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# RECORDER
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# New ministry marred by confusion

**MUSHTAQ GHUMMAN**

The newly-created Ministry of Energy with Prime Minister Shahid Khaqan Abbasi as its first Minister incharge is still inactive due to confusion in the division of work and official business between the two Divisions. Abbasi created Energy Ministry on August 4, 2017 after merging Power and Petroleum Divisions which had previously represented two different portfolios: Ministry of Water and Power and Ministry and Petroleum and Natural Resources.

Background interviews with the officials of Petroleum Division and Power Division indicate that an across the board confusion prevails amongst the officials of the two Divisions.

"We don''t know through whom we have to send our summaries to the Federal Minister who is also the Prime Minister of the country and this situation is creating considerable confusion," said an official on condition of anonymity. Presently, Ch. Abid Sher Ali has the portfolio of Minister of State of Power Division whereas Jam Kamal Khan has been reappointed as Minister for State for Petroleum. Both the State Ministers have offices in Power and Petroleum Divisions respectively.

However, Federal Minister for Water Resources, Syed Javed Ali Shah has not been given an office in the Power Division situated in A Block of Pak Secretariat. On the first day after assuming charge of the Ministry, he worked in the office of Secretary, Water and Power, Yousuf Naseem Khokhar. Ch Abid Sher Ali occupied the office of Khawja Asif, who has been appointed Federal Minister for Foreign Affairs. Javed Ali Shah reportedly expressed anger at this and reportedly held a meeting with the Prime Minister about the situation he faced the first day.

Another official told *Business Recorder* that the two Divisions have not yet officially conveyed to different sections working under them that an Energy Ministry has been created.

"We have not been intimated about the creation of an Energy Ministry and nor do we have any official writing pads that we are required to use for official purposes," another official added. On August 9, 2017 Prime Minister Shahid Khaqan Abbassi presided over a meeting on the energy sector attended by Minister of State of Petroleum and other senior officials of the two Divisions. The Prime Minister, who was a member of the Cabinet Committee on Energy (CCoE) in Nawaz Sharif''s administration, has sufficient knowledge of the energy sector and therefore did not allow officials of Power Division to give their presentation.

Another senior official of Power Division who deals with power sector''s financial issues maintained that there was a need to amend the Rules of Business, 1973 to specify the role of Ministry of Energy along with functions of Power Division and Petroleum Division. The Establishment Division has not yet issued any such notification, he added.

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## Profit margins of OMCs:

# Ogra opposed to proposed deregulation

**WASIM IQBAL**

The Oil and Gas Regulatory Authority (Ogra) is strongly opposed to the proposed deregulation of profit margins of oil marketing companies (OMCs) and petroleum dealers, fearing that the move will encourage them to form a cartel and fix retail prices at the expense of consumers, sources said.

Ogra has recommended that the government continues the existing mechanism which was established to set profit margins of OMCs and dealers based on the Consumer Price Index (CPI). However the final decision would be made at Economic Co-ordination Committee (ECC) of the Cabinet which is yet to be scheduled after Prime Minister Shahid Khaqan Abbasi took over as the Prime Minister and issued a notification to the effect that the Prime Minister as opposed to the Finance Minister will chair it.

Ogra in its recommendations to Federal Government stated that petrol and diesel are the two widely used petroleum products and if OMCs and dealers are given a free hand, it is feared that they may create a monopoly to the detriment of the general consumers.

Sources pointed out that because of an increase in the consumption of petroleum products, OMCs and dealers were already making hefty profits and the deregulation of margins would give them windfall profits.

The deregulation debate began after the Ministry of Petroleum and Natural Resources, when its portfolio was held by the current Prime Minister, had asked the ECC headed by Ishaq Dar in June 2017 to permit OMCs and dealers to set their own margins on two major petroleum products - high-speed diesel and petrol.

In the first phase, the Ministry proposed deregulation of margins on high-speed diesel (HSD), which is widely consumed in agricultural and transport vehicles. In the next phase, petrol margins were proposed to be deregulated to encourage more investment by the industry.

The margins were determined by the Ministry of Petroleum and Natural Resources in a market where six firms have an HSD market share of 87.9 percent; however there is as yet little clarity after the merger of the Ministry of Water and Power and Ministry of Petroleum and Natural Resources into the Energy Ministry.

According to Oil Companies Advisory Council (OCAC), Pakistan consumes 600,000 tons of high-speed diesel per month whereas petrol demand stands at 550,000 tons per month. Consumption of petrol is increasing by 20 percent every year after compressed natural gas (CNG) filling stations switched to imported liquefied natural gas (LNG) from domestically produced gas.

At present, OMCs charge Rs 2.41 in margins on a litre of petrol and high-speed diesel whereas dealers collect Rs 3.16 on petrol and Rs 2.67 on diesel. OMCs, however, have demanded a raise of Rs 0.18 per litre. For dealers, an increase of Rs0.14 per litre on petrol was sought.

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# Has Dar lost some of his gloss?

ZAHEER ABBASI

Finance Minister Ishaq Dar''s influence in decision-making appears to have decreased after the Supreme Court judgment in the Panama case and he is no longer visible as he was before. Supreme Court of Pakistan has directed National Accountability Bureau (NAB) to file a reference against Finance Minister Ishaq Dar for assets beyond means after he was unable to satisfy the court for an increase in wealth from Rs 9.1 million to over Rs 800 million.

Sources said that post verdict activities of Finance Minister are very limited unlike before when he was spearheading all major activities whether these were in the economic arena or the political arena. He was heading 35 or so committees - from electoral reforms to special committee on economic policy decisions during the premiership of Nawaz Sharif.

A notification issued by Cabinet Secretariat on August 10, 2017 removed Finance Minister from the chairmanship of the Economic Coordination Committee (ECC) of the Cabinet and elevated it to the level of the new Prime Minister Shahid Khaqan Abbasi.

An official of Finance Ministry told *Business Recorder* that this in itself was not unusual as Cabinet Committees are reconstituted when a new prime minister takes charge, hence ECC was reconstituted.

In reply to a question as to why the Finance Minister was relieved of some of his responsibilities during the incumbent prime minister''s tenure he stated that perhaps the Finance Minister was no longer interested in continuing with manifold responsibilities.

He also dispelled the impression that the Finance Minister was not as active after the Panama papers verdict as he was before. In order to support his view point, the official stated that Finance Minister presented the electoral reform bill in both the houses of Parliament during the just concluded sessions and also attended an event relating to the tax directory in the Federal Board of Revenue (FBR).

There is a growing perception however that the new Prime Minister lightened the Finance Minister''s responsibilities because most of the proposals of the Ministry of Petroleum and Natural Resources (when the portfolio was held by the incumbent prime minister) were shot down in the ECC when Dar was the chairman.

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# NEC reconstituted

**SOHAIL SARFRAZ**

The federal cabinet has issued a notification for reconstitution of National Economic Council (NEC) with Prime Minister Shahid Khaqan Abbasi in the chair. The notification stated that in exercise of power conferred upon article 156 of the Constitution, the President has reconstituted the National Economic Council (NEC).

The Prime Minister of Pakistan would be Chairman of the NEC while members nominated by the Prime Minister are Finance Minister Ishaq Dar (Member), Ahsan Iqbal, Minister for Interior (Member); Ghulam Murtaza Khan Jatoi, Minister for Industries and Production (Member) and Muhammad Pervaiz Malik, Minister for Commerce and Textile (Member).

Chief Minister of Balochistan and Dr Hamid Khan Achakzai, Minister for Planning and Development, would be members of NEC and from Province of Khyber Pakhtunkhwa Chief Minister and Muzafar Said, Minister for Finance, would be members of the NEC.

Chief Minister Punjab and provincial Minister for Finance Dr Ayesha Ghaus Pasha would be members of the NEC from Punjab. Chief Minister Sindh and Mir Hazar Khan Bijarani, Minister for Planning and Development, would be members of the NEC from Sindh province.

Governor Khyber Pakhtunkhwa, Prime Minister Azad Jammu and Kashmir, Chief Minister Gilgit-Baltistan, Deputy Chairman Planning Commission and Secretary Finance Division as well as Secretary Economic Affairs Division and Secretary, Planning, Development and Reform Division will attend the NEC as special invitees. Other federal secretaries, including chief secretaries of the provinces, Azad Jammu & Kashmir and Gilgit-Baltistan will attend the meetings of the National Economic Council, by special invitation, on need basis.

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# IBRD won"t suspend support to projects

**TAHIR AMIN**

The International Bank for Reconstruction and Development (IBRD), one of the main arms of the World Bank Group, will not suspend financial support to ongoing projects in Pakistan, even if the country becomes ineligible due to failure in meeting the laid down criteria.

"Pakistan currently qualifies as a blend country and is eligible for both International Development Association (IDA) and IBRD. If a country"s status changes the ongoing projects are not affected," said the World Bank (WB) spokesperson in Islamabad. However, the spokesperson added that budget support for any country is linked to maintenance of an adequate macroeconomic policy framework, as determined by the World Bank with inputs/assessment from the International Monetary Fund (IMF).

The WB had approved a Country Partnership Strategy (CPS) for Pakistan for the period of 2015-19. The CPS for Pakistan is structured to help the country tackle the most difficult - but potentially transformational - areas to reach the twin goals of poverty reduction and shared prosperity. The four strategic pillars - results areas - of the CPS are anchored in the government"s framework of 4Es: Energy, Economy, Extremism and Education; and the priorities of the proposed Vision 2025.

The CPS envisaged an indicative financing envelope of about $11 billion over the CPS period. This includes an IDA lending of about $1.1 billion per year (subject to SDR/$ exchange rate). According to the CPS, the IBRD lending would require strengthened macroeconomic balances, evidenced among other things by foreign exchange reserves equal to at least 21/2 months of imports of goods and services and a stable or declining public debt to GDP ratio, lower than the 64.2 percent projected for end-2013/14.

IBRD lending is limited to investment lending of $500 million a year and a maximum of $2 billion in total over the CPS period. Within this, lending amounts would be further modulated according to improvements in Pakistan"s credit worthiness, and would also depend on IBRD"s lending capacity and demand from other borrowers.

If the program performs well, the World Bank may be able to bring in additional IBRD lending, but if reforms are not maintained, the World Bank could not continue its Development Policy Financing. It would need to reorient its program, while maintaining the critical social sector support. Any such shifts or reorientation would be brought to the Board in the Country Partnership Strategy Progress Report (CPSPR).

A State Bank of Pakistan (SBP) official told *Business Recorder* that latest figures of foreign exchange reserves were released on August 10, 2017 which indicate reserves stood at $14.398 billion on August 4, 2017, $14.698 billion on July 28, 2017, $15.003 billion on July 21, $15.478 billion on July 14, and $16.197 billion on July 7, 2017 registering a consistent decline of $1.8 billion during last one month.

Continued decline in foreign exchange reserves is posing a serious threat to the country"s eligibility for getting financial support from IBRD in the coming years.

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Mid-term review plan:

# MoC convenes first meeting of GSP Plus panel today

MUSHTAQ GHUMMAN

The Commerce Ministry has convened first meeting of GSP Plus special committee on Wednesday (today) to develop a comprehensive approach and prepare mid-term review plan due on January 2018. Presided over by Commerce Minister Pervaiz Malik, the committee will be given a detailed briefing on the actions taken by the government with respect to 27 UN Conventions and concerns raised by the Members of EU Parliament and the powerful civil society.

According to informed sources, both the EU Parliament Members and civil society are unhappy at the human rights situation in Pakistan inclusive of the rights of women, death penalty, use of military courts, torture and enforced disappearances, rights of minorities, protection of journalists and human rights violations.

The government is expected to actively engage with the Members of European Parliament (MEPs) and the governments of the EU member states to seek their support for continuation of GSP plus status for Pakistan. Civil society organisations noted shrinking space for civil society and the government''s reluctance to address human rights violations in Pakistan. Some civil society organisations emphasized increased awareness of labour issues at company level in Pakistan and stressed the importance of continuous dialogue with Pakistan.

Pakistan''s embassy in Brussels has already communicated the concerns to Islamabad through the Ministry of Foreign Affairs. A Treaty Implementation Cell (TIC) constituted by the former Prime Minister, Nawaz Sharif, has been given the responsibility to interact with provinces for effective implementation on UN Conventions. Attorney General Ashtar Ausaf Ali is the head of TIC who previously responded to the searing questions put forth by EUs civil society on executions by the military.

The sources said, EU also argues that Pakistan has not given a level playing field to some of its companies despite GSP plus status. The committee has to look into such concerns of the EU prior to the mid-term review. Pakistan''s exports to European Union increased to Euro 6.29 billion in 2016 from Euro 4.5 billion in 2013, showing an increase of 33 per cent. The EU accounts for 20 percent of Pakistani external trade with Pakistani exports comprising mainly of textiles, medical equipment and leather products.

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# Javaid Jehangir made AGP

**ABDUL RASHEED AZAD**

The government has appointed Javaid Jehangir, a retired officer of Pakistan Audit and Account Service, as Auditor General of Pakistan (AGP), a notification from the Ministry of Finance Tuesday said. Jehangir has been appointed Auditor General of Pakistan by President Mamnoon Hussain, effective from the date he enters office, the notification said.

Before Jehangir''s appointment, Imran Iqbal, the senior-most officer of the Audit and Accounts Service within the department was serving at the top post. Jehangir retired from the Audit and Account Service group in December last. He also served as member finance in the Capital Development Authority (CDA).

The post of the auditor general fell vacant in April this year when Rana Asad Amin retired after turning 65 - the maximum age limit for the position. Since then an acting auditor general has been running the affairs of the department.

The appointment of acting AGP was flayed by the members of the Public Accounts Committee (PAC) and Chairman PAC Syed Khursheed Ahmed Shah even threatened the government to postpone committee meeting till the appointment of a regular AGP. Railways Secretary Parveen Agha and Controller-General of Accounts Shagufta Khanam are the other senior-most officers of the audit group, but both ladies were not currently serving in the organisation. According to the sources, in the past their names remained under consideration for appointment as the permanent auditor general.

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# THE RUPEE: Steadier trend

**RECORDER REPORT**

Firmness persisted on the money market on Tuesday as rates held the overnight levels in the process of trading, dealers said. The rupee did not move any side in relation to the dollar for buying and selling at Rs 106.70 and Rs 106.90 respectively, however it picked up one rupee in terms of the euro for buying and selling at Rs 124.50 and Rs 126.00 respectively, they said.

**OPEN MARKET RATES: INTER-BANK MARKET RATES:** The rupee shed one paisa versus the dollar for buying and selling at Rs

| | |
|---|---|
| Open Bid | Rs. 106.70 |
| Open Offer | Rs. 106.90 |

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

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

**RUPEE IN LAHORE:** The Pakistani rupee appreciated versus the foreign currencies including the US dollar and British pound in the local currency market on Tuesday.

According to currency dealers, the US dollar

105.40 and Rs 105.41 respectively, they said.

In the second Asian trade, the dollar rose against the yen, pulling away from a recent four-month low, as concerns over tensions between the United States and North Korea eased for now, supporting risk appetite.

Both the yen and the Swiss franc sagged after North Korea said it had delayed a decision on a plan to fire missiles at the US Pacific territory of Guam.

That news helped ease commenced trading on a negative note following lack of buyers' interest in the currency market.

Consequently, it slid to Rs 106.40 and Rs 106.65 on buying and selling side, respectively, as compared to the last closing trend of Rs 106.60 and Rs 106.85 respectively, they added.

Likewise, the local currency also followed the same suit against the pound sterling. The pound's buying and selling rates depreciated from Saturday's closing rates of Rs 137.60 and Rs 138.50 to Rs

investor worries about the risk of a conflict between the United States and North Korea, improving sentiment toward riskier assets.

The dollar rose 0.6 percent to 110.26 yen, pulling away from a low of 108.72 yen set on Friday, its lowest level since April 19.

The dollar was trading against the Malaysian ringgit at 4.292 and the greenback was at 6.673 in terms of the Chinese yuan.

135.80 and Rs 137.80 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 Tuesday.

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against same last rate.

It closed at Rs 107.10 (buying) and Rs 107.20 (selling) in evening session.

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Bank account details:

# FBR warns taxpayers of fake emails

**RECORDER REPORT**

The Federal Board of Revenue (FBR) has strictly advised taxpayers and general public not to send their bank account details and passwords to any e-mail received from any e-mail address that is apparently from the FBR. According to an FBR announcement here on Tuesday, the FBR has directed taxpayers to be aware of fraudulent e-mails - phishing scams.

The FBR informed the taxpayers that the FBR does not send e-mail requesting taxpayers PIN numbers, passwords or similar access information for credit cards, banks or other financial accounts. The FBR said that there are numerous attempts by individuals and groups to solicit personal information from unsuspecting users by employing social engineering techniques. Various e-mails are crafted to appear as if they have been sent from a legitimate organization or known individual. These emails often attempt to entice users to click on a link that will take the user to a fraudulent website that appears legitimate. The user then may be asked to provide personal information such as account, usernames and passwords, which can further expose them to future compromises.

Additionally, these fraudulent websites may contain malicious code. E-mails designed to obtain taxpayer"s banking information in lieu of facilitating a refund to the taxpayer or any other activity associated with an individual"s bank account are extremely dangerous with an intent to defraud the individual. The FBR strictly advises the taxpayers from disclosing any information, especially related to their bank accounts via these e-mails and associated links.

This is called phishing and it is used by identity thieves around the world, who misuse the online financial systems and deprive unsuspecting people of their money. Globally, phishing deprives people of around US $ 1 billion annually.

The FBR further said that email phishing refers to the act of creating and sending fraudulent or spoofed e-mails with the goal of obtaining sensitive financial and personal information. Under such schemes, e-mails are designed to look exactly like the ones that are sent by legitimate companies. Sophisticated phishing attacks use the e-mail addresses of people who are registered to use certain services. When those people receive e-mails that are supposed to be from those companies or institutions, they are more likely to trust them. Spoofed e-mails often contain links that lead to spoofed websites, where various methods are used to request and collect a person"s financial and personal information. Forms are occasionally contained within the e-mails themselves too.

The FBR cautioned the taxpayers that there are many signs of a phishing email. "The first thing that you should look at is the greeting. Does it use your actual name, or does it have a generic greeting? Look closely at the email"s header. What is the sender"s email address? These addresses are usually carefully designed to look authentic. By taking a very close look at them, though, you can usually see inconsistencies and things that don"t make sense. If possible, compare the sender"s email address to that of previous messages from the same company. If it"s a phishing email, you will notice things that don"t add up. The people often fall for these ruses because they are afraid of losing access to these important services. Both companies now offer extensive information on ways to avoid such phishing scams on their websites." There is no simple way to completely avoid e-mail phishing attacks. "Sooner or later, someone is bound to send you a spoofed email. The easiest way to avoid these scams is by never clicking on links that are included in email messages. Make it a policy to always type in the URL of the site that you need to access manually. Upon arriving on the site, you will be able to confirm whether or not the message that you received was legitimate. If it"s a spoofed email, find out where to send it - most companies & institutions like to know about the scams that are going on out there."

The FBR said, "Once you believe you have come across a phishing Page you should immediately report the concerned page to Google via the following link: https://safebrowsing.google.com/safebrowsing/report_phish/?hl=en"

This will help to ensure that unsuspecting visitors & users are warned before they are duped in divulging sensitive information compromising their financial accounts and associated information.

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Monthly forex returns:

# ADs told to stop submitting hard copies to SBP-BSC

**RIZWAN BHATTI**

The State Bank of Pakistan (SBP) Tuesday announced that it is doing away with the requirement of submission of hard copies of monthly foreign exchange returns to SBP-BSC. According to FE Circular No. 08 of 2017 issued on August 15, 2017, as per various instructions contained in Foreign Exchange Manual-2017 in terms of which Authorized Dealers are required to submit monthly foreign exchange returns to Statistics and Data Warehouse Department (S&DWD), SBP, Karachi and SBP - Banking Services Corporation (SBP-BSC) as per the guidelines mentioned therein.

In this regard, it has been decided to dispense with the requirement for submission of hard copies of summary statements, schedules, Electronic Import Forms, Electronic Forms E, M Forms, R Forms and Inward Remittance Vouchers (IRVs) through monthly returns to the area offices of SBP-BSC from the month of August, 2017 onwards, the circular said.

However, Authorized Dealers will continue to submit some other returns to SBP/SBP-BSC as per the prevailing practice/instructions. As per new directives monthly foreign exchange data (return) will be submitted through International Transactions Reporting System (ITRS) to SBP.

In addition, hard copies of manual E-Forms, export advance payment vouchers and statements/returns reported through Appendices-V and others will be required to be submitted along with supporting documents. Further, Authorized Dealers will maintain complete record/documents of monthly foreign exchange returns as per existing procedure and will present the same to SBP/SBP-BSC for onsite inspection and offsite monitoring, as and when required.

Authorized Dealers will also ensure that foreign exchange data reported in ITRS is accurate, complete and as per the prescribed format. Misreporting, non-reporting or non-compliance of any rule/regulation/instruction on the part of Authorized Dealers shall attract regulatory action under the related provisions of the Foreign Exchange Regulation Act, 1947.

According to SBP"s circular, all other terms and conditions on the subject shall remain unchanged. Authorized Dealers have been advised by the SBP to bring the new directives to the notice of all their constituents and ensure meticulous compliance.

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Non-resident firm:

# Lahore LTU seeks legal guidance on levy of Super Tax

**RECORDER REPORT**

Large Taxpayer Unit (LTU) Lahore has sought legal guidance from the Federal Board of Revenue (FBR) on whether or not Super Tax under Section 4B of the Income Tax Ordinance, 2001 be imposed on "income" in addition to 10 percent tax against "dividend" alone offered by the non-resident beverage company under Avoidance of Double Taxation Agreement (DTA).

Sources told *Business Recorder* here on Tuesday that the LTU Lahore has made a representation to the FBR on the levy of Super Tax u/s 4B of the Income Tax Ordinance, 2001 in the case of an international beverage company (non-resident company).

The LTU Lahore is of the view that dividend is an integral part of income for the purpose of levy of super tax. Since the dividend income as declared by the taxpayer exceeds the threshold of Rs 500 million, the taxpayer company is apparently liable to pay Super Tax @ 3% of the gross dividend. It is evident that super tax is chargeable against every person without any distinction of residential status as specified in section 80 of the Income Tax Ordinance.

According to the LTU Lahore, an international beverage company, a non-resident company incorporated in Netherlands, is assessed to tax in LTU Lahore. It has 99.96% shareholding of another beverage company (resident company). The taxpayer company has declared dividend income of Rs 5,250,000,000 received from Pakistani beverage company (resident company) for the tax year 2016 as its only source of income taxable in Pakistan against which it has paid income tax of Rs 525,000,000 at the rate of 10% of 7dividend under Division III of Part-I of the First Schedule to the Income Tax Ordinance, 2001 (Ordinance) read with the Convention between Netherlands and Pakistan for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income ( DTA).

It is worth recalling that super tax for rehabilitation of temporarily displaced persons was imposed through Finance Act, 2015 by insertion of Section 4B in the Income Tax Ordinance, 2001, according to which every person having income of Rs 500 million and above is liable to pay the said tax. For facility of reference, subsection (1) of section 4B of the Ordinance is reproduced as under:

4B. Super tax for rehabilitation of temporarily displaced persons.-

(1) A super tax shall be imposed for rehabilitation of temporarily displaced persons, for tax years 2015 and 2016 at the rates specified in Division IIA of Part I of the First Schedule, on income of every person specified in the said Division. (underlined for emphasis.)

Division IIA of Part I of the First Schedule specifying the rate of super tax says: Division IIA Rates of super tax:

Banking company, rate of super tax is 4% of the income and person, other than a banking company, having income equal to or exceeding Rs 500 million, rate of super tax is 3% of the income.

From the said provisions of law, it is evident that super tax is chargeable against every person without any distinction of residential status as specified in section 80 of the Ordinance, LTU Lahore interpreted the law.

For the purpose of levy of super tax, the expression "income" of a person has specifically been defined in sub-section (2) of section 4B of the Ordinance in the following words:

"(2) For the purposes of this section, - income shall be the sum of the following:-

(i) profit on debt, dividend, capital gains, brokerage and commission;

(ii) taxable income (other than brought forward depreciation and brought forward business losses) under section (9) of this Ordinance, if not included in clause (i);

(iii) imputable income as

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defined in clause (28A) of section 2 excluding amounts specified in clause (i); and

(iv) income computed under Fourth, Fifth, Seventh and Eighth Schedules.

It thus follows that dividend is an integral part of income for the purpose of levy of super tax. Since the dividend income as declared by the taxpayer exceeds the threshold of Rs 500 (m), the taxpayer company is apparently liable to pay Super Tax @ 3 percent of the gross dividend which works out at Rs 157,500,000, the LTU Lahore said.

The issue has also been examined in the light of the DTA. As per clause 3(a) of Article 2 of the DTA, the Convention shall apply to the following taxes on income imposed on behalf of one of the states:

"3. The existing taxes to which the Convention shall apply are in particular:

(a) in the case of the Netherlands:

-de inkomstenbelasting (income tax),

-de loonbelasting (wages tax),

-de vennootschapsbelasting (company tax),

-de dividendbelasting (dividend tax)

(hereinafter referred to as "Netherlands tax");

(b) in the case of Pakistan:

-the income tax,

-the super tax,

-the surcharge

(hereinafter referred to as "Pakistan tax")

7. Article 10 of the Treaty provides chargeability of dividend income in the following words:

"Article 10"

Dividends: 1. Dividends paid by a company which is a resident of one of the States to a resident of the other State may be taxed in that other State.

2. However, such dividends may also be taxed in the State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends the tax so charged shall not exceed:

(a) 10 percent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25 percent of the capital of the company paying the dividends;

(b) 20 percent of the gross amount of the dividends in all other cases.

3. The provisions of paragraph 2 shall not affect the taxation of the company in respect of the profits out of which the dividends are paid."

8. Further as per Final Protocol of the DTA the following provisions shall form part of the DTA:

IV Ad Article 10: The provisions of paragraph 2(a) of Article 10 shall not apply if the company which is a resident of the Netherlands suffers Netherlands company tax on the dividends which it receives from the company which is a resident of Pakistan. In such a case, the provisions of paragraph 2(b) of Article 10 shall apply.

The LTU Lahore said that in this case the taxpayer company has offered dividend income for tax @ 10 percent as per clause 2(a) above as it holds more than 99% shares of Pakistani company (resident beverage company). However, if it is held that paragraph 2(b) of Article 10 of the DTA is applicable in this case instead of paragraph 2(a), we can easily charge the super tax.

Guidance of the Board is solicited whether super tax under Section 4B of the Income Tax Ordinance, 2001 be imposed on "income" in addition to tax @ 10 percent against "dividend" alone offered by the non-resident company as per the DTA, LTU Lahore added.

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# CTG setting up six power projects in Pakistan

**RECORDER REPORT**

China Three Gorges Corporation (CTG) is actively engaged to install its six power projects in Pakistan, having total capacity of 2733MW, said Sheng Zhendong, a Corporation's senior official.

Total investment will be US 6 billion dollars. These projects are 720MW Karot hydropower project, 1124MW Kohala Hydropower project, 49.5MW first wind power project, 99MW second wind project, 640MW Mahl Hydropower project and 100MW first solar PV project, of which Karot Hydropower Project is in the list of priority project under CPEC, the Kohala Hydropower Project and the Second Wind Power Project are included in the project list to be actively promoted.

The company not just involves in project development, but also participates in the Indus River Basin Planning, scientific research design, cascade development to invest and construction, operation and management, becoming a provider of whole industry chain solution for clean energy in Pakistan, the official said in an interview with an INP's special correspondent Zameer Asadi.

According to the official, In 2015, CTG Karot Hydrpower station project (720MW) was written into Sino-Pakistan joint declaration, which is the first ever to both the CTG and Chinese hydro power industry and became the first project invested by Silk Road Fund (SRF).

The SRF established by China and the International Finance Corporation (IFC) have become the shareholder of China three gorges South Asia Investment Limited (CSAIL) so as to jointly promote clean energy projects in Pakistan.

Located on the Pakistani Jhelum River east of Islamabad, the Karot Hydropower station project is one of prioritized energy project of CPEC.

The construction of the station was started at the end of 2015 and will be put into operation in 2020. The scheme, being developed on a build-own-operate-transfer basis, will have a concession period of about 35 years, comprising five years of construction and 30 years of operation. The plant is expected to have capacity to produce 3.2 billion KWH of clean, reliable and affordable electricity annually.

In the long-term planning, the Company will consider investing in several hydro projects in the upstream of the Indus River upstream, including 4500MW Diamer Basha Hydropower Station, 2300MW Pattan Hydropower Station and 4000MW Thakot Hydropower Project, with a total installed capacity of 10.8GW.

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# Binola prices down on cotton market

**RECORDER REPORT**

Binola prices lost Rs 200 to Rs 1200 on the cotton market on Tuesday in the process of trading, dealers said. The official spot rate was down by Rs 50 to Rs 6250, they said. In the ready session over 13,000 bales of cotton changed hands between Rs 6225-6400, they said. In both Sindh and Punjab, seed cotton rates were lower by Rs 200 at Rs 2700-2850 per 40 kg, they said.

Market sources said that the ginners and growers were under pressure and trying to sell cotton as much as they can sell, but on the other hand, the mills and spinners were not ready to purchase at the present levels, expecting fresh decline in rates. Recently, reports appeared that the Cotton Crop Assessment Committee (CCAC) has estimated the cotton production at 12.6 million bales during the crop season 2017-18 against the set targets of 14.04 million bales.

Cotton analyst, Naseem Usman said that rates were stable in China and India, despite this factor, prices are coming down. Since phutti (seed cotton) arrivals improved, prices are on the downside and how far it will continue, nobody can predict, other brokers said.

Reuters adds: The NY cotton futures were down on Monday. The following deals reported: 1400 bales from Kotri, 2000 bales from Shahdadpur at Rs 6225-6300, 1600 bales from Mirpurkhas at Rs 6225-6275, 2000 bales from Hyderabad at Rs 6225-6275, 2200 bales from Sanghar at Rs 6225-6300, 2000 bales from Shahdadpur at the same rate, same figure from Tando Adam at Rs 6250-6300, 200 bales from Qabula at Rs 6350, 800 bales from Burewala at Rs 6350-6400, 600 bales from Sahiwal, 400 bales from Khanewal and 1000 bales from Chichawatni all done at the same rates, 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 12.08.2017** | **Difference Ex-Karachi in Rupees** |
| **37.324 Kgs Equivalent** | 6,250 | 145 | **6,395** | **6,445** | -50 |
| **40 Kgs** | 6,698 | 155 | **6,853** | **6,907** | -54 |

BUSINESS
RECORDER
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# Cotton near one-month low as larger crop outlook continues to weigh

**RECORDER REPORT**

ICE cotton fell to a near one-month low on Thursday after data from the US Department of Agriculture (USDA) showed an improvement in crop conditions in the US amid higher production expectations. Cotton contracts for December settled down 0.6 cent, or 0.87 percent, at 67.16 cents per lb. They traded within a range of 67.08 and 67.95 cents a lb. Prices hit their lowest since July 18 at 67.08 cents.

"After the (WASDE) report, everybody is on hold on the buy side," said Peter Egli adding that "the shorts need to get more active .... (in order to) create a bit of pressure." "Nobody wants to buy the market and everyone wants to sell rallies and there are no rallies. So, the markets keep twisting lower." The US Department of Agriculture's weekly crop progress report on Monday showed 61 percent of the crop was in good or excellent condition against 57 percent a week ago.

"The immediate support level is 66 and if it breaks that, it could go below 60s," Egli said. The first survey of US 2017 crop production indicates a crop of 20.5 million bales, 1.5 million above last month and the largest production in 11 years, the USDA said in its monthly World Agricultural Supply and Demand Estimates last week. The USDA projected world 2017-18 ending stocks at 90.1 million bales, an increase of 1.4 million bales from the July forecast, and 100,000 above 2016-17. The dollar index was up 0.43 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.68 percent.

Total futures market volume rose by 1,371 to 18,583 lots. Data showed total open interest fell 932 to 218,278 contracts in the previous session. Certificated cotton stocks deliverable as of August 14 totalled 18,082 480-lb bales, down from 19,342 in the previous session.

# New York cotton

**RECORDER REPORT**

The fluctuations observed during the day:

| | Current Session | | | | | | | Prior Day | |
|---|---|---|---|---|---|---|---|---|---|
| | Open | High | Low | Last | Time | Set | Chg | Vol | Set |
| Oct'17 | 68.29 | 68.29 | 67.67 | 67.68 | 14:45 Aug 15 | 67.68 | -0.82 | 11 | 68.50 |
| Dec'17 | 67.88 | 67.95 | 67.08 | 67.16 | 14:45 Aug 15 | 67.16 | -0.59 | 12047 | 67.75 |
| Mar'18 | 67.64 | 67.69 | 66.94 | 66.98 | 14:45 Aug 15 | 66.98 | -0.64 | 4385 | 67.62 |

**BUSINESS**
**RECORDER**
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# Profundity of OBOR

**M ZIAUDDIN**

Reaction to China's One Belt One Road (OBOR) initiative continues to be mixed, with some countries even suspecting Beijing's true geopolitical intentions. In the West, some responsible leaders are still expressing concerns about what they believe to be a cloud of ambiguity surrounding the OBOR initiative. They are asking for greater clarity on OBOR in view of the rapid pace with which China is entering into Europe's economic and strategic domains.

Considered as the most ambitious foreign policy initiative undertaken by China since 1949, its detractors believe China is aiming at building a multi-polar world conducive to its national interests. To achieve this objective Beijing, they suspect, is using its economic prosperity to create more political and strategic space for itself, internationally.

While China describes OBOR initiative as being based on the principles of mutual benefit and win-win, many European countries seem continue to remain skeptical.

Some of the objections to the OBOR initiative that have been articulated by its detractors include: 1. It has no formal institutional structure; 2. China prefers to negotiate through bilateral arrangements with individual states rather than multilaterally; 3. There is a lack of transparency in decision-making, leading to corruption and; 4. China prefers negotiating with the national elite in the countries concerned, to the exclusion of local actors, leading to resistance from within.

Some European leaders see in OBOR initiative long-term geo-political and strategic implications for Europe, creating political and economic dependencies, accompanied by the real threat of poorer EU states succumbing to the political leverage exercised by China, through massive infrastructure investments.

These detractors have cautioned European countries not to take at face value, Chinese claims that OBOR would result in a win-win situation for all partners. They draw specific attention to the CPEC, the flagship OBOR project being implemented on the ground, which, according to them had run into deep opposition from locals, who see it as a means of further exploiting their resources, in keeping with the Chinese alleged track record in Africa.

Referring to the Belgrade-Budapest railway project, they stated that the "unscrupulous" methods adopted by China only further confirmed suspicions about the long-term objectives of OBOR and opined that through OBOR, China would not only try to acquire companies in Europe, it would also try and impose Chinese regulations, standards and gradually increase its influence over countries in the region, making their economic growth dependent on China.

Few, however, doubt some of the obvious benefits that would accrue from the initiative to the developing countries south of China via the proposed Trans-Eurasian trade infrastructure and of course its positive impact on global trade is also not disputed. Domestic regions are also expected to benefit - especially the less-developed border regions in the west of the country, such as Xinjiang.

The project is vast, expensive but at the same time continues to remain controversial.

The economic benefits, both domestically and abroad, are decidedly many and in the process China would certainly get access to new markets helping keep China's national economy on the go.

Among domestic markets set to gain from future trade are Chinese companies - such as those in transport and telecoms - which now look poised to grow into global brands.

Chinese manufacturing also stands to gain. The country's vast industrial over capacity - mainly in the creation of steel and heavy equipment - could find lucrative outlets along the New Silk Road, and this could allow Chinese manufacturing to swing towards higher-end industrial goods.

But some Western countries as well as China's immediate neighbour, India, seem to be wary in their reaction to the proposed OBOR initiative, suspecting it be a design to grab land to promote China's influence globally. Nobody doubts that China is growing into a geopolitical

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heavyweight and is stepping into the breach that is being seen to be created by the seeming withdrawal of United States in matters of free trade and climate change. "As some Western countries move backwards by erecting 'walls', China is contriving to build bridges, both literal and metaphorical," ran a recent commentary by Xinhua, a Chinese state-run media agency.

The superpower status the US has achieved to a great extent is said to be grounded on the security blanket it offered to its allies. China, on the other hand, is offering instead connectivity because it had realized early on that it could not afford to match the US in the security area - funds-wise as well as weapon systems-wise. If combined with enhanced global connectivity, China's enormous gravity could become an even more meaningful engine for the global economy. Sixty-two countries could see investments of up to US$500 billion over the next five years, according to Credit Suisse, with most of that channeled to India, Russia, Indonesia, Iran, Egypt, the Philippines and Pakistan.

Chinese companies are already behind several energy projects, including oil and gas pipelines between China and Russia, Kazakhstan and Myanmar. Roads and infrastructure projects are also underway in Ethiopia, Kenya, Laos and Thailand. Pakistan is one of the New Silk Road's foremost supporters. The China-Pakistan Economic Corridor (CPEC) marks the dawn of a truly new era of synergetic intercontinental cooperation. Pakistan stands at one end of CPEC, where it is poised to benefit from $52 billion in new roads, bridges, wind farms and other China-backed infrastructure projects.

Perhaps the route's most vocal critic so far has been India's Prime Minister Narendra Modi. Vehemently opposed to CPEC which runs through a part of Kashmir claimed by India, he has called the route a "colonial enterprise" that threatens to strew "debt and broken communities in its wake". He even boycotted the May 15, 2017 OBOR summit in Beijing. Modi wasn't the only leader notably absent from the gathering. No officials from Japan, South Korea or North Korea made an appearance, and of the Group of Seven (G7) industrialized nations, the only representative to attend was Italian Prime Minister Paolo Gentiloni.

"While countries welcome Beijing's generosity, they are simultaneously wary of its largesse. China's growing influence is a concern for nations whose political interests do not always align with Beijing's," Paul Haenle, director of the Carnegie-Tsinghua Centre for Global Policy has been quoted to have explained. While China's growing influence is a concern for nations whose political interests aren't aligned with Beijing's, Chinese spokespeople have repeatedly denied charges of a play for global dominance. The New Silk Road is "not and will never be neocolonialism by stealth," China has repeated said.

The OBOR project already has $1 trillion of projects underway, including major infrastructure works in Africa and Central Asia. The China Development Bank has already set aside almost $900 billion alone for more than 900 projects. China's Big Four state-owned banks have also extended an estimated $90 billion in loans to the economies related to the initiative last year alone. The Asian Infrastructure Investment Bank, which was set up in 2014 to help fund the trade route, has $40 billion in capital from China's foreign exchange reserves and policy banks.

Despite this largesse, though, the AIIB has provided less than $2 billion until May this year. The bank's president, Jin Liquin, told the World Economic Forum summit in China last year: "We will support the One Belt, One Road project. But before we spend shareholders' money, which is really the taxpayers' money, we have three requirements." What were these? The new trade route would have to promote growth, be socially acceptable and abide by environmental laws, Jin said. How well the project fares against these three criteria has yet to be seen.

DAWN
Wednesday, 16th August, 2017

# China's debt on a dangerous trajectory, warns IMF

BEIJING: China's massive debt is on a "dangerous" path, raising the risk of a sharp slowdown in growth, the IMF warned on Tuesday, urging Beijing to speed up structural reforms.

The International Monetary Fund (IMF), which has repeatedly warned China over its ballooning debt, said in a new report that the world's second largest economy must turn toward a sustainable growth path.

"International experience suggests that China's credit growth is on a dangerous trajectory, with increasing risks of a disruptive adjustment and/or a marked growth slowdown," IMF experts wrote.

While the country's near-term growth outlook firmed up, it is at the cost of "further large and continuous increases in private and public debt, and thus increasing downside risks in the medium term," the report said.



The IMF maintained its forecast of 6.7 per cent growth for this year, but the report warned that the country's debt load could soar from around 235pc of gross domestic product last year to more than 290pc in 2022.

Debt-fuelled investment in infrastructure and real estate has underpinned China's growth for years but Beijing has launched a crackdown over fears of a potential financial crisis.

The IMF recommended that Beijing press on with reforms to further boost consumption.

"China has the potential to sustain strong growth over the medium term," the report said.

"But to do this safely requires accelerating reforms to rebalance towards less credit-intensive growth, while using still-sizeable buffers to smooth the transition."

DAWN
Wednesday, 16th August, 2017

# Service exports grew 1.7pc in 2016-17

**The Newspaper's Staff Reporter**

ISLAMABAD: The country's service exports recorded a growth of 1.76 per cent year-on-year to $5.55 billion in 2016-17, the Pakistan Bureau of Statistics said on Tuesday.

On a monthly basis, the exports of services recorded a growth of 5.4pc in June at $443.29 million as against $420.25m in the corresponding month last year.

In 2015-16, the service exports dropped by 7.14pc to $5.46bn.

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



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

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

The imports of services up 2.96pc to $9.12bn in 2016-17. On a monthly basis, it jumpepd 14.4pc to $850.96m in June.

Service imports dropped by 10.96pc to $7.87bn in 2015-16 against $8.843bn in the preceding year.

The trade deficit in services increased 4.89pc to $3.57bn in 2016-17 year-on-year. On a monthly basis, the trade deficit was 26.17pc to $407.67m in June as against $323.12m.

Pakistan's share in the global trade in services stood at less than 0.06pc in 2016

DAWN
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# Fewer Pakistanis finding work in Saudi Arabia

## Job opportunities shrank in Arab countries after oil prices crashed

KARACHI: The export of manpower sharply dropped in the first half of the current calendar year, latest data from the Bureau of Emigration and Overseas Employment shows.

In particular, the manpower export to Saudi Arabia in the first six months of 2017 was just 17 per cent of the total workers who went to the kingdom in entire 2016. Pakistan exported to Saudi Arabia 77,600 workers in January-June as opposed to 462,598 workers in entire 2016.

The drastic decrease can adversely impact remittances, which registered a year-on-year decline in 2016-17 after 13 years of growth. Inflows from Saudi Arabia during the last fiscal year dropped 8.3pc.

A major drop in the number of workers registered for overseas employment was witnessed mostly in the Middle East, particularly Saudi Arabia, which is the biggest source of remittances. Pakistani workers based in the kingdom sent home $5.4bn, which was more than 28pc of total remittances that the country received in 2016-17.

Job opportunities shrank in Arab countries after oil prices crashed. Pakistan relies heavily on remittances to meet the current account deficit, which amounted to $12.1bn in the last fiscal year. Remittances from the Middle East amount to about 63pc of total remittances that Pakistan receives every year.

This leaves little hope for the country to maintain its foreign exchange reserves to ensure at least three months of import cover.

It is unlikely that the Middle East will welcome more Pakistani workers in the near future as oil prices have not recovered yet. This is alarming for the country that is already engulfed in a political crisis while its exports have been declining for the last four years.

Overseas workers have started coming back to Pakistan after losing their jobs. With mounting economic pressure, the Gulf countries are trying to provide the maximum number of jobs to Arabs. No official data is available for returning overseas workers. But sources claim that about 260,000 Pakistani workers returned home during the last couple of years.

According to the bureau, the manpower export to Malaysia was 3,243 in January-June as opposed to 10,625 in entire 2016.

Despite pressure on foreign exchange reserves, the government has not made any strategy to increase the export of manpower that can help bridge the trade deficit.

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Wednesday, 16th August, 2017

# Cotton prices go down

**The Newspaper's Staff Reporter**

KARACHI: Cotton prices on Tuesday moved lower due to higher phutti (seed cotton) arrival and smooth availability of quality lint.

However, much of the activity remained around Sindh variety cotton.

According to market sources, the arrival of phutti from Punjab has yet to gain momentum. Meanwhile, higher availability of quality cotton from Sindh with improved quality drew the attention of buyers as it was available at cheaper rates as compared to Punjab cotton, sources added.

The price difference between Sindh and Punjab varieties narrowed down by Rs100 to Rs150 per maund.

The Punjab quality cotton last week was being quoted at Rs6,700 per maund but now has come down to Rs6,400 per maund.

Similarly Sindh variety cotton was being sold at around Rs6,500 last week has now declined to Rs6,250 per maund.

The New York cotton and Chinese market closed easy on Tuesday while Indian cotton remained steady amid disturbing reports about the crop.

The Karachi Cotton Association (KCA) spot rates were also revised downwards by Rs50 to Rs6,250 per maund.

The following deals were reported on Tuesday: 1,400 bales, Kotri, at Rs6,225 to Rs6,250; 1,600 bales, Mirpurkhas, at Rs6,225 to Rs6,250; 2,000 bales, Hyderabad, at Rs6,225 to Rs6,275; 2,200 bales, Sanghar, at Rs6,225 to Rs6,300; 2,000 bales, Shahdadpur, at Rs6,225 to Rs6,300; 2,000 bales, Tando Adam, at Rs6,250 to Rs6,300; 1,000 bales, Chichawatni, at Rs6,350 to Rs6,400; 800 bales, Burewala, at Rs6,350 to Rs6,400; 600 bales, Sahiwal, at Rs6,350 to Rs6,400; and 400 bales, Khanewal, at Rs6,350 to Rs6,400.

| 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** | **6,250** | **135** | **6,395** |
| **40 Kgs** | **6,698** | **145** | **6,853** |

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# MARKETS

## FOREX

Exchange Rates for Currency Notes (Rs)

| | Interbank market* | | Open market** | |
|---|---|---|---|---|
| | Buying | Selling | Buying | Selling |
| USA | 105.30 | 105.50 | 106.70 | 106.90 |
| UK | 136.51 | 136.77 | 136.50 | 137.80 |
| Euro | 124.06 | 124.30 | 124.50 | 126.00 |
| S.Arabia | 28.08 | 28.13 | 28.20 | 28.45 |
| UAE | 28.67 | 28.72 | 28.90 | 29.15 |
| Japan | 0.9550 | 0.9568 | 0.9546 | 0.9746 |

*forex.com.pk **ECAP

## KIBOR

Karachi Interbank offered rates

| | Bid | Offer |
|---|---|---|
| Three months | 5.89 | 6.14 |
| Six months | 5.90 | 6.15 |
| One year | 5.97 | 6.47 |

## LIBOR

Special US dollar bonds for Aug 14

| | |
|---|---|
| Three months | 1.31417 % |
| Six months | 1.45000 % |

THE NEWS
Wednesday, 16th August, 2017

# Govt to release Rs120bln to ministries for development spending in July-Sept

Mehtab Haider

**ISLAMABAD: Government will disburse more than Rs120 billion to ministries and divisions under public sector development programme (PSDP) during the first three months of the current fiscal year of 2017/18, meeting around 30 percent of the annual allocation of Rs377.9 billion for them, officials said on Tuesday.**

"The releases made by the Planning Commission stood at around Rs60 billion till August 16, 2017 and it is expected that total released amount would cross Rs120 billion for the first quarter of the current financial year," a senior official confirmed with The News.

Federal PSDP for 2017/18 was estimated at Rs1,001 billion, out of which Rs377.9 billion was earmarked for federal ministries/divisions. Total PSDP size was estimated at Rs2,113 billion for FY18.

The officials said government has curtailed the role of financial advisors and particularly finance ministry in releases of development funding.

In the past despite sanctioning of releases by Planning Commission, finance ministry's budget wing approved the disbursals only after taking revenue position into consideration, so ways and means clearance was required prior to releasing of financial resources for development schemes.

Officials said the abolishing of 'ways and means' ahead of elections next year will minimise the control of finance ministry, paving the way for acceleration in funds releases during the current fiscal year.

"Ways and means clearance for any amount would not be required for the first quarter releases," read a letter sent by the commission to all the concerned departments.

Federal PSDP and utilisation stood at Rs747 billion during the fiscal year ended June 30, 2017 against the allocation of Rs800 billion, out of which Rs282 billion was allocated for federal ministries/divisions.

The total PSDP size was Rs1,675 billion for FY17.

The planning ministry also decided to hold review meeting of last fiscal year's funding and prepare strategy for the current fiscal year's budget from August 21 to August 30.

The Planning Commission, in the letter, authorised the development funds of up to 20 percent each for quarters one and two and 30 percent each for quarters three and four.

Release of funds is authorised only for approval projects. Copies of authorised, administrative approval and valid implementation period of the projects may be furnished with first quarter release request, said the letter.

Financial advisors would continue to endorse sanction letters issued by ministries/division/executing agencies.

The commission said the projects for which allocation has been made equivalent to their throw-forward would be allowed full release of funds by March 31, ensuring completion by June 30.

Releases are subject to project-wise information update in project monitoring and evaluation (PME) system. Cases for authorising releases of funds would only be considered after ensuring that the projects authorised have updated the progress in PME system.

"Incomplete/sketchy release proforma or proforma not signed by the PAO (principal accounting officer) will not be considered and no further action, including any response, will be taken," the commission said.

"All ministers/divisions are required to furnish cash/work plan to the projects wing of ministry of planning, development and reforms. Endorsement of FA's (financial advisors) Organisation is not necessary."

THE NEWS
Wednesday, 16th August, 2017

# Revenue Board cautions taxpayers against online information theft

**By Our Correspondent**

KARACHI: The Federal Board of Revenue (FBR) on Tuesday cautioned taxpayers against phishing attempts made to induce individuals to reveal personal information, such as bank account numbers and passwords.

“Various emails are crafted to appear as if they have been sent from a legitimate organisation or known individual,” FBR said in a statement. “The user then may be asked to provide personal information, such as account usernames and passwords, which can further expose them to future compromises.”

During the past few months, FBR has issued several alerts against suspicious emails sent to the taxpayers. The latest guidelines are for taxpayers to prevent information theft.

The FBR said individuals and groups solicit personal information from unsuspecting users by employing social engineering techniques. The revenue body advised the taxpayers against disclosing any information especially related to their bank accounts via these emails and associated links.

“Emails designed to obtain taxpayer’s banking information in lieu of facilitating a refund to the taxpayer or any other activity associated with an individual’s bank account are extremely dangerous with an intent to defraud the individual,” it said.

FBR said if someone receives an e-mail claiming to be one authorised by FBR or directing to an income tax website “do not reply, do not open any attachments; attachments may contain malicious code that will infect taxpayer’s computer.”

“If a taxpayer clicks on links in a suspicious e-mail or phishing website then he should not enter confidential information like bank account, credit card details,” FBR added. The revenue body recommended the taxpayers to use anti-virus software, anti-spyware, and firewall and should keep them updated.

It said any link to any bank is not provided on FBR’s website and FBR would never ask for your bank details and passwords on its homepage. “Banks always advise their customers against disclosing their password even to bank officials or bank’s genuine websites,” it added.

The apex tax authority further said if someone has become a victim of this phishing attack through using the link sent through above mentioned email they must immediately change the password of the relevant online bank and never share it with anyone.

THE NEWS
Wednesday, 16th August, 2017

# Darawat dam to be handed over to Sindh: WAPDA

LAHORE: Muzammil Hussain, chairman Water and Power Development Authority (WAPDA), on Tuesday said that Darawat dam was ready to be handed over to the Sindh government for its operationalisation.

“The WAPDA is committed to optimal development of water resources in Pakistan in view of rapid surge in water requirements in the country,” said Hussain while speaking at an official briefing during his visit to Nai Gaj and Darawat dams located in Dadu and Jamshoro districts of Sindh respectively.

“Unfortunately owing to a fast growing population and a rapidly decreasing capacity of the existing water reservoirs, Pakistan has turned into a water-stressed country and can soon become water-starved if remedial measures are not taken.”

The chairman said that under a two-pronged strategy the WAPDA was striving hard not only to initiate construction work on mega water sector projects namely Diamer Basha and Mohmand dams in the shortest possible time but also to expedite pace of work on medium-sized ongoing projects including Nai Gaj dam.

“Pakistan needs to initiate construction work on one mega dam every decade in addition to constructing small and medium-sized dams,” Hussain said. According to a WAPDA spokesman, during a briefing after the visit, the chairman discussed in detail with the project management various ways and means to expedite pace of work on Nai Gaj dam project.

“Hussain was also briefed that the construction work was lagging behind the schedule mostly due to insufficient allocation and release of funds contributing factor,” said the spokesman. The official added the chairman was apprised that the project could be completed in two years provided the required funds were made available.

“The chairman was briefed that the spell of rains last year and that of this year had a good impact on filling of the dam,” the spokesman said and mentioned that Nai Gaj dam project was being constructed on Gaj River, 65-Kilometer North-West of Dadu.

THE NEWS
Wednesday, 16th August, 2017

# China says it will defend interests if US harms trade ties

BEIJING: China will take action to defend its interests if the United States damages trade ties, the Ministry of Commerce said on Tuesday, after U.S. President Donald Trump authorised an inquiry into China´s alleged theft of intellectual property.

Trump´s move, the first direct trade measure by his administration against China, comes at a time of heightened tension over North Korea´s nuclear ambitions, though it is unlikely to prompt near-term change in commercial ties.

U.S. Trade Representative Robert Lighthizer will have a year to look into whether to launch a formal investigation of China´s policies on intellectual property, which the White House and U.S. industry groups say are harming U.S. businesses and jobs.

The United States should respect objective facts, act prudently, abide by its World Trade Organization pledges, and not destroy principles of multilateralism, an unidentified spokesman of China´s Ministry of Commerce said in a statement.

"If the U.S. side ignores the facts, and disrespects multilateral trade principles in taking actions that harms both sides trade interests, China will absolutely not sit by and watch, will inevitably adopt all appropriate measures, and resolutely safeguard China´s lawful rights.

"The ministry said the United States should "treasure" the cooperation and favourable state of China-U.S. trade relations, and warned that any U.S. action to damage ties would "harm both sides trade relations and companies".

China was continuously strengthening its administrative and judicial protections for intellectual property, the ministry added.

China´s policy of forcing foreign companies to turn over technology to Chinese joint venture partners and failure to crack down on intellectual property theft have been longstanding problems for several U.S. administrations.

Trump administration officials have estimated that theft of intellectual property by China could be worth as much as $600 billion.

Experts on China trade policy said the long lead time could allow Beijing to discuss some of the issues raised by Washington without being seen to cave to pressure under the threat of reprisals.

China repeatedly rebuffed attempts by previous U.S. administrations to take action on its IP practices, and has insisted it rigorously protects intellectual property.

State news agency Xinhua said the U.S. investigation is a unilateralist "baring of fangs" that will hurt both sides. Jacob Parker, vice president of China operations at the U.S.-China Business Council said Trump´s memo is only the beginning of the process, but that he expected a decision on how to move forward from the administration in 60-90 days.

"I think it will be much faster than a year," Parker said. Coming to terms on a bilateral investment treaty would be a better way to get China to address the IP issues, he added. "This isn´t a surprise. Our companies have been honing their crisis communications and internal planning processes since the election.

The rhetoric that came up during the campaign led them to take proactive action then. They are prepared, aware and ready for these types of actions going forward. "The investigation is likely to cast a shadow over U.S. relations with China, its largest trading partner, just as Trump is asking it to put more pressure on North Korea to give up its nuclear programme.

Trump has suggested he would be more amenable to going easy on China over trade if it were more aggressive in reining in North Korea.

China has said the issues of trade with the United States should not be linked to the North Korea problem. Ken Jarrett, president of the American Chamber of Commerce in Shanghai, said in a statement on Tuesday that trade and North Korea should not be linked, but that the investigation was a "measured and necessary step".

"The president´s executive order reflects building frustration with Chinese trade and market entry policies, particularly those that pressure American companies to part with technologies and intellectual property in exchange for market access," he said. "Chinese companies operating in the United States do not face this pressure."

THE NEWS
Wednesday, 16th August, 2017

# Petronas expects LNG market balance in 2023

KUALA LUMPUR: Malaysian state energy company Petroliam Nasional Berhad expects the global liquefied natural gas (LNG) market to remain oversupplied until as late as 2023, its chief executive said on Tuesday.

Rising LNG production over the last two years, mainly from Australia and the United States, has exceeded demand and depressed prices. Asian spot LNG prices are now down by around 70 percent from early 2014.Petronas, as the company is better known, only last month scrapped a proposed $29 billion LNG terminal project in western Canada, saying market conditions made the project "economically unviable".

"Things are volatile, but at the moment we see 2023 (for LNG market balance)," Chief Executive Officer Wan Zulkiflee Wan Ariffin told Reuters in an interview. The market will tighten when "demand centres in developing economies start growing as current low prices mean more take up" of LNG supplies, he said.

Petronas is the sole manager of Malaysia´s oil and gas reserves, making it the world´s third-biggest LNG exporter after Qatar and Australia. The company is now looking for new buyers for its LNG output, beyond its long-time customers in Japan and South Korea, the CEO said.

"The Far East, that is our traditional market, but we are also looking at markets in the subcontinent in India, Bangladesh and Pakistan," Wan Zulkiflee said. South Asia is emerging as the new hot spot for LNG, with Pakistan and Bangladesh set to join India as major consumers, helping to eat away some of the global oversupply. "For both China and India, LNG makes up less than 10 percent of their energy mix. We see growth potential here," he said.

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# SSGC to provide gas to over 137 villages this year

ISLAMABAD: Sui Southern Gas Company (SSGC) will provide natural gas to over 137 villages of Sindh and Balochistan during the current fiscal year.

"Under the PM's Global Sustainable Development Goals Programme, SSGC is working to lay around 490km gas pipelines to gasify 119 villages in Sindh and 18 villages in Balochistan by laying 77km network lines," official sources in the ministry of petroleum and natural resources told APP.

The company would spend Rs1,616.243 million in 119 villages of Sindh and Rs630.043 in 18 villages of Balochistan for the purpose, they said, adding that detailed engineering surveys were carried out in some localities, while in some villages it had requested for approval of additional funds.

"All these projects are being executed on the recommendations of parliamentarians and notables of the areas for provision of gas," the sources said. The two state companies - SNGPL and SSGCL - had laid around 6,129km transmission network in their operational areas during the last fiscal year.

"The companies laid 814km gas transmission network, 4,153km distribution and 1,162km service lines and connected 104 villages and towns to gas network," they added. The sources said the gas companies have provided 360,465 domestic, 339 commercial and 20 industrial connections across the country last year.

Besides, the companies invested Rs17,925 million on transmission projects, Rs11,183 million on distribution projects and Rs14,925 million on other projects, bringing the total investment to around Rs44,033 million.

Pakistan has an extensive gas network of over 12,202km transmission, 119,736km distribution and 32,823km service gas pipelines to cater to the requirement of more than 8.4 million consumers across the country by supplying around four billion cubic feet per day natural gas, the sources added. The companies would set up over 60 liquefied petroleum gas (LPG)-air mix plants in selected areas where natural gas supply does not exist, they said.

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# Cotton falls

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

The spot rates decreased to Rs6,250/maund (37.324kg) and Rs6,698/40kg. Ex-Karachi rates also dropped to Rs6,395/maund and Rs6,853/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively.

An analyst said the ginners had oversold lint in the market on the hopes for bringing the cottonseed prices down that would ultimately benefit them.

"US market also remained down, amid report of the USDA that there would be an increase in the production in the US," he added. KCE recorded 11 transactions of around 15,000 bales at a price of Rs6,225 to Rs6,400/maund. Transactions were recorded from Mirpurkhas, Sanghar, Hyderabad, Kotri, Shahdadpur, Tando Adam, Qaboola, Burewala, Sahiwal, Khanewal and Chichawatni.

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# Govt mulls measures to control imports in revised STPF

**Imran Ali Kundi**

ISLAMABAD - The government is contemplating some measures to control soaring imports in the revised Strategic Trade Policy Framework (STPF), which is likely to be announced in coming weeks.

Pakistan's imports are continuously increasing from last one year or so, as it reached to alarming $57.85 billion in 13 months. The country's trade deficit has also touched historic level of $32.58 billion during previous fiscal year 2016-17 due to the massive increase in imports and decline in exports. "The Ministry of Commerce may propose some measures to discourage imports in the mid review of the STPF," said an official of the ministry.

He said that the government would decide to further enhance duties on imported goods or not. He said that the ministry would also propose measures to boost tumbling exports after consulting with the stakeholders. The ministry had admitted that the government could not achieve the exports target of $35 billion by June 2018. The ministry had decided to make changes in the trade policy framework. The ministry in consultation with Commerce Minister Pervaiz Malik would present the mid-term review of the Strategic Trade Policy Framework (STPF) 2015-18 to Prime Minister Shahid Khaqan Abbasi.

It is one of the main challenges for the newly appointed minister to control the soaring trade deficit of the country. The current account deficit had widened by 148.5 percent to an all-time high of $12.09 billion for 2016-17 due to the massive increase in trade deficit. The government and State Bank of Pakistan (SBP) had already taken measures in last few months to reduce the imports. However, the imports are still increasing.

Earlier, in February 2017, the SBP had already imposed 100 percent cash margin on the import of consumer items to bridge an alarmingly high trade deficit. The requirement of 100 percent 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.

Meanwhile, the federal government in the budget for the ongoing financial year 2017-18 had enhanced Regulatory Duties (RD) on more than 500 items including electronics, milk products, kitchen items, cars, fruits and vegetables. The impact of the RD on the import of luxury and non-essential items stood at Rs10 billion. The government had taken the decision to control the imports. However, these measures had not controlled the imports. The soaring imports are putting pressure on the country's foreign exchange reserves. The country's reserves have come down to $20 billion from historic $24 billion of almost a year back.

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# Country needs one mega dam every decade: Wapda

**Our Staff Reporter**

LAHORE - Pakistan Water and Power Development Authority (Wapda) Chairman Lt Gen (R) Muzammil Hussain on Tuesday visited Nai Gaj and Darawat dams located in districts Dadu and Jamshoro of Sindh.

During a briefing after the visit, the chairman said that Wapda is committed for optimal development of water resources in Pakistan in view of rapid surge in water requirements in the country. Under a two-pronged strategy, Wapda is striving hard not only to initiate construction work on mega water sector projects namely Diamer Basha and Mohmand dams in the shortest possible time but also to expedite pace of work on medium-sized ongoing projects including Nai Gaj Dam.

The chairman said that rapid growth in population and decrease in capacity of existing water reservoirs, Pakistan has become a water-stressed country and it is fast heading towards becoming a water-starved country if remedial measures are not taken. Hence, Pakistan needs to initiate construction work on one mega dam every decade in addition to constructing small and medium-sized dams, he added.

During his visit, the Wapda Chairman discussed in detail with the project management various ways and means to expedite pace of work on Nai Gaj Dam Project. He was briefed that the construction work was lagging behind the schedule owing to a number of reasons, insufficient allocation and release of funds being the major contributing factor. The project can be completed in two years provided the required funds are made available.

The chairman expressed satisfaction that Darawat Dam is complete and is ready to be handed over to the Sindh government for its operation. He was briefed that the spell of rains last year and that of this year had a good impact on filling of the dam.

It is pertinent to mention here that Nai Gaj Dam Project is being constructed on Gaj River, 65-Kilometer North-West of Dadu. The gross storage capacity of the project is 300,000 acre feet, while command area comprises of 28,800 acres. The progress on the project stands at about 48 percent. Likewise, Darawat Dam has been constructed on Baran River, 70-Kilometer West of Hyderabad, with a gross water storage capacity of more than 121,000 acre feet and command area of 25,000 acres.

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# Tarbella Dam likely to reach max level today

**Fawad Yousafzai**

ISLAMABAD - Tarbella Dam, the country's major reservoir, is expected to be filled to the maximum level of 1,550 feet today (Wednesday) as flows into the Indus have improved.

Water level in Tarbella reservoir has already crossed 1549 feet by Tuesday evening and by Wednesday morning it will reach to the maximum level of 1550 feet, official sources told The Nation here.

IRSA has also asked WAPDA to keep balance in inflow and outflow from the reservoir. Tarbela minimum operating level is 1,380 feet and maximum conservation level is 1,550 feet while on Tuesday the live storage was 6.117 million acre feet (MAF).

However, water flow in the Jhelum River was much lower at 23,700 cusecs, and while the discharge was 10,000 cusecs. The storage at the Mangla Dam was recorded at 1,234.20 feet against its maximum storage capacity of 1,242 feet. Therefore, IRSA has decided to divert water from the Indus Zone to Mangla-Chenab Zone by increasing water flow in Chashma-Jhelum Link Canal from 8,000 cusecs to 10,000 cusecs.

In a meeting held between various stake holders in July, it was decided that only one feet of water per day will be stored in Tarbella. According the stance of the Ministry of Water and Power, since the piezometer of the dam has been not working for the last three decades so it's becoming hard to get the accurate reading of the storage and therefore it was decided to store only one feet water in Tarbella reservoir. Due to rains in the catchment area and snow melting due to high temperature it becomes possible to fill the dam to the maximum level.

Last year WAPDA failed to fill Tarbella reservoir to its maximum level of 1,550 feet and resultantly on August 21 2016, the Indus River System Authority (IRSA) had imposed cut on the water share of both Punjab and Sindh by 21.5 per cent. Last year, the Tarbela Dam was filled to 1,541.47 feet only which was more than eight feet less than the peak level. IRSA held WAPDA responsible for not taking prompt action on the authority's request to fill the reservoir to its capacity.

On Tuesday the position of the river inflows and outflows at Tarbela, Mangla and Chashma along with the reservoirs levels were; The inflows in River Indus at Tarbela were 2,12,300 cusecs while discharge was 1,83,100 cusecs, inflows of Kabul at Nowshera were 41,800 cusecs and outflows were 41,800 cusecs, inflows of Jhelum at Mangla were 23,700 cusecs while discharge was 10,000 cusecs, inflow in Chenab at Marala were 89,100 cusecs and outflows 59,500 cusecs. Chashma present level is 646.30 feet against the maximum conservation level 649 feet.

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# China warns of retaliation as Trump launches trade probe

BEIJING - Trade tensions between the United States and China heated up on Tuesday as Beijing warned that it "will not sit idle" if a US probe into its intellectual property practices leads to sanctions.

President Donald Trump's decision to order the investigation comes on top of strains between the two nations over how to handle Beijing's ally North Korea.

Trump on Monday signed a memorandum directing US Trade Representative Robert Lighthizer to determine whether Chinese policies hurt American investors or companies -- with retaliatory measures a possible outcome.

"We will stand up to any country that unlawfully forces American companies to transfer their valuable technology as a condition of market access. We will combat the counterfeiting and piracy that destroys American jobs," Trump said.

"Washington will turn a blind eye no longer," Trump said, vowing to safeguard copyrights, patents and other intellectual property that are "vital to our security and to our prosperity".

The president said the US would no longer tolerate Beijing's "theft" of US industrial secrets, long a concern of major foreign corporations seeking a share of the huge Chinese market. "We will engage in a thorough investigation and, if needed, take action to preserve the future of US industry," Lighthizer said. China's commerce ministry issued a statement voicing "serious concern" and warning that any US trade protectionism "will definitely harm bilateral trade relations".

"If the US side take actions that impair the mutual trade relations, disregarding the facts and disrespecting multilateral trade rules, China will not sit idle," the statement said. The ministry said the country "is definitely going to adopt all appropriate measures to vigorously defend the lawful rights and interest of China."

The United States is China's second-largest trading partner after the European Union, but Washington and Beijing have seen their relations grow increasingly fraught since a promising summit between Trump and China's Xi Jinping in April.

The new intellectual property inquiry joins numerous investigations launched by Washington into Chinese trade practices, notably those concerning steel and aluminum and their national security consequences, which the Trump administration began earlier this year.

However, the start of a US probe will not immediately result in open confrontation.

Lighthizer will first need to reach a preliminary finding of unfair practices by China before opening a formal investigation, which could take as much as a year, administration officials said.

The Chinese commerce ministry said the country has "always been paying high attention to intellectual property right protection, continuously perfecting the legislation", and that the progress it has made on that front is "obvious to all".

Yang Zhao, chief China economist at Nomura research firm, said a US tariff penalty would only cause minor impacts on the Chinese economy and fall short of a full blown trade war.

"The decision to launch this probe may raise the risk of tit-for-tat trade protectionism," Zhao said in a note.

"But we believe the Trump administration's strategy is more likely to be one that looks to raise its bargaining power to reach a better longer-lasting solution over the start of, or the threat of, a real trade war."

Since launching his successful run for the White House and then taking office, Trump has frequently accused China of undermining the US economy.

The bilateral US trade deficit with China approached $350 billion in 2016, and Trump has repeatedly blamed Chinese imports for gutting employment in US sectors such as steel.

Last week, Washington announced preliminary sanctions against Chinese imports of aluminium foil. But so far, the US has not imposed heavier trade measures on Chinese goods.

- North Korea a bargaining chip? -

On Thursday, Trump reiterated the suggestion that he could soften his position on trade if

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Beijing were to do more to help rein in nuclear-armed North Korea.

China said it would halt iron, iron ore and seafood imports from North Korea starting Tuesday, in accordance with new UN sanctions that Beijing voted to approve.

US administration officials, however, have denied any link between the latest trade action and Pyongyang's nuclear ambitions.

Beijing echoed this view Monday, with the foreign ministry saying the two matters were "totally different."

Despite Monday's expected action, Trump has so far refrained from making good on threats of retaliatory trade measures against China.

This includes in particular concerns over Beijing's requirement that foreign companies establish local joint ventures. According to Washington, this can mean surrendering technological know-how to Chinese partners.

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# Meeting to review cotton crop situation today

MULTAN (APP): The 5th meeting of Cotton Crop Management Group (CCMG) will be held on Thursday (Aug 17) in Bahawalpur to discuss overall situation of the crop. Provincial Minsiter for Agriculture Naeem Akhtar Bhaba will preside over the meeting, said an official source here on Tuesday. Secretary Agriculture M Mehmood, MD Punjab Seed Corporation, DG Federal Seed Certification and Registration Department, Director General Met Office, and other official concerned would attend the meeting. Meanwhile, Punjab Agriculture Department has decided to seek assistance of private sector to eradicate whitefly threat to cotton crop. In a meeting, participated by the government officials and representatives of Pakistan Crop Protection Association, it was decided that mutual cooperation on modern techniques and research would be ensured to control whitefly. Every possible step would be taken to keep cotton crop safe and secure from pests, said a release issued by the Agriculture Information office here on Tuesday.

The release added that private sector contained an ample amount of chemicals to eradicate pests and it would be used at time of need. Similarly, it was also decided that other crops would also be secured from whitefly.

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