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Budget 2017-18

Balochistan continues to rely heavily on federal govt receipts

QUETTA: Balochistan budget for the next fiscal year with a total outlay of over 325 billion rupees was presented on Thursday.

Presenting the budget in the provincial assembly here on Thursday, Adviser to Chief Minister on Financial Affairs Sardar Aslam Bezinjo said over 86 billion rupees have been allocated for developmental expenditures.

Aslam Bezinjo said over 50 billion rupees have been allocated for the education sector while over 21 billion rupees have been earmarked for promotion of health sector.

The adviser said government has allocated over 31 billion rupees to law and order. He said eight billion rupees will be spent on agriculture sector.

He said energy sector has also been given a considerable significance in the budget and over two billion rupees have been kept for solar energy system.

The Adviser said nearly 8000 new vacancies will be created for the jobless educated youth in the province. He said a special Balochistan Education Enabler Programme will be launched and 200 million rupees have been allocated for the purpose.

Aslam Bezinjo said seven billion rupees have been allocated in the budget for over three hundred schemes in communication sector.

The Adviser on Financial Affairs also announced a 10% increase in the salaries and pensions of the employees of all provincial departments.

It is worth mentioning here that the provincial government had to reschedule the unveiling of annual budget three times in a year. The budget was due to be presented on June 9 but was postponed reportedly due to disagreement over distribution of development funds between partners in the provincial government.-NNI

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THE RUPEE

Firm trend

RECORDER REPORT

KARACHI: The rupee managed to hold present levels against the dollar on the money market on Thursday in the process of trading, dealers said.

OPEN MARKET RATES: The rupee did not move any side against the dollar for buying and selling at Rs 105.90 and Rs 106.10, they said.

The rupee gained sharply in terms of the euro for buying and selling at Rs 118.00 and 119.00, they said.

INTER-BANK MARKET RATES: The rupee firmly held it's present levels versus the dollar for buying and selling at Rs 104.87 and Rs 104.88, dealers said.

In the fourth Asian trade, the dollar nursed losses, after weak US inflation data left investors wondering if the Federal Reserve would be able to follow up its latest rate hike with another later this year.

On Wednesday, a prominent Republican was among those shot by a gunman said to be angry with Trump.

The dollar index, which tracks the US currency against a basket of six rivals, was slightly lower on the day at 96.915 though above its overnight low of 96.323 plumbed after downbeat economic figures.

The Fed raised interest rates a quarter percentage point to a target range of 1.00 percent to 1.25 percent, as expected, and gave its first clear outline on its plan to reduce its $4.2-trillion bond portfolio.

But the moves were overshadowed by inflation and retail sales data earlier in the day that fell short of market expectations. The core rate of inflation increased at just 1.7 percent on year, the fourth straight monthly deceleration and the slowest overall pace in two years.

The dollar was trading against the Indian rupee at Rs 64.280, the greenback was at 4.253 in terms of the Malaysian ringgit and the US currency was at 6.794 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday .80.57-80.60 (previous 80.58-80.60).

Open Bid	Rs. 105.90
Open Offer	Rs. 106.10

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

Bid Rate	Rs. 104.87
Offer Rate	Rs. 104.88

RUPEE IN LAHORE: The Pak rupee appreciated marginally by five-paisa in relation to the US dollar in the local currency market on Thursday.

According to currency dealers, the dollar witnessed fluctuation of five-paisa following slight changes in its demand and supply situation. At close of trading, it drifted at Rs 105.95 and Rs 106.15 on buying and selling side as compared to the overnight closing rates of Rs 106.00 and Rs 106.20 respectively, they added.

Moreover, the local currency recovered by 20-paisa on buying side while it stayed unchanged on selling side against the pound sterling. The British currency was bought and sold at Rs 134.30 and Rs 135.50 against Rs 134.50 and Rs 135.50 of Wednesday, they said.

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

The dollar opened at Rs 105.95 (buying) and Rs 106.10 (selling) against last rate of Rs 105.90 (buying) and Rs 106 (selling). It closed at Rs 105.95 (buying) and Rs 106.10 (selling).

Buying and selling rates of British Pound is Rs 136.50 (buying) and Rs 138.50 (selling).

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Govt accused of tampering with CCI minutes

TAHIR AMIN & ZAHEER ABBASI

ISLAMABAD: The federal government tampered with the minutes of the 2 May 2017 Council of Common Interests (CCI) meeting to show that there was unanimous agreement to bring the regulatory bodies under the control of their line ministries and issued a second notification to that effect on 6 June 2017.

This was stated by Senator Nouman Wazir, a key member of several Khyber Pukhtoonkhwa (KPK) committees as well as petitioner in the Peshawar High Court against the first notification dated 19 December that placed regulatory bodies under the administrative control of ministries while talking to Business Recorder.

Wazir also accused the federal government of committees contempt of court by issuing the second notification without taking approval from the CCI.

Senator Wazir stated that KPK government would move the court against the federal government's second notification and maintained that the case must be taken to its logical conclusion.

He disclosed that the matter pertaining to regulatory bodies was discussed in the last CCI meeting but the Chief Minister of KPK Pervaz Khattak refused to endorse the federal government's proposal to place regulatory bodies under the administrative control of their line ministries.

Islamabad High court (IHC) ruled in March 2013 that federal government must first place the matter of bringing five regulatory bodies – National Electric Power Regulatory Authority, (NEPRA), Oil and Gas Regulatory Authority (OGRA), Pakistan Telecommunication Authority (PTA), Frequency Allocation Board (FAB) and Public Procurement Regulatory Authority (PPRA) – to CCI before placing them under the administrative control of their line ministries.

Former President of the Supreme Court Bar Association Kamran Murtaza while talking to Business Recorder said if the court had directed the federal government to take CCI's consent on the matter and if it was not complied with, then the federal government had committed contempt of court by issuing second notification without the nod of CCI.

Senior leader of Pakistan Tehreek-e-Insaf (PTI) Arif Alvi said his party considers the government decision violative of the Constitution and contempt of court. He added that the party was examining the matter and may move the court against the federal government's decision.

Senator Taj Haider of Pakistan Peoples Party (PPP) said the government move to place regulatory bodies under the administrative control of their line ministries was rejected by the Senate as well as the committee on devolution having representation from all the provinces.

The devolution committee had also proposed to establish CCI secretariat and place all the regulatory bodies under CCI. He said that his party would again raise the issue in Senate as well as in the devolution committee.

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Rising external debt payments

FX reserves decline over $1.6bn in two weeks

RIZWAN BHATTI

KARACHI: The rising external debt payments swallowed over $ 1.6 billion from the country's foreign exchange reserves during two weeks.

According to State Bank of Pakistan (SBP), the country's foreign exchange reserves continued to weaken and further declined by over $ 358 million during last week.

Earlier, Pakistan's foreign exchange reserves declined sharply by $ 1.255 billion in the previous week ending June 2, 2017 as major external debt payments including principal repayment of $ 750 million against Pakistan Sovereign Bond were due.

According to SBP's weekly foreign exchange reserves report issued Thursday, the country's total liquid foreign exchange reserves declined by $ 358 million during last week. Pakistan's total foreign exchange reserves stood at $ 20.158 billion as on June 9, 2017 compared to $ 20.516 billion on June 2, 2017.

During the week under review, a decline has been registered in the reserves held by the SBP, while banks' reserves witnessed a slight increase. The SBP's foreign exchange reserves declined by $ 410 million to $ 15.296 billion at the end of last week compared to $ 15.706 billion a week earlier.

Similarly, with an increase of $ 52.4 million, reserves held by the banks surged to $ 4.862 billion on June 9, 2017 compared to $ 4.809 billion a week earlier.

Cumulatively, the country's total liquid foreign exchange reserves fell over $ 1.6 billion in two weeks starting May 26, to June 9, 2017, the SBP reported. The country's total liquid foreign exchange reserves stood at $ 20.158 billion on June 9, 2017 compared to $ 21.77 billion on May 26, 2017, depicting a decline of $1.613 billion.

Analysis said it was already being expected that the country's foreign exchange reserves will be under pressure at the end of this fiscal year due to rising external debt payments.

"We are expecting that Pakistan foreign exchange reserves will remain under pressure during next fiscal year because repayment of Extended Fund Facility (EFF) of the International Monetary Fund is scheduled from FY18," they added.

During last fiscal year, the country's forex reserves increased by $ 4.4 billion to $ 23.1 billion at the end of FY16 supported by the IMF disbursements of Extended Fund Facility (EFF) and the government's external borrowings.

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Power generation, transmission & distribution: Senate body seeks Centre's opinion

MUSHTAQ GHUMMAN

ISLAMABAD: Senate Standing Committee on Water and Power on Thursday sought the federal government's opinion on whether provincial governments are 'independent' in matters relating to electricity generation, transmission, distribution, and fixing tariffs under Article 157 of the Constitution.

This observation was made by Senator Nauman Wazir Khattak of PTI after Senator Taj Haider disclosed that Sindh had set up a transmission company with the objective of laying its own transmission line in the province and to set tariff, adding that the provincial government also intends to set up its own electricity distribution system under article 157 of the Constitution. Provinces are already allowed to establish generation plants.

The meeting presided over by Senator Sardar Yaqoob Khan Nasir. The committee directed the Ministry of Power to submit its viewpoint on the matter in the next meeting and discussed different issues related to the power sector.

Senator Taj Haider said that 4000MW electricity will be produced in Sindh from wind and solar by the end of the current year. However, he added that as the transmission line is not being laid by the federal government therefore the Sindh government is establishing its own transmission company under article 157 of the Constitution.

"Can KPK which is developing hydel generation power plants, follow the same model as Sindh notably by setting up its own transmission, distribution and generation system besides fixing its own tariff," Khattak asked.

Khattak stated, "The objective of seeking clarification from the federal government is to avoid any difficulties in future so give us an answer as to what is doable by a province". He also proposed that those who did not plan transmission lines for evacuation of power from different projects should be taken to task.

Senator Nauman Khattak enquired whether load shedding plan is being implemented as per Energy Policy 2015, according to which load shedding is linked with recovery. He further observed that if the government has announced that there would be no load shedding in Ramazan, then this decision should also be implemented in KPK. The CEO Pesco informed the committee that his company has estimated Rs 8.6 billion financial loss due to this policy decision.

Senator Khattak further maintained that circular debt has risen to Rs 430 billion and will further increase by Rs 80-90 billion due to uninterrupted electricity supply at Sehr and Iftar across the country including high loss areas.

Additional Secretary Ministry of Water and Power, Dr Aamir Ahmad who is also Managing Director of Pakistan Electric Power Company (Pepco) informed the committee that recovery-based load shedding policy is uniformly being applied.

Senator Mian Ateeq Shaikh, claiming to be the founder of Hattar industrial zone and Senator Nauman Khattak proposed that "continuous power industries defined as industry that takes 8 to 10 days to restart functions if electricity is disconnected, should be identified by the Water and Power Ministry instead of by Distribution Companies (Discos)".

The issue of real time data board which indicates live power supply and demand position across the country came under discussion. Senator Nauman Wazir informed the committee that recently he phoned Member Nepra KPK, Hamayat Ali Khan, to get an update in this regard. He was astonished to learn that real time data board was disconnected two days after installation. Muhammad

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Ilyas of NPCC revealed that he was barred by the former Secretary Water and Power, Younas Dagha from dissemination of real time date to the regulator, stating that he would suggest to the new Secretary to reactivate the board in Nepra.

On a question regarding current generation and demand position, MD Pepco informed the committee that on June 14, 2017 peak demand was 23600MW. However, on Thursday at 10am generation was recorded at 17,171MW against demand of 21,062MW.

Senator Nisar Muhammad enquired as to why Pesco has unleashed load shedding given that recovery of Hayatabad (Peshawar) is 100 per cent. He argued that load shedding has nothing to do with recovery.

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Transparent economic policies a prerequisite to attract investment: ABC president

RECPORDER REPORT

KARACHI: President of American Business Council (ABC) of Pakistan Sami Ahmed has said that implementation of predictable, consistent and transparent economic policies are a prerequisite for attracting investment, creating jobs and expanding the economy.

“Taxation policy measures should focus on the overall impact to the business environment and also help improve the cost of doing business without burdening existing taxpayers,” he said.

Sami welcomed the government’s decision on exemption of sales tax till June, 2019 on exports of IT services from Islamabad and other Federal territories and extending scope of penalties for curbing illicit trade of cigarettes in Pakistan.

“American investors have expressed concern over lack of initiatives to broaden the tax net and to simplify tax administration for existing taxpayers,” he said.

He further said that in order to spur investment in plant and machinery the investors were looking for some taxation relief measures such as the reduction of turnover tax from 1% to 0.5%. However, this was enhanced to 1.25 % and there was no reduction in the duty of basic raw material.

The ABC investor group was of the view that although certain aspects of the budget such as reducing the corporate tax rate were favourable to promote investment, additional levies actually nullify all the benefits of reduced rate. The super tax was a classic example, in the budget 2015-16, the federal government levied a 4%, one-time, super tax on banking companies and 3% on individuals and other companies having an annual income of Rs500 million. This was done to collect funds for rehabilitation of temporary displaced persons. This has continued ever since.

American Business Council president said that some of the suggestions in the proposed finance bill 2017-18 such as the 10 percent tax on companies which do not distribute 40% of their profit as dividend will severely impact growth as companies will not have the funds available to invest in expansion projects.

Sami said that the increase in minimum tax from 1 percent to 1.25 percent is also perceived as unfavourable for companies as this may substantially increase the effective tax rate beyond the corporate rate of 30% for large manufacturing companies making Pakistan in the highest corporate tax bracket of over 30% as compared to other countries such as Sri Lanka (15%), Bangladesh (25%) and Vietnam (22%).

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SECP decides to revise reporting requirements by auditors

RECORDER REPORT

ISLAMABAD: Securities and Exchange Commission of Pakistan (SECP) has decided to revise reporting requirements by auditors of the companies including submission of auditor's report on financial statements of banks, insurance companies and all other companies as well as report on consolidated financial statements.

Through SRO 471(I)/2017 issued here on Thursday, the SECP has issued draft Auditors (Reporting Obligations) Regulations, 2017. The Companies Act, 2017, stipulates various reporting obligations on the part of auditors of the company. In pursuance of the requirements of the Act, the SECP has specified various formats for the auditor's reports through the draft regulations. This includes auditor's report on financial statements of a banking company, insurance company and all other companies as well as report on consolidated financial statements.

The draft regulations also specify the format for auditor's review report on the quarterly accounts of the company, statement of compliance with the code of corporate governance, statements of compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, assurance report on compliance with the licensing conditions applicable to the company and statement of compliance of board of directors.

Under Auditors (Reporting Obligations) Regulations, 2017, the auditor of a company other than a banking company shall make out a report to the members of the company on its financial statements as required under section 249 of the Act, on the format as provided. The auditor of a banking company shall make out a report to its members on the financial statements as required under section 249 of the Act, on the format.

The auditor of an insurance company licensed by the commission shall make out a report to the board of directors on regulatory returns as well as to the members on the financial statements as required under section 249 of the act, on the format.

Auditors' report on Consolidated Financial Statements: The auditor of a holding company meeting criteria mentioned in subsection (1) of section 228 of the Act shall make out a report on the consolidated financial statements as required under subsection (3) of section 228 of the act, on the format.

Auditor's Review Report on Second Quarter Accounts: The auditor of a listed company shall make out a limited scope review report to the members on the second quarterly accounts prepared under section 237 of the act, on the format.

Auditor's Review Report on the Statement of Compliance: The auditor of a company shall make out a review report to the members on the statement of compliance required to be prepared by such class or classes of companies as directed by the commission under subsection (2) of section 226 of the act, and certify the same under subsection (7) of section 249 of the act on the formats.

The sample report on the audit of the financial statements to be submitted by the auditor revealed, "We have audited the annexed financial statements (or revised financial statements, if applicable) of……… (the company), which comprise the statement of financial position as at……….., and the statement of profit or loss" and other comprehensive income or an income and expenditure statement, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and

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other explanatory information, and we stated that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

“In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income or the income or expenditure statement, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with approved accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the company’s affairs as at…………and of the profit or loss and other comprehensive income or loss, or the income and expenditure, the changes in equity and its cash flows (if applicable) for the year then ended,” it said.

“Basis for Opinion: We conducted our audit in accordance with international standards on auditing (ISAS) as applicable in Pakistan. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the international ethics standards board for accountants’ code of ethics for professional accountants as adopted by the relevant institute (the code) and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion,” auditor report added.

Responsibilities of Management and Board of Directors for Financial Statements: Management is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so, draft auditors report added.

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PBA asks FBR to either abolish Super Tax or reduce rate to 3pc

RECORDER REPORT

ISLAMABAD: Pakistan Banks Association (PBA) has asked the Federal Board of Revenue (FBR) either to abolish Super Tax or reduce its rate to 3 percent through Finance Bill 2017, as Super Tax has raised effective tax rate on banks to 39 percent.

Reacting to the Finance Bill 2017, the PBA has communicated its observations to Federal Board of Revenue Chairman Dr Muhammad Irshad on Thursday.

According to the PBA, the Super Tax, for rehabilitation of temporarily displaced persons, was first introduced vide 2015 budget as a onetime levy for banking companies at 4 percent and for other companies, having income above Rs 500 million, it was 3 percent. Through Finance Bill 2017, it has been extended for the third consecutive year. This has resulted in increasing tax rate for banks effectively to 39 percent, which is excessive and also inequitable.

It is proposed that Super Tax should be abolished or at least the rate of Super Tax be reduced to 3 per cent, as is applicable to other corporate firms to bring in harmony and eliminate discrimination.

Pakistan Banks Association referred to the proposals in the Federal Budget 2017-18, seeking amendments in Income Tax Ordinance, 2001, which would be detrimental for the member banks of the PBA.

Proposed “explanation” in Rule 1(g) of the Seventh Schedule: Rule 1(g) requires the banks to disregard any adjustments in accounts made in accordance with IAS 39 & 40. The Finance Bill 2017 proposes to insert following “explanation” in Rule 1(g) of the Seventh Schedule. Both the present Rule 1(g) and the proposed ‘explanation’ are reproduced below for your ease of reference:

(g) Adjustment made in the annual accounts, on account of application of international accounting standards 39 and 40 shall be excluded in arriving at taxable income.

Explanation — For the removal of doubt, it is clarified that nothing in this rule shall be so construed as so allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

The State Bank of Pakistan, however, has issued notification directing the banks, in Pakistan, not to adopt and apply both IAS 39 and 40 whilst preparing their accounts.

Rule 1(g) as it stood in recent past and without the presence of explanation, was being misused with the assessing officers disallowing adjustments being done as per SBP directives. Given that there is overlap between the requirement of the SBP circulars and IAS 39/40, this provides easy tools for the assessing officers whilst framing the amended assessments.

In view of the above, the PBA would suggest that:

(a) Rule 1(g), being redundant, be kept in abeyance till the time the SBP permits the banks to adopt IAS 39 and 40; or

(b)Proposed “explanation” in Rule 1(g) should be modified to clarify that all SBP allowed accounting treatments, including any notification for valuation of investment, will not be covered under present Rule 1(g) of the Seventh Schedule, the FBR added.

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PHMA hails cut in ST on raw material supplies

RECORDER REPORT

LAHORE: Pakistan Hosiery Manufacturers and Exporters Association (PHMA) Chairman Adil Butt has welcomed the government decision to reduce sales tax from 2 to 1 percent on raw material supplies for five export sectors in the final approval of budgetary proposals for 2017-18 by the National Assembly.

However, he showed serious concerns over meager allocation of funds for duty drawback claims to exporters under prime minister's export package, as only Rs 4 billion is being released to exporters against total claims of over Rs.24 billion.

"When reservation was raised during the sixth meeting of the Federal Textile Board last week, Finance Division officials assured the textile exporters that funds would be released for duty drawback from allocations under federal budgets as well as supplementary grants based upon the claims submitted in the State Bank of Pakistan."

But no such commitment was fulfilled in the final approval of federal budget 2017-18, he regretted.

Adil Butt said that their major portion of working capital was stuck up with the FBR, as the textile exporters had not received their drawback of local taxes and levies (DLTL) either outstanding for the last many years.

He said the textile industry will remain unviable in case the government fails to return local taxes and levies on exports. He urged the government to act decisively and rescue the value-added textile industry from financial crisis, as worst-ever cash flow crunch had brought the country's largest industry to the verge of disaster.

He urged Prime Minister Nawaz Sharif to intervene and direct the FBR to make payments without any further delay. He said that only the immediate payment of all outstanding refunds of sales tax against the already issued RPOs could save the industry.

Adil Butt suggested the government that Duty Drawback of Taxes, announced under PM Package till 30th June, 2017, should be extended up to at least 30th June 2018. He proposed the government to release funds to the Central Bank for immediate payment of duty drawback of taxes to the hosiery exporters.

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ANALYSIS

Cotton prices remain under pressure

DR ZAFAR HASSAN

LAHORE: Cotton prices remained under pressure since the beginning of this week. Consequently, the Karachi Cotton Association (KCA) was obliged to reduce the ex-gin price of grade three cotton by Rs.50 per maund (37.32 Kgs) and fixed it at Rs.6,750 per maund last Tuesday. Again on Thursday, it reduced the price of grade 3 cotton by Rs.50 per maund and fixed it at Rs.6700 per maund in a dull market.

New crop (August 2017/July 2018) has already started and 2400 bales of cotton have already been ginned in Sindh as five or six factories ginning the new crop cotton are in operation. According to one trader, new crop cotton is being offered at Rs.6600 per maund for which there are also no buyers. New crop (2017/2018) had been selling at Rs.7000 per maund earlier on its arrival.

Besides higher output of cotton being projected for U.S.A. for the forthcoming season (2017/2018) which has pressured the cotton prices, output in Pakistan is also being estimated higher from 12 to 12.5 million bales (155 Kgs). New crop quality for the few bales which have arrived is said to be good. However, enquiries for the new domestic crop are few. Muted cotton prices are due to continued trouble and difficulties being faced by the local textile industry.

Seed cotton (Kapas/Phutti) price in Sindh which started selling at Rs.3600 per 40 Kgs when the new crop (2017/2018) started arriving about ten days ago is now selling at Rs.3300/Rs.3400 per 40 kilogrammes. It has also been reported that beneficial rains have been received in such cotton stations as Arifwalla, Burewalla, Bahawalnagar, Deraghazi Khan and Harunabad in the Punjab. Appreciably more cotton sowing of the new crop (2017/2018) has been reported from Punjab.

Sales of new crop cotton for delivery after the festival of Eid-ul-Fitr viz. around the end of this month being factory delivery is said to have been finalized at Rs.6200 per maund (37.32 Kgs),

Recent reports from China, U.S.A., and India indicate a bearish projection for the incoming cotton crop. Likewise, New York cotton futures prices are reported to have slid to their lowest levels since January 2017.

In Pakistan, even lower cotton prices are not helping the spinner who is burdened by heavy taxes and difficult procedures while claiming their legitimate returns and entitlements from the government. Thus Pakistan textile industry is suffering from high cost of doing business compared to its regional competitors.

On the global economic and financial front, quite a few indicators are showing that stability and growth have started gaining ground which extricate several countries and regions from the morass into which they had fallen in 2007 / 2008. However, a cohesive political and economic policy like that in America and Europe, extending to Canada, Japan, Singapore or Australia is decidedly lacking. Indeed the Atlantic alliance between several countries over the past several decades is cracking or dissolving.

Take the United Kingdom as an example. London has decidedly played the role of the foremost financial center of the world over the past several decades. However, the recent election fiasco arising out of the hung parliament following the loss of simple majority by prime minister Teresa May has complicated the Brexit issue and weakened the government which must rely on smaller parties from Northern Ireland like Sinn Fein, the UUP Alliance and the SDLP to form a government.

Such a situation in Great Britain could not only weaken the Brexit negotiations but could also necessitate another general election in the United Kingdom this year.

Premier May would probably have to keep

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shuffling her cabinet to cling to power which could possibly force her to call for further snap general elections. This possible scenario would portray the dismantling of the Western hold on global economic and political power which hegemony functioned quite effectively over the preceding three quarters of a century with America and Britain playing the leading role. Investors in general all over the world are quite worried about the political uncertainty prevailing in the United Kingdom. Furthermore, three terror attacks in the United Kingdom over the past three months have terrified the British people. Politics in Westminster have sunk into utter turmoil. Investors are rightfully unnerved because of ensuing economic uncertainty.

In the United States, U.S. congressman Steve Scalise has been shot at baseball practice game in Alexandria, Virginia. In other news, there are reports that President Donald Trump may be investigated for obstruction of justice. Therefore, president Trump may be put under scrutiny.

Notwithstanding the good functioning of the equity markets and the increase in the United States interest rates by the Federal Reserve to higher levels than obtaining on or before the year 2008, several economists remain skeptical regarding a sustained global economic recovery.

The lurking fear is that any recent economic growth or recovery in the Eurozone, America, United Kingdom may be short-lived and any credit or housing bubble in

China or the tussle in the Middle East arising out of the Qatar imbroglio could conceivably shake up the entire global economy.

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Trade activity fails to gain momentum

RECORDER REPORT

KARACHI: Trade activity failed to gain momentum on the cotton market on Thursday in the process of trading, dealers said.

The official spot rate, after one-day break, shed Rs 50 to Rs 6700, they said. In the ready session, nearly 600 bales of cotton changed hands at Rs 7000 (conditional), they said. In Sindh, seed cotton prices were available at Rs 3300-3400 per 40 kg, they said.

Market sources said that leading mills and spinners were on the sidelines most of the time in expectations of better-than-likely cotton production this year.

Cotton analyst, Naseem Usman said that country may get good crop due to favourable weather.

Reports showing that exporters to get early refund payments because Ministry of Commerce is working with the tax department for early reimbursement of tax refunds and payment of funds under the premier's package to boost exports.

Adds Reuters: ICE cotton futures fell to a 4-1/2-month low on Wednesday on expectations of increased production in the United States.

Cotton contracts for December settled down 0.87 cent, or 1.21 percent, at 70.95 cents per lb. It traded within a range of 70.86 and 72 cents a lb.

Prices hit a low of 70.86, its worst since January 24.

Total futures market volume fell by 10,404 to 37,025 lots.

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 14.06.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,7000	135	**6,835**	**6,885**	NIL
40 Kgs	7,180	145	**7,725**	**7,379**	NIL

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Cotton hits 4-1/2 months low

NEW YORK: ICE cotton futures fell to a 4-1/2-month low on Wednesday on expectations of increased production in the United States. Government data on Monday showed that as of June 11, 92 percent of the US crop had been planted compared to a 5-year average of 90 percent.

“There is some concern regarding the size of the US crop and potential exports. We think the crop is rated in better condition than what it is. But, that’s what the USDA has published and market is going to trade,” said Louis Rose, co-founder and director of research and analytics at Rose Commodity Group, said in a note. Cotton contracts for December settled down 0.87 cent, or 1.21 percent, at 70.95 cents per lb. It traded within a range of 70.86 and 72 cents a lb.

Prices hit a low of 70.86, its worst since January 24. Total futures market volume fell by 10,404 to 37,025 lots. Data showed total open interest gained 472 to 234,543 contracts in the previous session. Certificated cotton stocks deliverable as of June 13 totalled 468,011 480-lb bales, up from 458,935 in the previous session. — Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May’17	73.50	73.50	71.27	71.31	14:20 MAY 17	-	-2.19	16142	73.50
Jul’17	72.50	72.60	71.20	71.20	14:20 MAY 17	-	-1.72	44	72.92
Oct’17	70.94	70.94	69.03	69.07	14:20 MAY 17	-	-1.88	18195	70.95

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The banking sector

According to the Quarterly Performance Review of the Banking Sector (January-April, 2017) released by the State Bank on 13th June, banking sector has shown a steady growth as bank credit to the private sector has expanded and most of the other relevant indicators continue to be in good shape. Gross advances increased by 2.4 percent during the quarter compared to only 0.78 percent in the comparable period a year ago. Most of this growth originated from Islamic banking institutions which added Rs 102 billion as fresh loans. The major thrust in volume terms came from sugar, automobile/transportation, electronics and electric appliances sectors while segments including corporate financing-working capital, fixed investment and trade finance showed a relatively higher growth. Deposits, a key funding source in the banking sector, rose marginally by 0.1 percent in contrast to a contraction of 0.6 percent in the same quarter of 2016. Deposits were largely concentrated in savings (Rs 54 billion) and current account remunerative (Rs 44 billion) categories. Asset quality of the banking sector has improved with the decline in the ratio of non-performing loans to 9.9 percent. This positive development was brought about by an overall decline in non-performing loans (NPLs) and strong growth in advances. The banking sector posted a profit after tax of Rs 49 billion during January-March, 2017 compared to Rs 52 billion in the corresponding period of last year. Capital Adequacy Ratio (CAR) came down somewhat to 15.9 percent due mainly to growth in the private sector advances. However, from the solvency point of view, it was still well above the minimum required level of 10.65 percent. The government borrowed Rs 268.1 billion from commercial banks while retiring Rs 121.1 billion to the SBP. Most of the growth (12 percent) was in treasury bills which are short-term in nature. Consequently, investment to deposit ratio rose from 64 percent to 68.2 percent during the quarter.

Most of the trends in the banking industry during January-March, 2017 quarter are in line with the developments in other areas of the economy and confirm once again that banking sector of the country continues to be sound and in good health. A higher increase in private sector credit reflects a growing confidence in the economy and may be attributable to a low interest rate environment. Increased corporate sector and other borrowings may be due to the general perception that the present advance rates may be the lowest and the SBP may be thinking about increasing the policy rate in the coming months due to increase in the inflation rate and worsening external sector position. A healthy growth in the production of sugarcane and high sugar stocks with the sugar mills has also led to high levels of borrowings from this sector. Bank deposits have stagnated due to a low rate of returns on deposits and the spread of the culture of consumerism in society as reflected partly in the increase in advances for consumer durables. The government continues to borrow more and more from the banking system as its financial position continued to worsen. Higher reliance on commercial banks for budgetary finance and some reduction in the borrowings from the SBP indicate the shift in the mode of financing rather its size. The profitability of the banking sector has moderated due to a sharp reduction in the T-Bill rates and lower interest on private sector credit. It is quite encouraging that while CAR continues to be at a satisfactory level, NPLs of banking sector had declined quite a bit due to better performance of the economy.

However, while most of developments in the banking sector continue to show expected trends, there is room for improvement in certain key areas. The stagnation in deposit growth is worrying as the GDP growth is quite high (5.28 percent) during 2016-17 and this should have led to a higher growth in deposits. In this connection, the authorities need to gradually move to a policy of ensuring

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positive rate of return on savings and launch a publicity campaign to attract more deposits. If possible, tax and customs policies may be adjusted to curb consumption and increase savings. The government needs to reduce its fiscal dependence on the banking system so that higher level of resources could be released for private sector credit. The shifting of dependence of the government between the central bank and the commercial banks as witnessed during the quarter under review is no solution to the problem. Lower profitability of banking sector during January-March, 2017 should not, however, be a cause of concern as it is still quite high while the CAR is at a satisfactory level.

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Balochistan Budget 2017-18: Rs52.1bn deficit Balochistan budget announced

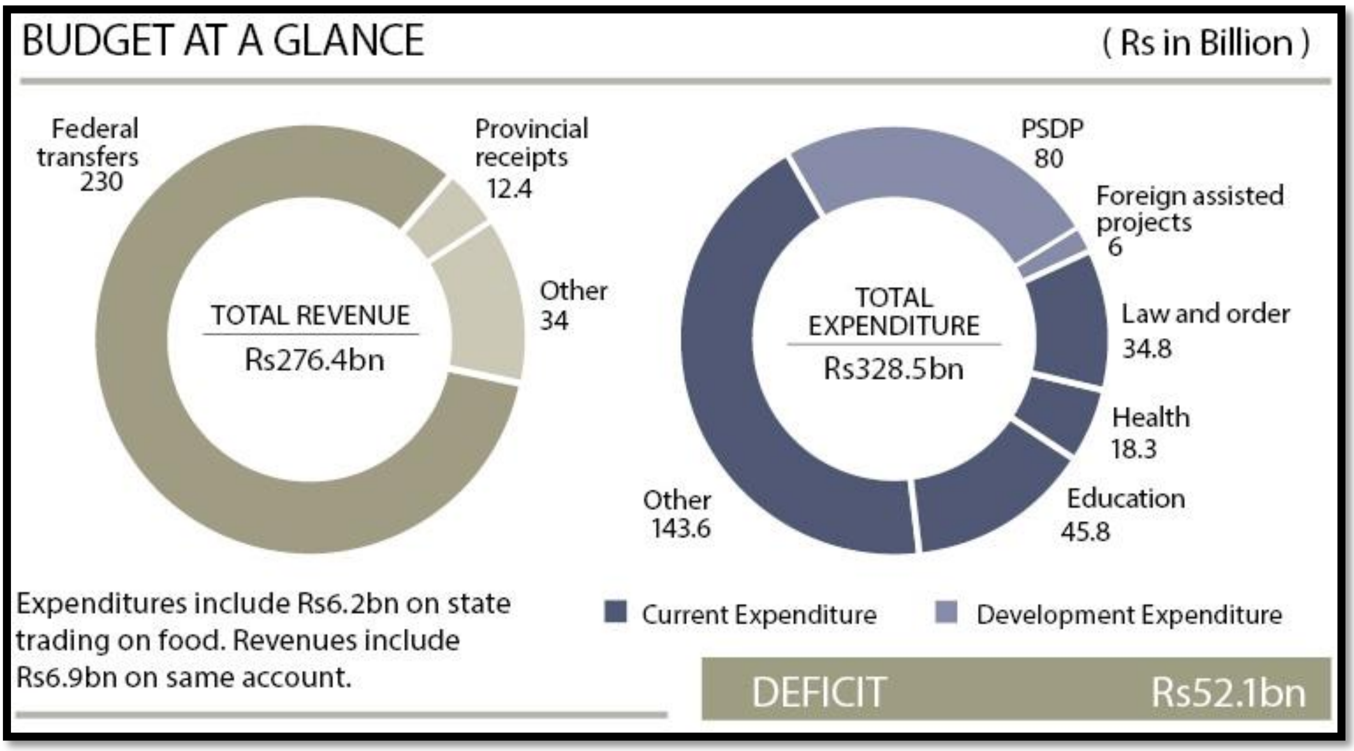
Saleem Shahid | Nasir Jamal

Rs11bn Quetta uplift package okayed

- **Unspecified amount for CPEC-related projects**

QUETTA: The Balochistan government plans to spend Rs328.5 billion on its operations and infrastructure development in the province during the next financial year despite a much smaller estimated resource envelope of Rs276.4bn, showing a hefty deficit of Rs52.1bn or 15pc of the total budget outlay.

More than two-fifths (Rs140.7bn) of the total proposed expenditure will be spent on pay and pensions of provincial government employees and well over a quarter (Rs86bn) on the development of social and economic infrastructure to 'reap the benefits of the China-Pakistan Economic Corridor (CPEC)'. The budget has allocated significant but unspecified funds for completing CPEC-related projects in the province.



Other major expenditure includes grants, subsidies and transfers (to local body institutions) of Rs35.9bn, debt repayment of Rs28bn, investment of Rs10bn in the yet-to-be created Balochistan Bank and Rs3bn in the pension fund. Almost 16.5pc of the total development and current expenditure has been set aside for education, 17.4pc for law and order, 7.4pc for health, 7.7pc for transport and road development and 7pc for irrigation and agriculture and 5pc for energy.

The size of the non-development expenditure (Rs242.5bn) is estimated to have gone up by 11pc from the original target

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(Rs218.2bn) for the outgoing year while the development spending has been spiked by just over a fifth to Rs86bn from Rs71.1bn, according to the budget for 2017/2018 announced by Adviser to the Chief Minister on Finance Aslam Bizenjo on Thursday.

Much of the cash for the provincial expenditure will come from federal transfers of Rs229.9bn in the form of Balochistan's share from the divisible tax pool (Rs202.7bn) and gas royalty and arrears (Rs27.3bn). The rest of the cash will be raised from the provincial taxes (Rs7.3bn), non-tax receipts (Rs5bn), domestic debt (Rs15.7bn) from the State Bank of Pakistan and soft foreign project loan (Rs6bn) for immunisation and other projects.

The budget documents do not tell readers as to how the government plans to cover the huge gap between its expenditure and income. But officials told Dawn that they will cut down on their non-development spending to fill the gap instead of cutting down their development programme – for which the province has an identifiable resource of only Rs33bn. Nevertheless, they conceded, the expenditure cuts would narrow the gap but will not fill it completely.

Election-year budget

With a view to returning to voters in 2018, the provincial government has announced small sops for the different segments of population in the next budget. These include creation of 7,944 new jobs in the public sector, which will cost its budget Rs3.9bn next year. It also announced up-gradation of schoolteachers, clerical staff at government departments, khateebs and district sports officers besides raising allowances for doctors.

Additionally, the minister said in his speech the government planned to provide subsidised fertilisers to farmers, interest-free loans of Rs1bn for the fishermen, scholarships for 14,000 college and university students, and a grant of Rs250 million for lawyers aspiring to get a higher foreign degree in law. Journalists also received a grant of Rs200m each for the Quetta Press Club and the Journalists' Welfare Fund.

The government also gave a Quetta Development Package for the construction of an Express Way, flyovers, road widening and repair and so on at a cost of more than Rs11bn. Besides, it also allocated half a billion for improving sewerage system in the city and Rs200m for establishing a food street near railway station.

Major initiatives announced in the budget include creation of a provincial bank with a capital of Rs10bn, establishment of five companies for solid waste management, skill development, plantation, etc. The decision to set up a social sector investment company was also announced to improve social sector in the province and bring foreign investment for this purpose. The minister said the government will continue to implement austerity measures to cut its expenditure to narrow budget deficit and launch land revenue management information system in four districts – Quetta, Gwadar, Pishin and Jaffarabad.

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PHMA deplores meagre allocation for duty drawbacks

The Newspaper's Staff Reporter

LAHORE: The Pakistan Hosiery Manufacturers and Exporters Association (PHMA) on Thursday supported the government's decision to reduce sales tax from two to one per cent on raw material supplies for five export sectors.

However, the body expressed concern over the meager allocation of funds for duty drawback claims under the prime minister's export package worth Rs180 billion.

So far, of the Rs24bn that was to be released in a period of four months since the package was announced, only Rs4bn has been released.

"When the reservation was raised during the sixth meeting of the Federal Textile Board last week, Finance Division officials assured textile exporters that funds would be released for duty drawback from allocations under the federal budgets as well as supplementary grants based upon the claims submitted in the State Bank of Pakistan," PHMA Chairman Adil Butt said in a statement.

However, no such commitment was fulfilled in the final approval of federal budget 2017-18, he regretted. Mr Butt said a major portion of working capital was stuck up with the Federal Board of Revenue as the textile exporters had not received their Drawback of Local Taxes and Levies (DLTL) for the last many years.

He said the textile industry would remain unviable in case the government fails to return local taxes and levies on exports.

He urged the government to rescue the value-added textile industry from financial crisis.

Mr Butt urged Prime Minister Nawaz Sharif to intervene and direct the FBR to make payments without any further delay. He said only immediate payment of all outstanding refunds of sales tax against the already issued RPOs could save the industry.

He suggested the government that DLTL announced under PM Package till June 30, 2017 should be extended up to at least June 30, 2018.

He also proposed the government to release funds to the central bank for immediate payment of outstanding amount to hosiery exporters.

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Reserves fall by $358m

The Newspaper's Staff Reporter

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $20.1 billion on June 9, down $357.9 million or 1.74 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday. Reserves of the SBP decreased $410m to $15.3bn.

Net foreign exchange reserves held by commercial banks amounted to $4.8bn on June 9, up 1pc from the preceding week.

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Development spending reached Rs681bn in July-May

Khaleeq Kiani

ISLAMABAD: With a cut of Rs85 billion in the budgeted allocation, the government has authorised Rs681bn spending through the Public Sector Development Programme (PSDP) in the first 11 months of the current fiscal year.

As such, the disbursement of funds in July-May for the PSDP amounted to about 85 per cent of the annual allocation of Rs800bn.

The two key entities spearheading the China-Pakistan Economic Corridor (CPEC) in energy and road network have overspent their full-year allocations in the 11 months. Against an annual allocation of Rs322.87bn, the National Highway Authority (NHA) and power projects have consumed about Rs323.5bn so far, according to the Planning Commission.

It said the NHA was allocated Rs192bn for the construction of roads and highways mostly as part of the CPEC. It has been released Rs193.7bn as of June 2, it added. Likewise, Wapda Power has been released Rs129.8bn in 11 months against its full-year allocation of Rs130.87bn.

This was mainly because of higher-than-projected financing flows from abroad, primarily from China. For example, the NHA was originally allocated a foreign exchange component equivalent of Rs61.3bn for the current year, but Rs78bn of funds actually flowed in, up 27.2pc.

Azad Jammu and Kashmir was another area that was provided Rs15.65bn in 11 months against its allocated share of Rs14.7bn for the whole year. Disbursements under similar block allocations to Gilgit-Baltistan and the Federally Administered Tribal Areas (Fata) in 11 months stood at Rs10.8bn and Rs21.5bn against their full-year share of Rs11.15bn and Rs22.3bn, respectively.

The disbursement of funds for the settlement of displaced people from the tribal region and special security were restricted to Rs61bn against an allocation of Rs100bn.

The government has already cut the PSDP by Rs85 billion to Rs715bn from original Rs800bn announced in the last year's budget. The cut in the development budget was despite the fact that the foreign exchange component for development projects was greater than anticipated in the budget last year. The project loans and grants for the PSDP were pitched at Rs229bn last year, but actual inflows are now estimated at Rs262bn.

A large number of development projects were made part of the PSDP last year without finalisation of their feasibility studies and approval of PC-1s. About Rs1.626 trillion worth of unapproved schemes and those without mandatory PC-1 papers were made part of the development programme last year. It forced the Planning Commission to re-appropriate funds for 213 projects during the outgoing fiscal year.

At the same time, disbursements for political schemes have increased to Rs42.5bn instead of budgeted Rs20bn. Also, Pakistan Railways was given Rs56bn during the outgoing year against its allocation of Rs41bn.

This was mainly because of start-up problems with tens of hundreds of development projects that were made part of the current year's PSDP without prior approvals and could not take off.

This is despite claims by Minister for Planning and Development Ahsan Iqbal that the PML-N government has done away with the practice of allowing unapproved projects entry into the PSDP with token allocations to avoid wastage of resources. "The PSDP 2016-17 included 225 unapproved projects worth Rs1.626tr having an allocation of Rs93bn for 2016-17," official documents said.

The commission claimed it requested the line ministries and executing agencies throughout the year to speed up the submission of project documents and get them approved, but its efforts were in vain. "Despite these efforts, 77 projects of 19 ministries — out of a total of 35 ministries — were still unapproved as of May 10," the Planning Commission said.

The commission authorised re-appropriation of Rs53.4bn from 213 slow-moving projects to 101 fast-track projects. Through these re-appropriations and adjustments in the PSDP, the Planning Commission expected the completion of 145 projects by the end of the year, having a total cost of Rs68bn.

This was despite the fact that the Planning Commission had decided last year not to encourage new projects, except those falling strictly within the development agenda under the Vision 2025, and projects initiated

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before 2010 having a throw-forward of Rs15 million were deleted.

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Govt to revise trade policy

Mubarak Zeb Khan

ISLAMABAD: Federal Minister for Commerce Khurram Dastgir Khan chairs a meeting with senior officials of the ministry.—APP

ISLAMABAD: The Ministry of Commerce has decided to revise the Strategic Trade Policy Framework (STPF) as exports continue to fall.

The decision was taken on Thursday in a meeting headed by Commerce Minister Khurram Dastgir. A source privy to the meeting told Dawn that a new policy will be evolved in six months.

The three-year STPF was approved by the government last year. The framework aimed to expand exports to $35 billion by 2018, improve export competitiveness, shift the economy from factor-driven to innovation-driven and increase the share in the regional trade.

However exports have continued to fall and expected to reach $20bn this fiscal year compared to around $25bn in 2013.

The government will now initiate consultations with 12 large export associations next week, while an inter-ministerial meeting will be held after Eidul Fitr on the issue.

Major reasons identified for failure of the STPF were: the framework was properly structured, notifications of the five major schemes were issued late, cumbersome procedures for availing the schemes.

Under the existing STPF, claims of only Rs3.3m were received in two years from exporters while a bulk amount of Rs4bn was lapsed and subsequently surrendered to the Ministry of Finance.

The new version of the STPF will include proposals from major stakeholders received before the budget 2017-18, the source said. It will review previous export promotion schemes.

An official statement issued after the meeting said the commerce ministry was all set to revise the STPF to facilitate exporters. Mr Dastgir directed Secretary Commerce Younus Dagha to complete work on STPF by the end of this year.

The meeting was informed that the government will monitor the performance of trade officers abroad, conclude free trade agreements (FTAs), revise preferential trade agreements and explore new export markets.

Mr Dagha said steps have been taken to boost trade, and cited bilateral trade between Pakistan and Iran which has crossed $1bn.

Mr Dastgir directed Mr Dagha to launch a Pakistan branding campaign, ensure the inauguration of Pakistan Institute of Trade and Development's building, complete work on the new STPF, e-commerce framework, geographical indication law and FTAs, especially with Thailand and Turkey, by the end of this year.

He also directed the secretary to ensure reimbursement of the tax refunds.

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Cotton trading slows

The Newspaper's Correspondent

MULTAN: Trading was slow on the cotton market on Thursday amid dwindling stocks and slow arrivals of phutti (seed cotton). The Karachi Cotton Association reduced its spot rate by Rs50.

The government has announced that 92 per cent of the cotton sowing target has been achieved across the country. However, farmers' representatives rebutted the claim, saying that hardly 75pc sowing target could be achieved so far.

They said fabricated reports were being prepared by the agriculture department to satisfy the high-ups. They said shortage of water, low phutti prices last year and unavailability of quality seed were the major reasons behind less cultivation.

The government said that cotton had been cultivated on 7.07 million acres by June 9, which is 92pc of the total target and was 18.3pc higher as compared to the last year.

In Punjab, the cotton-cultivated area stands at 5.75m acres, which is 96pc of the total target for the province and 30.6pc higher as compared to the last year.

The cultivated area in Sindh has been reduced to 16pc as compared to the last year to 1.314m acres.

Cotton experts are predicting a sizeable reduction in cotton production during the ongoing season as high temperature during nights has affected pollination in both Sindh and Punjab.

First arrival of 300 maunds of new phutti in Punjab was reported in Lodhran while a small quantity of 40 maunds of phutti was reported in Gaggo Mandi.

Major deals on the ready counter were: 200 bales from Sadiqabad at Rs6,950 per maund, 400 bales from Khanpur at Rs6,900, 200 bales from Tando Adam at Rs6,850, 200 bales from Shahdadpur at Rs6,850, 600 bales from Khanpur at Rs7,000 (conditional) and 200 bales from Mirpur Khas at Rs6,650 (low quality).

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,700**	**135**	**6,835**
40 Kgs	**7,180**	**145**	**7,325**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.50	104.70	105.90	106.10
UK	133.20	133.45	135.00	136.25
Euro	117.18	117.41	118.00	119.00
S.Arabia	27.87	27.92	28.20	28.40
UAE	28.45	28.51	28.85	29.05
Japan	0.9498	0.9516	0.9558	0.9758

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.88	6.13
Six months	5.90	6.15
One year	5.96	6.46

LIBOR

Special US dollar bonds for June 14

Three months	1.25033 %
Six months	1.42600 %

THE NEWS
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Banks demand government to abolish super tax

ISLAMABAD: Banks on Thursday demanded the government to abolish the super tax or bring the rate for the banking sector at par with others in corporate sector after the approval of Finance Bill 2017 by the National Assembly.

Pakistan Banks' Association (PBA), in a letter written to Mohammad Irshad, chairman of the Federal Board of Revenue (FBR), sought withdrawal of super tax.

The government, in the budget 2015, imposed the super tax as a onetime levy for banking companies at four percent and three percent for other companies, having income above Rs500 million. The tax was slapped for rehabilitation of temporarily displaced persons.

PBA said through Finance Bill 2017 the tax was extended to the third consecutive year, leading to a cumulative tax burden of 39 percent on banks, "which is excessive and also inequitable."

Sources said FBR can generate around Rs25 billion in revenue through super tax imposed on high net-worth individuals and corporate sector during the next fiscal year.

They added that FBR managed to collect around Rs22 billion in the first year of the tax imposition (2015/16).

PBA represents the Pakistan's banking industry, established in 1953 and its main objective is to facilitate the industry. Currently, the association has 45 members.

The association proposed that super tax should be abolished or at least the rate be reduced to three percent, as is applicable to other corporate sector to bring in harmony and eliminate discrimination.

"We wish to bring to your kind attention the following proposals in the federal budget 2017-18, seeking amendments in Income Tax Ordinance, 2001, which would be detrimental for the member banks of PBA," it said in the letter.

The PBA proposed that rule 1(g), amended in the finance bill 2017, should be kept in abeyance till the time the State Bank of Pakistan (SBP) permits the banks to adopt IAS 39 and 40.

"(Alternatively), proposed explanation in Rule 1(g) should be modified to clarify that accounting treatments, including any notification for valuation of investment, will not be covered under present Rule 1(g) of the seventh schedule," it said.

Rule 1(g) requires the banks to disregard any adjustments in accounts made in accordance with international accounting standards (IAS) 39 and 40.

The Finance Bill 2017 proposed to insert certain explanation in rule 1(g) of the seventh schedule. The present rule 1(g) said adjustment made in the annual accounts, on account of application of international accounting standards 39 and 40, would be excluded in arriving at taxable income.

The proposed explanation said nothing in this rub-rule would be so construed as so allow a notional loss, or charge to tax any notional gain on any investment under any regulation or instruction unless all the events that determine such gain or loss have occurred and the gain or loss can be determined with reasonable accuracy.

SBP, however, issued a notification, directing banks not to adopt and apply both IAS 39 and 40 whilst preparing their accounts, the PBA said.

The association added that rule 1(g), as it stood in recent past and without the presence of explanation, was being misused with the assessing officers, disallowing adjustments being done as per the SBP directives. "Given that there is overlap between requirement of SBP circulars and IAS 39/40, this provides easy tools for the assessing officers whilst framing the amended assessments."

THE NEWS
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Govt must simplify laws to document small traders, manufacturers

LAHORE: Traders and small manufacturers must realise that staying undocumented allows entrenched business elite to continue operating on obsolete technology and maintain monopoly over 90 percent of the market in the country.

The small traders and manufacturers are acting as pawns in the hands of the top business elite and the bureaucracy who are the sole beneficiaries of non-documentation. There are hardly 10,000 entities that control 90 percent of the business in the country.

A few hundred that are listed in the capital market are minting money, while the small and medium enterprises are being steadily eliminated. The non-documented traders and manufacturers are a threat to registered SMEs only who cannot graduate to higher levels; because firms and traders operating with same capital are pushing them out of market by not paying taxes.

The documented SMEs are in fact a threat to entrenched business elite. They have checked their growth by tacitly supporting the non-documented sector.

Exclusion from participation forces many entrepreneurs to engage in low-income, low-growth informal business activities. These entrepreneurs produce legitimate products without proper permits or legal status because they lack the resources to comply with burdensome and excessive rules and regulations necessary to become part of the formal economy.

Hence, they operate outside the tax net. They do not realise that the amount of bribe they pay to corrupt officials is almost equivalent to their actual tax liability. Whatever they earn remains grey and cannot be invested in upgrading their technology.

Had they paid their due taxes, the white money thus generate could be openly used to go for up gradation. The big businesses that remain silent on their low-tech activities would immediately create hell if they upgrade without whitening money.

Small entrepreneurs do not participate in market-based economic system because institutional structures or the "rules of the game" are ill-designed and decision making is undemocratic. This erects barriers to participation as the costs of doing business become prohibitively expensive.

It is the duty of the people elected through participatory process to remove impediments preventing routine, daily participation in national and local decision-making which foster unresponsive policies, such as exorbitantly high costs of doing business.

These obstacles politically and economically disenfranchise citizens, jeopardise the consolidation of political and economic reform and threaten exclusion from global markets.

What Pakistan desperately needs is well-designed, transparent, stable set of political and economic institutions that foster democracy and market-based economic activity while providing a level the playing field for all citizens.

The level of public participation and transparency in the policy making and legislative process has to be increased by instituting transparent, inclusive decision-making procedures. The general public must be provided opportunity to comment on existing and proposed laws and regulations.

Exclusion from participation occurs if the legal and regulatory codes are not clearly streamlined by eliminating duplicative, superfluous laws. Such procedures provide opportunity for corruption resulting in increasing the cost of doing business.

Every citizen has the right to have access to private property. These rights should be clearly defined and strongly enforced. Entrepreneurs with modest means would become formal if the requirements to obtain business permits and licenses are simplified and inexpensive.

Planners should reform the taxation systems to enable small businesses to comply with ease. This would encourage profitable economic activity.

Moreover, there should be more flexibility in labour laws as practiced in developed economies. Determined efforts are needed to reform the economic systems to create open markets in place of crony capitalist systems.

This could be done through better corporate governance legislation. Reforms in bankruptcy laws,

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introduction of globally accepted accounting principles, and better standards of disclosure. They should strictly discourage conflict of interest and insider trading, besides strengthening competition laws.

Small entrepreneurs are wary of bureaucratic red tape. Government should remove discretionary powers of the bureaucracy and instead strengthen the government institutions through excessive reforms.

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Govt disburses Rs2.829bln to petroleum ministry

ISLAMABAD: The government has released more than Rs2.829 billion for the ministry of petroleum and natural resources under the public sector development programme till date against the total allocation of Rs4.251 billion for the fiscal year of 2016/17.

Official data showed that Rs415.8 million was released for acquisition of four drilling rigs with accessories for the Geological Survey of Pakistan, while fund amounting to Rs131.6 million was provided for appraisal of newly discovered coal resources of Badin coal field and its adjoining areas of southern Sindh.

Moreover, Rs20 million was released to explore and evaluate metallic minerals in Bela and Uthal areas, district Lasbella of Balochistan.

The government disbursed Rs11.3 million for exploration of tertiary coal in the central salt range, Punjab, besides releasing more than Rs2.059 billion for supply of gas to various villages and localities.

An amount of Rs332.2 million was for provision of sui gas to three localities of district Mansehra, Rs656.7 million for various villages of district Thatta and Sajawal, Rs170.6 million for various villages of district Sheikhupura, Rs532.7 million villages of Hafizabad, Rs369 for district Okara villages, Rs163.8 million for district Mardan and Rs25.6 million for villages of district Attock.

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Karachi Cotton down

Dull trading was witnessed at the Karachi Cotton Exchange on Thursday, while spot rates decreased Rs50/maund.

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

An analyst said the activity remained low in the market, which was under pressure along with the international markets, where US, China and India were down.

“Due to the lack of interest of buyers, prices of old, as well as new crop, fell Rs400/maund in a few days, despite stocks of around 70,000 bales of old crop lying with the ginners,” he said.

Karachi Cotton Exchange recorded only one transaction of 600 bales from Khanpur at Rs7,000/maund on conditional basis.

The Nation on Web
The Nation
Friday, 16th June, 2017

PHMA lauds cut in ST on supplies for exporters

Our Staff Reporter

LAHORE - Pakistan Hosiery Manufacturers and Exporters Association (PHMA) Chairman Adil Butt has welcomed the government decision to reduce sales tax from 2 percent to 1 percent on raw material supplies for five export sectors in the final approval of budgetary proposals for 2017-18 by the National Assembly.

However, he showed serious concerns over meagre allocation of funds for duty drawback claims to exporters under the prime minister's export package, as only Rs4 billions are being released to exporters against total claims of over Rs24 billion. "When reservation was raised during the sixth meeting of the Federal Textile Board last week, Finance Division officials assured the textile exporters that funds would be released for duty drawback from allocations under federal budgets as well as supplementary grants based upon the claims submitted in the State Bank of Pakistan." But no such commitment was fulfilled in the final approval of federal budget 2017-18, he regretted.

Adil said that their major portion of working capital was stuck up with the FBR, as the textile exporters had not received their drawback of Local Taxes and Levies (DLTL) either outstanding for the last many years. He said the textile industry will remain unviable in case the government fails to return local taxes and levies on exports. He urged the government to act decisively and rescue the value-added textile industry from financial crisis, as worst-ever cash flow crunch had brought the country's largest industry to the verge of disaster.

He urged Prime Minister Nawaz Sharif to intervene and direct the FBR to make payments without any further delay. He said that only the immediate payment of all outstanding refunds of sales tax against the already issued RPOs could save the industry.

He suggested the government that duty drawback of taxes, announced under the PM's package till June 30, 2017 should be extended up to at least June 30, 2018. He proposed the government to release funds to the central bank for immediate payment of duty drawback of taxes to the hosiery exporters.

He lamented that value-added textile exporters were battling hard for their survival in the global market in the face of severe competition with the regional countries. Terming funds blockage as main cause of continuous drop in exports, he said that export industry was unable to tap its potential in accordance with capacity.

Adil also asked the government to ensure 24 hours power supply to the export industry which is presently facing 10 hours loadshedding, forcing the industry to operate just one shift. Moreover, he requested to resolve the issue of energy tariff differential with regional countries and even within the country. He said that export industry was the life line of economy and any disruption would have devastating impact on the industry causing productivity loss, job losses and industrial unrest.