confidence of manufacturing sector also retreated by 9 % (from 18 % in November 2016 to 9 percent).

Sectorial business confidence reflected that financial services (58%), chemical/cement (25%), nonmetallic (23%), and real estate (21%) as the most flourishing sectors followed by transport and communication (14%) and food (13%). However tobacco (-38%), Petroleum (-13%) and textile (-2%) came out as the most conservative sectors in the latest survey. Automobile industry confidence has recorded the steepest fall from a positive of 42% in November 2016 to only 4% in this survey-a fall by 38 %.

BCS of metro cities of Karachi, Lahore, Islamabad combined, declined and recorded a positive of 10% only, as compared to 19% in the previous survey, mainly due to fall in BCS of Lahore to a negative 3% from positive 26% in the previous survey.

BCS for Karachi on a stand alone basis declined to positive 10% v/s 17% previously whereas for Islamabad/ Rawalpindi registered a significant improvement and posted a BCS of 33% v/s 19% in the last wave 13 surveys. The BCS of non-metro cities of the four provinces improved to a positive 20% compared to 8% recorded In November survey.

OICCI members' response has been relatively more negative in the past six months on the local business situation as well as global situation and employment opportunities also seen to be constrained. This may have been caused by less than satisfactory interaction by authorities at the federal and provincial level, delayed resolution of pending issues like long pending tax refunds, lack of effective cooperation on inter provincial issues, increasing taxation on large businesses and insufficient dialogue on operational issues by the respective authorities. Imposition of super tax for yet another year appears to have become a major concern of OICCI members.

During wave 14, the overall business confidence scores have declined on two tiers, global and Pakistan whereas city business situation remain static and decline was noted in the business situation in own industry. Marginal improvement of one percent has been noted in own business of respondents.

Manufacturing sector indicated that business situation had worsened at all tiers in past six months. Retail sector reported the decline at global, country and city level in the past six months, whereas services sector indicated drop at global and at their business level.

BUSINESS
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SBP grants banking licence to Bank of China

RECORDER REPORT

KARACHI: The State Bank of Pakistan (SBP) has issued a banking licence to the Bank of China.

The bank will commence its business in branch mode after meeting other regulatory requirements.

The Bank of China is a subsidiary of China Central Huijin, an investment arm of the Government of China. The Bank of China is not only operating in the Chinese mainland, but its footprints have reached 50 countries.

Nineteen of those countries are located across Chinese "One Belt One Road" initiative. At the end of 2015, the Bank had a total of 11,633 institutions including 644 in overseas markets.

The Bank of China is the 4th and 5th largest global bank in terms of Tier-1 Capital and total assets, respectively. It is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The bank will initially bring $ 50 million to fulfill the Minimum Capital Requirement of SBP. The long-term objective of the Bank of China is to increase its market penetration by opening branches in major cities of Pakistan aiming to be one of the largest foreign banks in Pakistan.

The Bank of China aims to provide differential and specialized banking services to effectively serve the financing needs of China Pakistan Economic Corridor (CPEC) related projects by leveraging on its experience and global technology platform.

The Bank of China is the second Chinese bank entering Pakistan. The Bank of China's entry represents growing confidence of international investors in the country's banking sector and stable economic outlook.

BUSINESS
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Cotton market:

Trade activity may gain momentum on incentives news

RECORDER REPORT

KARACHI: The volume of business was firm on the cotton market on Saturday following the announcement of incentives' package by the government for growers, dealers said.

The official spot rate was unchanged at Rs 6700, they said. In ready session, approximately 400 bales of cotton from Rahim Yar Khan at Rs 7000, they said.

Cotton analyst, Naseem Usman said that the government must announce the Support Price for seed cotton (per 40 kg) to help growers.

Like other countries of the world, this year Pakistan may be able to achieve higher cotton production in the current season, he added.

Other brokers said that cotton growers and farmers were seeking free of cost cotton seed to improve yield.

Some experts were of the view that ban on cotton import from India, besides, ban on sowing of rice in Nawabshah and favourable weather giving impression of better outcome.

Adds Reuters: ICE cotton futures surged to trade limit up on Friday, hitting a near-three year high and settling at the highest since June, 2014 on strong demand from pending mill fixations and fund buying as supplies of the natural fibre have been tightening.

The benchmark cotton contract on ICE Futures US settled up 3 cents, or 3.79 percent, at 82.18 cents per lb., the highest since June 2014

Weekly export sales data from the US Department of Agriculture (USDA) on Thursday showed net upland sales for the 2016-17 crop last week totalled 160,600 running bales, up 5 percent from the week before.

The July cotton contract on ICE Futures US settled up 3 cent, or 3.79 percent, at 82.18 cents per lb. It traded within a range of 79.15 and 82.18 cents a lb. The contract rose about 5.7 percent this week, the highest since mid-July.

Total futures market volume fell by 11,077 to 54,652 lots. Data showed total open interest fell 1,529 to 252,511 contracts in the previous session.

Only one deal of 400 bales of cotton from Rahim Yar Khan finalised at Rs 7000, 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 12.05.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,700	135	**6,835**	**6,835**	NIL
40 Kgs	7,180	145	**7,325**	**7,325**	NIL

BUSINESS

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Taxpayers must be new VIPs of society

Javeria Khalid

Recently there has been a blurring of the lines between public goods and private goods with the private sector stepping in to finance public goods and the public sector providing goods that can be classified as rival and excludable. But how can the government reorient its policies to take advantage of this? Take the case of the free Wifi hotspots set up by Punjab Information Technology Board (PITB) at various public places such as hospitals, universities, railway stations, etc. These Wifi hotspots provide free connectivity to the citizens of Punjab at selected public locations. Instead of providing free internet connectivity to all citizens, this service can be provided exclusively to taxpayers only by asking users to enter their National Taxpayer Number (NTN) as the password for this service. This can also be linked to the Punjab Safe City Project portal whereby only taxpayers are allowed to log in to their portal and receive traffic and weather updates as well as other exclusive information that improves their road experience.

This calls for a paradigm shift so that taxpayers become the new VIPs of society receiving special treatment at airports, railway stations, Nadra offices as well as other public offices. Citizens can be issued National Taxpayers Card which they can swipe/enter NTN to receive priority in online seats reservation especially on Eid holidays and other festive occasions when citizens are scrambling to get their seats reserved. Special queues and terminals for taxpayers when boarding airplanes, trains, etc., can be made to bring about a cultural change whereby the taxpayers receive elite treatment and those in the other queue are looked down upon. This cultural change would encourage individuals who are not in the tax net to become taxpayers.

In order to account for citizens who pay only nominal taxes but not the amount due towards them, the National Taxpayers Card may be segmented into a Silver, Gold and Platinum category whereby the kind of privileges they avail go up with the kind of card they are holding. Just like a Silver, Gold, Platinum credit card is taken as a symbol of status, a new cultural change needs to be brought about whereby citizens in possession of these categories of National Taxpayers Cards are treated as the new VIPs.

Private companies or brands also need to be encouraged to enter the bandwagon of bringing about the cultural change of making taxpayers the new VIPs of our society by providing special discounts at their outlets to holders of Silver, Gold, Platinum Taxpayers Cards as part of their Corporate Social Responsibility (CSR) activities. The companies most enthusiastic about these initiatives of the government can be rewarded by the government at the end of the year through interest free loans, etc. This sharing of responsibility in bringing about cultural change in society would become the new emblem of Public Private Partnership. These discounts can be extended to grocery bills at Utility Stores, and Canteen Store Departments (CSDs) etc., so that indirect taxation is replaced with direct taxation and the burden of taxation does not fall on the less fortunate segment of the society.

(The writer is an Assistant Research Fellow at Punjab Economic Research Institute, Lahore)

BUSINESS
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Sunday, 14th May, 2017

Faisalabad yarn and fibre prices

RECORDER **REPORT**

FAISALABAD: Cotton yarn rates in rupees per 10 Lbs on Saturday (May 13, 2017).

6-8/S Cone (Cotton)

ARY 480.00

Sher 400.00

Nelibar 660.00

Al-Falah 540.00

Chagi 400.00

Shaheen 400.00

Nelum 400.00

10/S Cone (Cotton)

Sufi 660.00

Model Soft 660.00

Adil 500.00

Neilum 535.00

Nelibar 690.00

Owais Karni 500.00

Gold Star 690.00

Urooj 690.00

Shaheen 660.00

Al-Falah 490.00

Zam Zam 480.00

A.T.M 510.00

Sun flower 490.00

Apple Soft 640.00

Apple Hard 630.00

Ton-Ton 630.00

10/S Cone (Soft)

Es Guard 965.00

S.B. 840.00

Nelibar 850.00

Kinoo 900.00

Malta 970.00

Ayesha 840.00

12-14/S Cone (Cotton)

Model 700.00

Qadri 650.00

Adil 680.00

16-18/S Cone (Cotton)

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Nova 710.00

Chagi 700.00

Adil 700.00

Model 750.00

Neeli Bar 1070.00

Super Motia 775.00

Prince 690.00

Prince W 1070.00

Acro 970.00

Apple 830.00

Malta 920.00

Golden Eagle 850.00

20/S Cone (Cotton)

Zahidjee 1250.00

Anmool 1200.00

J.K. 1240.00

Khalid Shafiq 1040.00

Acro 1040.00

Darulsalam 1200.00

Ravi 1030.00

Hadabia 1230.00

22/S Cone (Cotton Warp)

Crescent 1280.00

Yahya 1260.00

HAR 1285.00

Tayyab 1240.00

Polo 1240.00

Ulfat 1260.00

24/S Cone (Cotton Warp)

Polo 1330.00

Prince 1290.00

Acro 1260.00

H.A.R. 1260.00

Silver Lines 1320.00

ATM 1310.00

Anmool 1330.00

30/S Cone (Cotton Warp)

Al Noor 1440.00

Crescent 1440.00

Acro 1430.00

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Glamour 1340.00

Arain 1420.00

J.K. 1400.00

Gulistan 1525.00

Ujalla 1410.00

Khalid Shafique 1465.00

Shafi 1420.00

Chakwal 1525.00

Anmool 1430.00

Ittehad 1430.00

Hadabiya 1460.00

32/S Cone (Cotton)

Ahmad 1435.00

Malikwal 1430.00

Chand 1425.00

J.K. 1575.00

Target 1460.00

Hadabiya 1440.00

A Three 1450.00

Araian 1430.00

Acro 1425.00

Nafees 1420.00

H.H. 1430.00

40/S Cone (Combed Cotton)

JK 1710.00

JK Carded 1560.00

Acro 1710.00

Nishat 1775.00

Betray 1610.00

Ittihad 1630.00

Al-Nasar 1700.00

Ejaz 1620.00

Nafees 1560.00

Nisar 1755.00

Three-G 1535.00

Suraj 1730.00

MKB 1530.00

Ramzan 1540.00

Ahmad 1510.00

Super Shaheen 1520.00

Darul Islam 1525.00

Four-G 1570.00

A. Three 1520.00

Azam 1500.00

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Wasal Kamal 1520.00

Super Gold 1540.00

Jubilee 1530.00

Babri 1520.00

Sally 1550.00

52/S Cone (Combed Cotton)

Crescent 2100.00

Ittihad 2125.00

Suraj 2250.00

Al-Nasar 2100.00

Tanveer 2125.00

Sultan 1900.00

Diamond 2000.00

Koiyal 2025.00

Malikwal 1950.00

Parado 2050.00

Four Star 2100.00

N.P. 2020.00

Prime Plus 1900.00

Saif 2020.00

Super Shaheen 1800.00

Nafees 1900.00

Habib 2025.00

Colony 1950.00

Umer auto 1700.00

Two-G 1900.00

60/S Cone (Combed Cotton)

Nishat 2275.00

J.K. 2250.00

Ittehad `2250.00

Mapal Leaf 2325.00

Koiyal 2450.00

Gujjar Khan 2400.00

Pagri 2400.00

Deen 2225.00

Alam 2350.00

72-74/S Cone (Cotton)

Prime 2400.00

Commander 2400.00

N.P. 2525.00

Tower 2500.00

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80/S Cone (Cotton)

Gold King 2650.00

Super King 2675.00

Mapel Leef 3025.00

Amjad 2800.00

Khan Buhadur 2750.00

Admiral 2850.00

Commander 2800.00

Four Star 3025.00

Rolex 3000.00

Diamond Gate 3025.00

Al Falah 3050.00

Chairman 2950.00

Battery 3125.00

Chairman 2950.00

30-31/S Cone (Polyester Cotton)

Gold Star 139.74

Sun 130.56

JK 109.00

Bilal 103.00

Tahir Rafique 106.00

Zahidjee 106.00

Bashir 114.00

Shadman 105.00

Sarfraz 105.00

Cherry 105.00

Khalid Nazir 105.00

Wasal Kamal 104.00

North Star 105.00

Super Khuwaja 106.00

Anaar 115.00

Action 96.00

Marjan 107.00

Pak Panther-ll 106.00

Nayab 109.00

Kiran 113.00

NP 109.00

Mehtabi 105.00

Club 109.00

K.K. 107.00

Ruby 110.00

Metro 98.00

38/S Cone (Polyester Cotton)

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Gold Star 150.96

Shahpur 136.96

North Star 136.00

A.D. 112.00

Multan 116.00

Golden 111.00

Kirshma 111.00

Al-Azhar 136.00

Sarhad 113.00

Aslam 94.00

Corolla 110.00

Royal 107.00

Chairman (N) 111.00

40/S Cone (Polyester Cotton)

A.A. 161.16

Mehtabi 138.00

Shadab 139.00

Marjan 132.00

40/S Cone (AV)

Koiyal 170.00

Super LG 154.00

A.J. 165.00

Ahmad Fine 160.00

Asheana 206.04

40/2 Cone (AV)

Koiyal 184.00

Super LG 179.00

A.J. 180.00

Ahmad Fine 174.00

30/S Cone (CVC)

Ayesha 125.00

SUN 134.65

Kamal 124.00

26/S Cone (PV)

AA 122.40

Ashiana 121.38

MM 92.00

Blue Star 93.00

Super Jett 93.00

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Shuttle 91.00

M-4 95.00

Bemisal 90.00

Ghouri 91.00

U-2 93.00

L.G. 102.00

U-7 85.00

Triple two 89.00

AJ Gold 92.00

Candle 92.00

Jaguar 92.00

34-36/S Cone (PV)

A.A. 143.86

Ashiana 142.84

Sapna 134.00

Blue Star 104.00

Super Jett 104.00

Shahzad-H 105.00

Shuttle 102.00

Bemisal 101.00

Shuttle less 102.00

Cheeta 98.00

Candle 102.00

Target 101.00

Dewan 102.00

Royal 97.00

Spin Cott 102.50

H.R. 101.00

S.S. 112.00

Tanveer 110.00

44-46/S Cone (PV)

A.A. 172.36

Ashiana 171.34

Sapna 151.00

Super Jet 120.00

Bemisal 119.00

Marghala 120.00

U-2 120.00

Cheeta 120.00

Target 119.00

S.S. 135.00

65/S Cone (PV)

Ashiana 223.38

U-2 175.00

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Bemisal 170.00

Ghori 175.00

Cheeta 175.00

A.J Gold 178.00

Tanveer 170.00

Maqbool 170.00

34/S Cone PP

Zamin 79.00

Shadman 98.00

Ellahi 98.00

Dewan 80.00

U-2 81.00

60/S Cone PP

Zamin 104.00

Anwar 103.00

Taj Mahal 103.00

36-38/S Cone (Staple)

Diamond Gate 1600.00

Marghala 1560.00

Saif 1570.00

Four Star 1590.00

A.J. 1620.00

Fazal Cloth 1560.00

L.G. 1550.00

Super Gold 1570.00

Azam 1560.00

Best 1540.00

K.P.K. 1560.00

Colony 1600.00

Martial 1580.00

30/S Cone (Ecrylic)

Koial 152.00

Saif 150.00

Combine 136.00

40/S Cone (Ecrylic)

Koial 164.00

Saif 163.00

Combine 146.00

Pagri 162.00

BUSINESS
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Karachi Yarn Market Rate

RECORDER **REPORT**

KARACHI: Karachi Yarn Market Rates on Saturday (May 13, 2017).

CONES CARDED

10/1.

Popular Fibre 920

Diwan 950

Tritex 930

12/1

Nadeem Textile 1120

Indus 1160

Popular Fibre 1100

Bajwa 1150

16/1.

Nadeem Textile 1180

United 1190

Popular Fibre 1150

Abdullah Textile 1150

Indus 1220

A. A. Cotton 1200

Tritex 1170

Bajwa 1210

21/1.

Ishtiaq Tex 1240

Al-Karam(A.K) 1250

Suriya Tex 1250

United 1250

GulAhmed(G.Lite) 1260

Popular Fibre 1220

Shadman 1240

Indus Dyeing 1290

Abdullah Textile 1220

Lucky Cotton 1230

A. A. Cotton 1300

Diwan 1240

CONES CARDED

22/1.

Bajwa 1270

United 1260

24/1.

A. A. Cotton 1370

Tritex 1320

26/1.

AL-Karam 1370

Dewan 1320

Amin Text 1350

Shadman Cotton 1350

Diamond Int'l 1320

Popular Spinning 1300

Ishtiaq Textile 1320

Lucky Cotton 1320

A. A. Cotton Hosiery 1450

28/1

Abdullah Textile 1350

30/1.

Amin Tex. 1450

Al-Karam 1430

Jubilee Spinning 1350

GulAhmed(G.Lite) 1430

Lucky Cotton 1350

Diamond Intl 1400

A. A. Cotton Hosiery 1480

32/1

Abdullah Textile 1380

40/1

Lucky Cotton 1650

52/1

Lucky Cotton 1700

COMBED CONE

40/1

Indus CF 1740

20/2.

GulAhmed 1340

Amin 1350

Indus Dyeing 1360

Bajwa 1350

Shadman Cotton 1340

42/1

Abdullah Textile 1650

52/1

Abdullah Textile 1750

20/1. SLUB

Abdullah Textile 1300

30/1 SLUB

BUSINESS

RECORDER

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Abdullah Textile 1520

60/1.

Abdullah Textile 1750

70/1

Abdullah Textile 1850

CHEES CONES

10/1.

Kasim Tex 700

Latif Tex.(Latif) 700

Super 690

Abdullah Textile (OE) 690

16/1. (O.E.)

Kasim Textile 880

Masal 870

RATES OF PAKISTANI/IMPORTED POLYESTER YARN (PER LBS) + GST

Imported 50/36 FDY 90.00

Local Mill 130.00

Rupali 75/78 FDY NA

Import 75/72 FDY 72.00

Local Mill 82.00

Rupali 75/36/0 & 75/24 DTY 90.00

Imported 75/36/0 DTY 84.00

Local Mill 83.00

Rupali 75/128 INT DTY 100.00

Local Mill 115.00

Imported 75/72 INT DTY 83.00

Local Mill 105.00

Imported 75/144 INT DTY 83.00

Local Mill 110.00

Rupali 300/96/ INT DTY 80.00

Imported 300/96/ INT DTY 70.00

Local Mill 66.00

Rupali 300/96/0 DTY 74.00

Imported 300/96 DTY 69.00

Local Mill 63.00

Rupali 75/24 INT DTY 100.00

Imported75/36 INT DTY 96.00

BUSINESS
RECORDER

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Local Mill
85.00

Rupali 150/48/0 DTY
76.00

Imported 150/48/0 DTY
74.00

Local Mill
70.00

Rupali 150/48 INT DTY
81.00

Imported 150/48 INT DTY
74.00

Local Mill
73.00

Imported 150/144 SIM
75.00

Local Mill
NIL

RATE OF BLANDED YARN IN RUPEES

(PER LBS)

P.V. CONES

18/1 PV

A.A. Textiles
107.00

20/1 PVB

A.A. Textile
110.00

A. A. Cotton
109.00

24/1 P.V. BRIGHT

A.A. Tex.
115.00

Sana
109.00

A. A. Cotton(80:20)
114.00

26/1.PV Bright

A.A. Tex.
120.00

Sana
111.00

30/1 PV

A.A. Tex."Z" Twist
126.00

Sana
120.00

A. A. Cotton
125.00

26/1 P.V. (S.D.)

A.A. Textile
120.00

A. A. COTTON
128.00

36/1 PV (SD)

A.A. Textile
145.00

40/1. (PVB)

Sana
138.00

A. A. Cotton
145.00

A. A. Textile
145.00

46/1 PVSD

Ibrahim Fibre
170.00

28/1 PV SLUB

A.A. Clock Tower
150.00

30/1 PV SLUB

BUSINESS

RECORDER

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A. A. Cotton (PVB)
150.00

A. A. Cotton (PC)
155.00

A. A. Cotton SLUB(PP)
150.00

Sana SLUB (PP)
145.00

Sana (PV)
150.00

Sana SLUB (V)
165.00

40/1 SLUB

Sana (V)
180.00

SEWING THREAD YARN

Sana

21/1 PP
84.00

30/1 PP
96.00

40/1 PP
105.00

50/1 PP
122.00

20/1 PVT

Sana
118.00

30/1 PVT

Sana
128.00

10/1 PP

A. A. Cotton
93.00

12/1 PP

A. A. Cotton
98.00

16/1 PP

A. A. Cotton
103.00

20/1 PP

Sana
110.00

Diwan
98.00

A. A. Cotton
110.00

Agar
96.00

26/1 PP

A. A. Cotton
115.00

30/1 PP

Agar
101.00

Anwar
109.00

Sana
120.00

Diwan
103.00

A. A. Cotton
120.00

34/1. (PP)

A. A. Cotton
99.00

40/1 PP

A. A. Cotton
133.00

60/1. (P.P)

Agar
124.00

BUSINESS RECORDER

Sunday, 14th May, 2017

Diwan 125.00

Anwar 130.00

A. A. Cotton 146.00

8/.1.

A. A. Cotton (52 48) 95.00

10/.1.

Zainab 115.00

A. A. Cotton 95.00

Lucky Cotton 135.00

12/1

A. A. Cotton 100.00

14/1

Zainab Tex 118.00

A. A. Cotton 105.00

16/1

AA SML Carded (52 48) 114.00

IFL (52 48) 120.00

A. A. Cotton 105.00

P.C. COMBED

20/1. PC

A.A.SMLCARDED 123.00

Zainab (Combed) 123.00

A. A. Cotton (Carded) 112.00

A. A. Cotton CVC (65 : 35) 110.00

24/1. PC

A. A. SML Carded 123.00

Zainab (Combed) 128.00

A. A. Cotton 109.00

25/1

A.A. Cotton 117.00

30/1. PC (52 : 48)

Zainab Textile (combed) 138.00

Stallion 100.00

K. Nazir 112.00

Al-Karam 112.00

AA SML (Carded) 131.00

A. A. Cotton (Carded) 122.00

A. A. Cotton CVC (65 : 35) 114.00

36/1. PC

IFL Tex(Combed) 149.00

A. A. Cotton 140.00

40/1 PC

BUSINESS RECORDER

Sunday, 14th May, 2017

A.A. Textile (Combed) 157.00

45/1 PC

Zainab 170.00

10/1 CVC

A. A. Cotton (60:40) 100.00

12/1 CVC

A. A. Cotton (60:40) 107.00

16/1 CVC

A. A. Cotton (60:40) 112.00

20/1 CVC

A. A. Cotton (60:40) 118.00

AASML 114.00

24/1 CVC

A. A. Cotton (60:40) 123.00

Sana 146.00

AASML 111.00

30/1 CVC

A. A. Cotton 128.00

AASML 122.00

40/1 CVC

A. A. Cotton 140.00

40/.1. VISCOSE

Sana 160.00

Sana Acrylic 160.00

READY RATES OF STAPLE FIBER IN RUPEES

POLYESTER K.G.

I.C.I. 1.D 125.00

I.C.I. 1.2 (SD) 125.00

I.C.I. Bright 127.00

Rupali 1.D 125.00

Rupali 1.2 (SD) 125.00

POLYESTER K.G.

Ibrahim Fiber(SD) 125.00

Ibrahim 1.D 125.00

Ibrahim Fiber Bright 127.00

Ibrahim Trilobal Bright 127.00

VISCOSE K.G.

FCFC 44 MM Taiwan 240.00

FCFC 51 MM Taiwan 240.00

Grysum India 240.00

Thai Reyon 51 MM 240.00

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S.P.V. Ind. 51 MM Indonesia 240.00	ACRYLIC FIBER K.G.	Monty 1.2x51 Italy 205.00
--	--	Acelon Korea 1.2x51 205.00

DAWN
Sunday, 14th May, 2017

A pall of gloom in Sindh

MOHAMMAD HUSSAIN KHAN

SINDH has experienced the highest average urban unemployment growth of 1.8pc during the period between 2001-02 and 2013-14, says the annual review of social development done by Social Policy and Development Centre (SPDC) in 2014-15. The total labour force of Sindh was calculated at 6.3 million and employed labour force was 5.9m against 400,000 unemployed. In view of these statistics, the rate of unemployment stood at around 6.3pc in urban Sindh in 2013-14. Numbers beyond that point are not available which tells its own tale.

The picture looks gloomy in Sindh — the second most populous province — where the Agriculture sector is struggling amidst pathetically low commodity prices coupled with lower per-acre yields in cash crops like cotton, and the Industrial sector is faced with a host issues.

According to Mahmood Nawaz Shah, a farming community leader, the sector has shown -2.5pc growth from 2006-07 onwards. This used to be 4.5pc. “Farm sector has the capacity to grow. We can increase our yields easily and there is need to link the sector with CPEC to cash in on Chinese, Russian, Central Asian markets through road link,” he insisted.

Economic expert Dr Kaiser Bengali pointed the finger at what he called population explosion. “Government jobs are not the answer and even otherwise the government lacks the political will to handle it the way it needs to be handled,” he observes. Industries are facing closure, he says, and the industrialists are keen to invest in commodity trading, real estate and the stock market. “Simply, you are not to be worried of so many hiccups if you are playing in these sectors,” he remarked.

“It is the high-skill sector that offers some jobs, but again it is not a labour-intensive sector,” he said, adding that increasing dependence on government jobs among the youth was bound to increase non-development expenditure and budget deficit.

The agriculture sector in the province is struggling amidst pathetically low commodity prices coupled with lower per-acre yields in cash crops such as cotton

As for the industrial sector, budding entrepreneur Asif Memon moaned about moratorium on gas supply. It is a serious issue, he said pointing out that the government is offering re-gasified liquefied natural gas (RLNG) which is quite expensive. That’s the reason why industrialists tend to think to move towards trading and real estate, he said.

Coming to jobs in the public sector, Sindh has put a moratorium on government jobs, but with next year’s general elections in sight, it is safe assumption in political circles that the ban would soon be lifted and jobs would be handed out ahead of polls.

Labour leader Karamat Ali was of the opinion that things would become unmanageable if corrective measures were not taken right away. He regretted that even the concept of minimum wages was not respected for the unskilled labour in the industrial sector whereas the agriculture sector was witnessing unemployment because peasantry largely remained landless.

Hyderabad, the second largest urban centre in Sindh, doesn’t have any scope for jobs as qualified youths and professionals always opt for Karachi to seek jobs that adds to unplanned urbanisation. According to Awais Ghangra, a young Hyderabad-based industrialist, he struggles to find qualified youth for professional jobs in the city.

“We have to groom them. And, when groomed, they are always keen to explore the job market in Karachi where they end up getting a much better salary package,” he concluded.

DAWN
Sunday, 14th May, 2017

Jobs at stake

AFSHAN SUBOHI

Technological disruption, urbanisation, premature shrinkage of the manufacturing sector — especially in the labour-intensive textile segment — and allied factors have exposed capacity constraints and planning deficits in the national job market. In the bliss of statistical darkness, both federal and provincial governments continue to accommodate their lackeys without doing much for the rest of those seeking employment. The perception of mismatch and lack of premium on the once-worthy triangle of merit, skill and output in the labour market have left individuals and families insecure and frustrated. Brexit and Trump's victory in the United States last year clearly underlined the value of jobs in the people's list of priorities. In the run-up to the next elections, it would be apt to assess the situation and gauge...

The informal survey conducted for this report reaffirmed that the unemployment rate in Pakistan is certainly higher than the officially declared 5.9pc. The misallocation of human resources appears to be rampant as the State, despite being under democratic dispensation, seems to treat people as a liability rather than an asset.

Read more: Employment: Grumbles never stop in Punjab

There is enough evidence to suggest that beyond political rhetoric, the government has never seriously tried to understand the issue and is, therefore, clueless about its intensity and growing complexities within the multi-layered labour market in the country.

The free market argument forwarded by the apologists can't absolve the government of the responsibility of creating an environment for gainfully engaging maximum number of people in the economic mainstream to capitalise on their potential for the larger good of society.

In this report, the team of Dawn Business gleans through data and seeks opinion of stakeholders to identify trends and bust myths surrounding the issue

According to findings, the government appears to be the single largest and the most preferred employer, but despite its overblown size, it absorbs a small fraction of the millions who enter job market every year. The uncertain fortunes of agriculture sector and the stagnant base of manufacturing mean that the services sector has been the real job spinner in the country. The vacancies in the corporate sector that offers structured career path and better salaries are limited.

According to our survey, retail, marketing, transport, IT, accounting and mid-level management are the services with highest employment-generating potential at the moment in the mammoth informal economy of the country. Health and education follow closely.

Also read: Employment: A pall of gloom in Sindh

In urban Pakistan, educated youth aspires for rewarding jobs but, failing to find one, many today move towards entrepreneurship. The low rate of success among start-ups and difficulties posed by access to capital have not been able to hold back the enterprising lot to bet on innovative ideas and the market depth in a transforming country where aspirations, preferences and lifestyles have been changing fast.

The government officials boasted of the Benazir Income Support Programme when questions were raised about the elitist orientation of policies. They quoted higher BISP budget to hammer home PML-N's pro-people credentials. It appears, though, that the petty cash transfers to the poor served the rulers more than the target beneficiaries. The miniscule stipends failed to provide people a sustainable source of income, but buys a negligent government a 'caring image' on public expense without much ado. It was observed by the team of reporters who interacted with the poor that people in need can't afford to refuse help but they crave for a job; a chance to work their way up.

Also see: Employment: It's better but not good in KP

In transformational Pakistan with massive youth bulge where multiple, often conflicting, trends persist and the economic growth is both slow and not sufficiently inclusive, guaranteeing a suitable job for everyone is too big a challenge for the government to surmount on its own.

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The private sector, elected representatives, workers' bodies, educational institutions, families and the civic bodies will need to work in tandem to evolve systems of monitoring, assessment and gainful recruitment of people entering the market.

It is, however, the duty of the government to provide realistic data and a platform for consultation amongst the stakeholders. It can draw from systems operative in Nordic social welfare states to monitor labour demand and supply, and address mismatches.

Read more: Employment: It's all about the government in Balochistan

Some labour economists mentioned the CPEC story which they said was 'compelling', as things seem to be moving after a prolonged phase of stagnation. Will owning the 'Belt and Road' vision lock a linear upward growth trajectory for Pakistan? Possibly. But the decider might be the CPEC's employment effect in Pakistan. If dividends translate into greater job opportunities for people, there will be no turning back for sure.

But that is for the future. Right now, whatever little the federal and provincial governments are doing in the name of human resource management can best be described as shooting in the dark. "Confusion is the name of the game as far unemployment rate is concerned and the word 'chaos' best describes the job market," commented one observer.

The team had difficulty locating trends on the employment map. The data blackout is near complete with some flickers of light here and there. When general aggregates are hard to find, identifying complex trends or deducing sub-national, gender and other dimensions become impossible.

Read more: Human resources an asset, not a liability, insists Ahsan

Despite the Business team's efforts, the information gathered is patchy and analysis unsatisfactory. Frankly, we were unable to describe even the broad contours of the labour market or to project a spectrum of choices and possible careers for those out in the market seeking jobs.

The Labour Force Survey, a huge exercise conducted by the Federal Bureau of Statistics every two years, pools a lot of data. The sample area is wide and it covers 47,000 respondents. The results seem to misleading. For instance, 5.9pc rate of unemployment, high employment in age bracket of 65years and above, greater employment in old women compared to men, highest unemployment in the age band of 15-19 for boys. The list goes on.

There is no credible pool of information on demand and supply of workforce let alone finer details. The employment exchanges that were partially functional in 1970s and early '80s died a quiet death.

Also see: Unemployment: Rhetoric beats action in the political arena

As a policy, the government encourages people to work abroad. It was found that the brain drain is highest in skilled manpower that includes tech heads, doctors, engineers, electricians and plumbers. The public investment in vocational training institutions in Pakistan serves the requirements of Middle Eastern and other regional economies more than the local one.

The aspiration of people to be gainfully employed is perfectly fair. The Constitution of Pakistan recognises it as an inalienable right of every able-bodied adult to play his part in the economic mainstream of the country according to his capability in return for a salary to afford a decent life for self and the family.

Widespread unemployment, therefore, is a government failure. At the macro level it compromises the country's growth and development potential by underutilising its precious human resources. At the micro level it translates into economic, social and psychological distress not just for the jobless person, but also the family.

Be it CPEC, industrial, commercial or any other policy or project, the government tends to ignore the employment dimension.

Read this next: From unemployment to self-employment

Recognising the fact that even at the best of times there would always be some percentage of population that could not be absorbed in the economic mainstream because of some combination of factors, such as denationalisation or technological disruption, the State needs to build some institution to retain excess workforce and a system to retrain it in needed skills to make it employable again.

THE NEWS
Sunday, 14th May, 2017

CIPE proposes measures to boost investment

LAHORE: The Centre for International Private Enterprise (CIPE) – Sustainable Development Policy Institute (SDPI) has proposed several measures to boost investment.

These measures were suggested after the pre-budget meetings, focus group discussions and key informant interviews held in between November 2016 and February 2017.

Most taxpayers are not complaining of the actual financial burden of taxes, but the costs associated with the compliance with various taxes, it said.

"In our bid to increase tax revenues and revenue collections of multiple authorities, the current tax regime has burdened the existing taxpayers, ie, salaried class and industry. It is proposed that only a single return should be filed for all forms of taxes and this return should be submitted to a single tax authority, it suggested.

Currently, industrial sector ends up paying most of the corporate tax contributions due to the lack of documentation in other sectors of the economy. The use of ICT tools, biometric information and a data warehouse that links banking information with the Nadra's database can help the efforts of tax authorities to earn revenue from untapped sources, it added.

The CIPE also proposed that the reform for corporate taxes should also aim at boosting corporatisation of businesses. The cost related to annual and other reporting and compliance also needs to be reduced for corporate taxpayers, it proposed.

Currently, there are 58 withholding taxes on utilities, traded goods, ICT, banking transactions, remittances, asset transfer, real estate transactions, etc, which is responsible for increased informal sector of the economy, as a large number of small-scale manufacturing and services sector entities are reluctant to formalise their business. A gradual reduction in the withholding taxes is possible once efforts to increase overall direct tax base are successful, it said. The government through the budget 2015/16 has burdened the small and medium enterprises (SMEs) in the industrial sector (through regulatory duties and high effective general sales tax), rather than recognising the losses the SMEs have incurred due to the lack of energy, non-processing of tax refunds by the Federal Board of Revenue (FBR), reluctance of the banking sector to lend for working capital, etc. The direct tax rates faced by the SMEs should be rationalised and the sales tax rate across-the-board should be gradually reduced to a single-digit, it was suggested.

The Bhurban Declaration at All Pakistan Chambers Presidents' Conference 2017 demanded that in the context of recovery of tax demand under Section 140 of the Income Tax Ordinance 2001, the government has been urged that a portion of tax demand needed to be deposited to make an appeal may be reduced to 10 percent from the existing 25 percent.

Further, Section 38 A&B, 40 & 40B of the Sales Tax Ordinance 1990 may only be exercised by Member (or equivalent ranking official) of the Federal Board of Revenue (FBR), rather than the regional tax office authorities. It is recommended to stop all the raids on the business community by any authority of the FBR, including Intelligence and Investigation Branch.

The FBR may be asked to look into the unnecessary 'differentiated' slabs of corporate taxation, the part of the Finance Act that discourages investment in the renewable and alternative means of energy generation should be removed, business community should be taken into confidence regarding the utilisation of levies such as gas infrastructure development cess, procedures in the import of petroleum products for raw material should be rationalised, and the issue of circular debt, untargeted / hidden / cross subsidies, and high non-receivables in the energy sector should be resolved.

The management of the circular debt needs to be made more transparent with the real time technical and financial losses posted online, it suggested. Currently, investment diplomacy is being handled in a fragmented manner by the federal and provincial boards of investments, Planning Commission (in case of CPEC), economic affairs division, ministry of foreign affairs, and the ministry / departments of industries and production. The efforts to lure investment from abroad lack coordination.

Profits from an electric power generation project, information technology services, export of software and IT-enabled services are exempted from tax. Similarly, some exemptions have been allowed to Chinese investment regarding which the Parliament and local businesses require clarity. All incentives allowed to foreigners should be available for local investors, as well, it proposed.

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It was also suggested that the Finance Act 2014 levies 20 percent corporate taxation on foreign investors for a time period of five years in setting up a new plant. This is in contrast to the local investor who is being charged a rate of 33 percent.

Some businessmen are of the view that such concessions can cripple the local industry and reduce incentives for longer term investment by local investors. The position is opposite in India where corporate tax rate is 40 percent for foreign investors and 30 percent for local businessmen.

THE NEWS
Sunday, 14th May, 2017

SECP, SBP to introduce e-IPO, e-dividend concept for capital market

ISLAMABAD: The Central Depository Company (CDC) with active support of 1Link (Guarantee) Limited and under the guidance of the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) has introduced the concept of centralised e-IPO system (CES), a statement said on Saturday.

Under the newly-introduced centralised e-IPO system, application for the subscription of securities can be made electronically, it added.

Investors having a valid computerised national identity card (CNIC), bank account with any scheduled bank and CDC account can electronically register themselves 24/7 throughout the year on www.cdceipo.com, it said.

Only registered investors can apply for the subscription of securities through any of the banking channels (ATM, net banking, mobile app and over the counter).

Further, CDC, with the lead support of the SBP, is in the process of introducing e-dividend concept also. The implementation of e-dividend concept will assure electronically credit of dividend into the bank accounts of the investors, the statement said.

On the one hand, e-IPO system will increase the outreach of IPOs, promote the culture of keeping securities in book-entry form and will also make the IPO process more user-friendly and efficient.

On the other, e-dividend concept will remove the inefficiencies relating to the payment of dividend through dividend warrants, it said.

With the active support of the central bank, the SECP has instituted various measures to utilise the efficient banking channels and to support a more efficient and hassle-free mechanism for investors of the capital market, it added.

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Sunday, 14th May, 2017

Financing needs of CPEC projects

SBP grants operating licences to Bank of China

KARACHI: The State Bank of Pakistan (SBP) said on Saturday it had granted state-run Bank of China a licence to operate in the country to meet the financing needs of China Pakistan Economic Corridor (CPEC) projects.

“State Bank of Pakistan has issued a banking licence to the Bank of China. The bank will commence its business in branch mode after meeting other regulatory requirement,” SBP said in a statement.

"The Bank of China aims to provide differential and specialised banking services to effectively serve the financing needs of China Pakistan Economic Corridor (CPEC) related projects by leveraging on its experience and global technology platform.”

China has pledged to invest over $57 billion in Pakistan´s rail, road and energy infrastructure under the CPEC.

Meanwhile a government statement said the finance minister Ishaq Dar conveyed the SBP’s approval to Mr. Tian Gouli, chairman of the Bank of China at its headquarters.

Gouli in his last visit to Pakistan had expressed the desire for launching banking operations in Pakistan and sought SBP’s permission.

“Dar welcomed the decision by Bank of China to commence their banking operations in Pakistan and also extended invitation to Mr. Tian Gouli to visit Pakistan and himself inaugurate the first branch of the Bank of China in Karachi,” the statement said.

The Bank of China is the second Chinese bank entering in Pakistan. The central bank issued licence to Industrial and Commercial Bank of China to start business operations in 2010.

The SBP said the Bank of China will initially bring $50 million to fulfill the Minimum Capital Requirements (MCR) of the central bank.

“The long term objective of the Bank of China is to increase its market penetration by opening branches in major cities of Pakistan aiming to be one of the largest foreign banks in Pakistan,” it added.

The Bank of China is a subsidiary of China Central Huijin, an investment arm of the Government of China. The Bank is not only operating in the Chinese main land, but its footprints have reached to 50 countries. Nineteen of those countries are located across Chinese “One Belt One Road” initiative. At the end of 2015, the Bank had a total of 11,633 institutions including 644 in overseas markets.

The Bank of China is the 4th and 5th largest global bank in terms of Tier-1 Capital and total Assets respectively. It is listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

The central bank said the Bank of China’s entry into Pakistan represents growing confidence of international investors on the country’s banking sector and stable economic outlook.

The international creditor including the International Monetary Fund said recent reforms, including cutting costly subsidies, privatising some loss-making state companies and building up foreign reserves, had strengthened Pakistan's economy and set it on a path to higher growth.

It forecasting 5 percent economic growth for the year to June 2017 but says this could improve to 6 percent in the medium term with CPEC-related investments. The central bank move comes when the Prime Minister Nawaz Sharif is on a visit to China to attend the Belt and Road Forum that is focused on boosting regional development through China’s new Silk Road plan.

The Prime Minister reaffirmed Pakistan's commitment for the completion of early harvest projects under CPEC with his Chinese counterpart.

Many analysts see new banking licenses to the Chinese financial institution is expected to strengthen syndicated corporate and project financing, and foreign exchange transactional cooperation among Chinese and financial institutions.

They said Chinese banks presence in Pakistani market would also accelerate the implementation of CPEC projects as financing requirements for such projects are in foreign currency which is not easy for the local banks. “The central bank has been eager to have foreign banks including Chinese branches in Pakistan as it seeks to expand the presence of foreign players in the financial market of the country,” said a senior banker. “It will bring investment, technology and expertise into the country.”

THE NEWS
Sunday, 14th May, 2017

Seminar on cotton crop tomorrow

MULTAN: The Agriculture Department, in collaboration with the Pakistan Crop Protection Associates (PCPA) and Pakistan Kissan Ittehad (PKI), will hold a seminar on cotton at Industrial Estate on May 15 (Monday). Federal minister for national food security and research Sikandar Hayat Bosan will be the chief guest at the ceremony. Provincial minister for agriculture Naeem Akhtar Bhaba and Punjab agriculture secretary Muhammad Mehmood will also participate in the event.

THE NEWS
Sunday, 14th May, 2017

Cotton unchanged

Dull trading continued at the Karachi Cotton Exchange on Saturday, while spot rates remained unchanged.

The spot rates remained unchanged at Rs6,700/maund (37.324kg) and Rs7,180/40kg. Ex-Karachi rates also stood firm at Rs6,835/maund and Rs7,325/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

Naseem Usman, chairman of the Karachi Cotton Brokers Association, said that the market activity remained slow, as mills were reluctant to buy cotton.

“A decline in the demand and prices of yarn remained the major reason behind dull trading,” he added.

Lint prices remained stable at Rs6,500/maund and Rs7,000/maund in Sindh and Punjab, respectively.

A better cotton outlook is expected in Pakistan, India and the US this year, he said.

The cotton market recorded only single transaction of 400 bales from Rahimyar Khan at Rs7,000/maund.

The Nation on Web

The Nation

Sunday, 14th May, 2017

Pakistan, China ink six accords worth $500m

Agencies

BEIJING - Pakistan signed new deals with China on Saturday worth nearly $500 million ahead of Beijing's international forum on its "Silk Road" trade and infrastructure initiative for Asia, Africa and Europe.

The memorandums of understanding add to $57 billion already pledged for the China-Pakistan Economic Corridor, a network of rail, road and energy infrastructure that is part of the wider Chinese project also known as One Belt-One Road.

The deals came as Prime Minister Nawaz Sharif met Chinese President Xi Jinping ahead of the Beijing summit expected to be attended by leaders from at least 29 countries to promote Xi's vision of expanding trade links.

"China-Pakistan Economic Corridor is a core component of your visionary initiative of the One Belt-One Road," Nawaz Sharif told Xi when they met at the Great Hall of China on Saturday.

Xi called for a swift completion of projects involving Gwadar Port and special economic and industrial parks along the corridor, state Xinhua news service reported.

In total, Pakistan and China inked six new accords of cooperation in diverse fields including Framework Agreement on upgradation of Main Line-1 rail track and establishment of a dry port at Havelian.

Prime Minister Nawaz Sharif and Chinese Premier Li Keqiang witnessed the signing ceremony here at the Peoples Great Hall of China.

The Memorandums of Understanding signed between the two countries are as under:

n Framework of the Silk Road Economic Belt and the 21st Century Maritime Silk Road Initiative

n Agreement on Economic and Technical Cooperation (1.5 billion RMB for Gwadar Airport etc.)

n Framework Agreement on implementation of upgradation of ML-1 and establishment of Havelian Dry Port in Pakistan

n MoU on implementation of ML-1 and establishment of Havelian Dry Port in Pakistan

n Agreement on Economic and Technical Cooperation (0.8 billion RMB for Gwadar Airport)

n Agreement on Economic and Technical Cooperation (1.1 billion RMB for East Bay Expressway)

In his meeting with President Xi Jinping at the Diaoyutai State Guest House on the sidelines of the 'Belt and Road Forum for International Cooperation', Prime Minister Nawaz said his government was making all-out efforts for active implementation of China Pakistan Economic Corridor (CPEC) though it had made good progress in execution of energy and infrastructure projects.

"China-Pakistan Economic Corridor is a core component of your visionary initiative of the "One Belt-One Road." We sincerely appreciate your commitment and leadership for the realisation of CPEC projects," the prime minister remarked.

During the meeting, the prime minister was accompanied by Punjab Chief Minister Shehbaz Sharif, Sindh CM Murad Ali Shah, Khyber Pakhtunkhwa CM Pervaiz Khattak and Balochistan CM Sanaulllah Zahri, besides Planning Minister Ahsan Iqbal, Finance Minister Ishaq Dar, Railways Minister Saad Rafiq, State Minister for IT Anusha Rehman and Adviser to PM on Foreign Affairs Sartaj Aziz.

President Xi Jinping was also accompanied by his high-level nine-member delegation.

The prime minister also stressed for accelerating the implementation of projects in Gwadar and establishment of Special Economic and Industrial Zones.

Nawaz said the composition of his delegation represented the strong bonds of friendship between the two countries. "The presence of all four provincial chief ministers symbolises the broad-based support in Pakistan for cooperation with China and the China-Pakistan Economic Corridor," he remarked.

He said Pakistan stood with China for promotion of President Xi's visionary initiative of One Belt and One Road.

Nawaz congratulated President Xi on successful holding of the Belt and Road Forum and said that the participation of a large number of world leaders in Chinese capital was a testimony of his leadership and China's growing stature in the international community.

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He said Pakistan-China friendship enjoyed popular support in Pakistan and high-level exchanges were indicative of the fast-growing bilateral relations. However, he also stressed the need to sustain the momentum with a view to further strengthening of this relationship.

In his remarks, President Xi Jinping welcomed the prime minister and his delegation for attending the Forum. He expressed his satisfaction over the pace of growing bilateral ties and resolved to cement the ties further by enhancing cooperation in multiple spheres.

He said the two countries had more potential to strengthen bilateral cooperation vis-a-vis implementation of CPEC and other regional connectivity projects.

CHINA SUPPORTS PAK STANCE ON KASHMIR: PM

Prime Minister Nawaz Sharif said China was supportive of Pakistan's stance on the issue of Kashmir and favoured its resolution through peaceful dialogue.

"On Kashmir issue, China has always been supportive of Pakistan's stance and has assured to continue extending the same cooperation in future as well," Nawaz said while talking to media following his meeting with Chinese Premier Li Keqiang, at the Peoples Great Hall.

He said both Pakistan and China favoured negotiations with India as the "most viable solution to the Kashmir dispute."

Nawaz said the scope of CPEC had immensely increased with the Chinese investment swelling from 46 to 56 billion dollars. He said such a huge investment was unprecedented in Pakistan's history, having objectives of progress and prosperity of the people.

He mentioned that Chinese companies were investing in Pakistan's power and infrastructure sectors at a massive scale, which had generated exemplary employment opportunities for the local people.

The prime minister said the economic activity as a result of heavy Chinese investment had caste a positive impact on the lives of the common people.

Nawaz said his visit to China was significant in relevance with the economic conditions of Pakistan, adding "Pakistan was proud of its friendship with China."

He said economic development in the province was getting good results and several projects under CPEC were being completed at a fast pace.

Earlier, in his meeting with the Chinese PM, Nawaz said Pakistan fully supported China's giant One Belt, One Road (OBOR) initiative and would work closely with it to contribute for the region's prosperity.

The meeting focused on intra-regional trade and connectivity as a crucial factor for sustainable development of Asia and beyond. The two sides discussed progress on CPEC - an important part of Chinese President Xi Jinping's One Belt, One Road vision.

Nawaz congratulated Premier Li Keqiang on hosting the OBOR Forum and said Pakistan fully supported the visionary project. Pakistan believed that China's strategic policies in the region were for peace and prosperity, he added.

He said Pakistan was grateful to China's support for the launch of China Pakistan Economic Corridor. He said the CPEC presented a great opportunity for strengthening regional economy.

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PM lauds Chinese co-op to help Pakistan cope with energy crisis

APP

BEIJING - Prime Minister Muhammad Nawaz Sharif Saturday spoke high of the cooperation by the Chinese government as well the China's National Energy Administration (NEA) to help Pakistan cope with energy crisis through building power generation projects.

Addressing the Bhasha Project Conference, held by National Energy Administration here, the prime minister said the NEA had been an effective and reliable partner in its efforts to cope with energy crisis.

The prime minister was accompanied by Chief Minister Punjab Shahbaz Sharif, Chief Minister Sindh Murad Ali Shah, Chief Minister Khyber Pukhtunkhwa Pervaiz Khattak and Chief Minister Balochistan Sanaulllah Zahri, besides Planning Minister Ahsan Iqbal, Finance Minister Ishaq Dar, Railways Minister Khawaja Saad Rafiq, State Minister for IT Anusha Rehman, Commerce Minister Khurram Dastgir and Advisor to PM on Foreign Affairs Sartaj Aziz.

He said apart from helping Pakistan in addressing the issue of power shortages, NEA had also helped Pakistan's power sector experts in going through the critical learning curve.

The prime minister thanked the NEA for hosting an extremely important and strategic session for Bhasha Dam, a project of critical importance for the future of Pakistan.

He said Pakistan's human resource had benefitted tremendously from its interaction with experts and academia under the NEA. The work done by the Joint Working Group on energy has laid a solid foundation for the development of Pakistan's energy sector to its optimal potential, he added.

At present, the prime minister said NEA was looking after the bulk of high impact power projects in Pakistan under the China-Pakistan Economic Corridor.

"I take this opportunity to acknowledge that the fast-track implementation of Early Harvest Projects will be a critical component of our effort to eliminate power outages by the middle of next year," he remarked.

He apprised the audience, comprising heads of various power sector firms that a 300 Mega Watt solar power project and two wind power projects of 50 Mega Watts each, had already started power production.

Similarly, the Sahiwal coal-fired power project was ahead of schedule and its first unit of 660 megawatts was expected to come in production in the month of June. The first unit of the Port Qasim coal-fired project was also moving at a high pace and was expected to become operational by this November.

Apart from this, a number of other projects in the generation and transmission sectors are also under implementation, he added.

He viewed that President Xi's visionary initiative of "One Belt-One Road", CPEC was not only a "game-changer" for Pakistan, but also for the entire region. It would stimulate inclusive socio-economic development, help in eradicating poverty, and promote peace and prosperity in the region and beyond.

Prime Minister Nawaz Sharif said CPEC was not merely a strategic agreement, but a fruit of decades-long friendship between Pakistan and China. The success of the CPEC can also be gauged from the fact that a very large number of countries are now showing eagerness to join and become part of this initiative.

For economic development and long-term prosperity, Pakistan not only required support in the energy sector, but it also needed mega initiatives to improve its water storage capacity. Therefore, development of the North Indus Cascade is a major focus of my Government, and the construction of the Bhasha Dam is the single most important initiative in this behalf, the prime minister said.

He said water and food security was of paramount importance for Pakistan, keeping in view the challenges posed by climate change.

At the conference, the heads and representatives of power sector companies in China gave presentations on their study of the Dam project and called for a deeper study on the project, owing to its crucial nature for Pakistan.

Later, the Prime Minister also witnessed the signing of an agreement for power projects under CPEC that was signed by Secretary Planning Yousuf Naseem Khokhar and Chinese Ambassador in Pakistan Sun Weidong.

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Govt plans to enhance duties on imports

Imran Ali Kundi

ISLAMABAD - As Pakistan's imports are expected to reach $50 billion for the first time in history during current fiscal year, the government is contemplating to enhance duties on imports in the upcoming budget for next financial year in order to discourage imported goods.

"The Federal Board of Revenue (FBR) has proposed the ministry of finance to enhance customs duties on the imported goods in budget in order to control the soaring import bill," said an official of the FBR. He further said that increasing imports are serious threat for the country's external sector.

The government is likely to enhance customs duties on imported electronics goods and food stuff in the annual budget. The electronic goods included air conditions, fridges, deep freezers, microwave ovens, fans, and others. Meanwhile, the government would enhance custom duty on food items like imported yogurt, milk pack, honey and others.

Pakistan's imports are continuously enhancing, which is widening the trade deficit. The latest data of Pakistan Bureau of Statistics showed that country's imports had increased by 19.88 percent to $43.47 billion during first ten months (July-April) of the ongoing financial year 2017 from $36.7 billion of same period of the last year. The economists believed that Pakistan's imports would exceed $50bn for the first time in its history.

Earlier, in February 2017, the State Bank of Pakistan had already imposed 100 percent cash margin on the import of consumer items to bridge an alarmingly high trade deficit. The requirement of 100pc cash margin has been prescribed on items such as motor vehicles — both completely knocked down and completely built units — mobile phones, cigarettes, jewellery, cosmetics, personal care, electrical and home appliances, arms and ammunitions etc.

However, these measures had not controlled the imports. The soaring imports are putting pressure on the country's foreign exchange reserves. Therefore, the government is now considering enhancing custom duties on the imports. The government would have to take additional taxation measures worth Rs500 billion in the budget to reach the proposed target of Rs4 trillion for the next financial year as against revised target of Rs3500 billion of the outgoing financial year.

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Govt to give Rs 230b subsidies, grants in FY17-18

NNI

KARACHI - The government is expected to give a subsidy of Rs230 billion during 2017-18 in a move to boost industrial activity and provide relief to common man.

According to sources close to the Ministry of Finance, the government is expected to propose Rs230 billion worth of subsidy and grants for the next fiscal year starting July 1, 2017.

The sources said that Rs118 billion would be proposed to energy sector which showed that government wanted to provide relief to the industries and residential users, giving them electricity tariff on moderate rate and they expect that crude oil prices might go up in next fiscal year, making the cost on higher side.

The government also plans to give subsidy of Rs37 billion to railways sector in order to minimize the losses and give timely payment to the staff of Pakistan Railways.

Similarly the government would allocate Rs4 billion for the staff of Pakistan Steel Mills.

As the holy month of Ramzan is approaching, the government like every year would give subsidy of Rs4 billion for the utility stores, keeping the price of edible products on the lower side to give more benefit to the masses.

It is learnt that Rs2 billion would be given for this Ramazan and another Rs2 billion for next fiscal year.

Beside this Rs500 million additional amount would be approved to give incentive on purchase of pulses. There will be Rs5 billion subsidy for the industrial sector under the textile policy, and Rs5 billion for the fertilizer sector.

The government will give fertilizer bags on cheaper rates compared to the market price while other sectors may get Rs5 billion incentive under the trade policy.

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Industry may face 8hrs outages in Ramazan

Salman Abduhu

LAHORE - The industrial units, which are presently exempted from scheduled electricity loadshedding, might suffer power supply suspension of at least 8 hours in upcoming holy month of Ramazan, as the Lahore Electric Supply Company is considering to divert supply to domestic consumers who continue to face prolonged power outages due to overloaded system despite official claim of improvement in transmission and generation.

The electricity shortfall has registered a gap of around 6000MW despite power ministry claim of significant addition in power generation to national grid from different thermal power stations including Sahiwal coal-fired power plant, Bhikki power plant and Balloki power plant. The overall power generation was recorded at around 15,000MW, while the demand touches the peak of at around 21,000MW.

Presently, Lesco is being provided around 2,600MW against demand of 3,400MW, facing a shortfall of 800MW which will increase in Ramazan when the heat wave will be more severe. The demand would jump to over 4,500MW and the situation can be controlled only through suspending supply to the industry which is presently enjoying zero-loadshedding, an official of power ministry said on Saturday.

Even presently, when the shortfall is not so high the Lesco system is continuously facing low voltage and constant tripping along with prolonged power outages despite announcement of up-gradation in the system, he added.

The residents in different DISCOs including Lesc, continued to face severe loadshedding amid worst heat wave. Presently, 9th class students, who are taking exams, complained that throughout the time at examination halls, they suffer power supply suspension along with severe heat wave.

Residents in different localities reported that they are facing loadshedding of one-hour after every two hours

Meanwhile, Pakistan Industrial and Traders Associations Front (PIAF) chairman Irfan Iqbal Sheikh has shown concern over the government’s move to observe almost 10-hour loadshedding in industrial units during Ramazan in order to provide electricity to the domestic consumers.

Terming it as another setback for the economy, PIAF chairman said that without power supply, production activities would come to a halt in industries, thus taking a toll on the national economy.

He said that due to insufficient power supply, industry was already operating far below its actual capacity, and long hours of loadshedding during Ramazan would further dent its manufacturing activities.

Irfan Iqbal Sheikh urged the federal government to maintain exemption of electricity load-shedding to the industry’s major consumers on independent feeders during Ramazan. He said the proposed 10 hours load-shedding would force the industry to close down one shift and lay off thousands of workers across the province. This will be unfair to the labourers ahead of Ramazan. He said the total load of industrial units on independent feeders was hardly 250-300 megawatts which could easily be managed by the Ministry of Water and Power in order to` ensure smooth operations of industry.

Pakistan Hosiery Manufacturers Association chairman Adil Butt said Pakistan’s exports had continued to fall for a long time, and the government proposed loadshedding plan for Ramazan in industry would cause further decline in Pakistan’s exports as the exporters would not be able to meet the export deadlines on time.

Terming energy as the lifeline of Pakistan’s economy and most vital for the industrial development of the country, he said it was unfortunate that government could not make any comprehensive plan to cope with the rising energy demands.

Adil Butt said the energy sector of Pakistan was still infested with many problems, as the ever-increasing demand for growth, increasing transmission and distribution losses due to outdated power network, electricity theft, and seasonal reductions in the availability of hydropower had worsened the situation.

He suggested to pay more attention to the renewable energy sources. He said fortunately Pakistan’s geographical location was a blessing in the sense that all the renewable energy sources, including solar, wind, bio-gas, biomass, mini and micro hydel existed in abundance.

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China to invest heavily in Belt and Road countries

INP

BEIJING - China will pour more investment into countries and regions related to the Belt and Road Initiative to boost international cooperation in production capacity, a senior official with the nation's top economic planning body said.

"Chinese outbound investment is forecast to total $600 billion to $800 billion over the next five years, a fairly large proportion of which will go into markets related to the Belt and Road Initiative," said Ning Jizhe, vice-minister of the National Development and Reform Commission, at a news conference.

"Countries and regions related to the Belt and Road have become an important destination for China's investment, equipment, technology and services," Ning said.

The China National Nuclear Corp has been building nuclear reactors using its own Hualong One technology for the Karachi nuclear power plant in Pakistan, he said. Expanding cooperation in production capacity is an important vehicle for promoting the Belt and Road Initiative, Ning said. It has further opened up China's economy and let each country use its comparative strength to help shape a more balanced and inclusive global industrial chain. From 2013 to 2016, Chinese companies invested over $60 billion in the countries and regions, creating more than 180,000 local jobs, and paid $1.1 billion in tax to local governments. High-speed railways and nuclear power have been among the first technologies exported to other markets.

China has inked a deal with Indonesia to build the Jakarta-Bandung high-speed railway. The China-Laos railway is under construction and work on the China-Thailand railway is being accelerated.

Xin Guobin, vice-minister of industry and information technology, said China's manufacturing companies are accelerating their overseas expansion efforts, fuelled by the Belt and Road Initiative.

In 2016, they invested $31 billion abroad, accounting for 18.3 percent of China's total outbound investment, up 6.2 percentage points from a year earlier.

"China has fully developed production capacity in many sectors and made-in-China equipment is widely adaptable, which makes it increasingly popular in the international arena," Xin said.

State-owned companies like China Merchants Group and China Railway Rolling Stock Corp, as well as Wison Engineering and the Jinglong Group from the private sector, have teamed up with global companies, officials said.

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Boosting exports and investment

SAAD MUKHTAR SIDDIQUI

Pakistan and China have started working on Long-Term Plan (LTP) for the China-Pakistan Economic Corridor (CPEC). A Chinese diplomat has recently disclosed that there are expectations that both countries will early finalise the plan during an upcoming 'Belt and Road Summit' scheduled to be held on May 14 and 15 in China.

Currently, short-to-medium term projects are being executed under the CPEC, which are mainly related to energy, infrastructure and connectivity. However, once the LTP is agreed by both countries it will set the overall direction and goals of this multifaceted cooperation from present till 2030.

It has also been indicated that Pakistan has already shared the LTP draft with China's National Development and Reform Commission (NDRC) for approval and consideration for signing during the Belt and Road Summit.

Pakistan is also hopeful that both countries will soon ink agreements for financing and construction of Gwadar International Airport and East-Bay Expressway as PC-1s for both projects have already been approved and deliberations are underway between Islamabad and Beijing. Besides energy and regional connectivity, the CPEC will provide a framework for rapid industrialisation in Pakistan. The government has already identified location for setting up nine economic zones in different parts of the country. Currently feasibility studies for these economic zones are being undertaken and financial agreements are expected to be concluded by the next Joint Cooperation Committee meeting to be held later this year.

China has envisioned the idea for a corridor stretching from the Chinese border to Pakistan's deep water ports on the Arabian Sea date back to the 1950s. It took almost seven decades to materialise this idea in form of the CPEC that will not only benefit China and Pakistan but will also have a positive impact on Iran, Afghanistan, India, Central Asian Republic and other states in the region.

Economic and trade experts believe the CPEC will be game changer for Pakistan but some critics argue that China is and will be the main beneficiary of the project as there are hardly any global enterprise in the country. Available data shows small and medium enterprises (SMEs) constitute nearly 90 per cent of all the enterprises in Pakistan. These SMEs, contributing nearly 40 per cent of the annual GDP, have limited resources for investment and capacity enhancement.

Similar is the case with other neighbouring countries in the region, like India, Bangladesh and Sri Lanka. But they have empowered their SMEs to compete with global players and contribute in economic and export growth by offering them various facilities. One of these facilities called Customs Bonded Warehouses or Common Bonded Warehouse (CBWs).

In United States, these are called type C warehouses in which only the administrator of the Customs warehouse (warehouse keeper) can store goods. These goods do not have to be his property, for that matter: he can also store goods on behalf of others. In that case as well, the warehouse keeper will remain responsible to Customs for the goods kept in storage. The warehouse keeper is also the person that has to provide security to Customs.

Pakistan Customs rules also have a similar provision available since 1998 under the title of Common Bonded Warehouse (Conventional) Rules, 1998. These rules indicate that Collector of Customs can issue license to any eligible party for establishment of CBW in which warehouse keeper or licensee can store Customs Duty, Sales Tax, Central Excise Duty or Withholding Tax free import of goods primarily meant for manufacture of finished goods by the SMEs or indirect exporters, manufacturers or suppliers of goods or articles which are to be used as input for export.

Despite the fact that this facility can give leap boost to SME sector and country's exports but the country cannot establish a single CBW in almost two decades. Even most Customs officials and entrepreneurs are unaware about the availability of this facility. Lahore Customs Collectorate has recently drafted rules and procedures for issuance of Pakistan's first CBW on the application of a Lahore-based customs clearing agency which applied for license in 2015.

The red tape in Customs bureaucracy has made the procedure of issuance of license is so cumbersome that one Sri Lankan investors who was interested to store his raw

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material here in Pakistan for local distribution has backed out after struggling for almost two years.

A textile giant from Sri Lanka wants to warehouse raw materials for Pakistani export oriented SMEs with a view that its will reduce input delivery time for local export industries, which will ultimately reduce their capital requirement for maintaining huge inventories and boost countries exports. Lankan company has partnered with a local customs clearing house for obtaining the CBW license and has made investment in establishing warehouse in Lahore.

Currently, the application for issuance of licence is pending with customs department for one and a half year because Customs Department and Federal Board of Revenue (FBR) are of the view that there is no precedence of such warehouse in the country. They have asked Pakistan Revenue Automation Limited (PRAL) to develop an automation module to integrate this new type of warehouse with Customs WeBOC System, which is practically impossible before issuance of license.

An automation executive of the PRAL says it requires almost six months to interface new module with the existing system as the company is already busy in developing other automation tasks.

It will be a legitimate question that on the one hand the government is trying to do rapid industrialisation in the country and opening country’s borders for enhancement of regional trade through CPEC. But on the other hand red tape and lethargic attitude of the civil bureaucracy are creating hurdles in boosting exports and investment. Economic managers of the country, especially the FBR, should look into the matter and find out a workable solution before it’s too late and Chinese investors with their deep pocket permanently close local SMEs.

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IFC helps generate $238m for Pakistan's largest wind power farm

NNI

WASHINGTON - IFC will provide and arrange $238 million in a landmark transaction to help build Pakistan's largest wind power farm to address energy shortages and boost the development of renewable energy, IFC said.

A member of the World Bank Group, IFC will provide $66 million and mobilize a further $172 million in financing o Triconboston Consulting Corporation to construct and operate three new 50-megawatt wind farms in Sindh province.

Other financiers include the Asian Development Bank, the Islamic Development Bank, and DEG-Deutsche Investitions-und Entwicklungsgesellschaft.

This is the first time in Pakistan that a portfolio of three separate plants will be internationally financed by a single consortium, bringing further innovation to Pakistan's project finance market. The plant is expected to be fully commissioned by the end of 2018 and will make its greatest contributions during the high-demand summer months, providing clean power to about 600,000 residential customers, according to a IFC statement.

"The new wind farm will generate reliable, clean energy at lower prices and help reduce pressure on the country's power grid, while mitigating climate change," said Nadeem Abdullah, Triconboston CEO. Triconboston is majority owned by the Sapphire Group, a leading Pakistani industrial group, with significant interests in textile and power.

The project is part of IFC's broader efforts to foster private participation in Pakistan's power sector to increase investments, help diversify energy sources, cut the cost of electricity, and reduce the use of polluting and expensive fossil fuels. Pakistan is currently facing power shortages that hamper social and economic development, and cost the country an estimated 2 percent of gross domestic product every year.

"IFC has been at the forefront of investing and mobilizing financing to support private sector participation in Pakistan's power sector," said Mouayed Makhlouf, IFC's director for the Middle East and North Africa region. "This is our fifth investment in wind power in the last three years in Pakistan. The project will also support Sapphire in their diversification strategy in renewables."

The development of wind power contributes to the diversification of Pakistan's energy generation mix by increasing capacity with shorter lead times and also helping to reduce electricity prices. The work is part of the World Bank Group's Pakistan Transformational Energy Initiative and Joint Implementation Plan, which aims to mobilize $10b in new generation investments to address the country's acute power shortage and improve sector sustainability.