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Ban on companies recommended: Senate body against political funding

SOHAIL SARFRAZ

ISLAMABAD: The Senate Standing Committee on Finance has strongly recommended a strict ban on companies for making any kind of political funding or taking participation in political activities under the draft Companies Bill 2017.

This was recommended by Chairman Standing Committee on Finance Senator Saleem Mandviwalla during the briefing of Securities and Exchange Commission of Pakistan (SECP) officials at the meeting of the committee here at Parliament House on Tuesday.

The SECP officials said that under section 184 (prohibition regarding making of political contributions) of the draft bill, a company shall not contribute any amount or allow utilisation of its assets to any political party; or for any political purpose to any individual or body. If a company contravenes the provisions, the company shall be liable to a penalty of level 2 on the standard scale and every director and officer of the company who is in default shall be punishable with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine of one million rupees.

The SECP officials said that any company shall not, directly or indirectly, participate in any political campaign for elective public office or other political activities akin to those of a political party or contribute any funds or resources to any political party or any individual or body for any political purpose. The SECP officials also said that under section 185 (prohibition regarding distribution of gifts) of the draft bill, a company shall not distribute gifts in any form to its members in its meeting. Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

The SECP officials further told the committee members that under the proposed law, a defaulter would not be eligible to become director of the company, adding the proceedings will be carried out through court. Board meetings of the companies would become possible. It has also been proposed that the minutes of company board meetings would be dispatched to the members within seven days.

The SECP officials further informed the committee that under the draft law, no company would be permitted to participate in political activities.

Under draft of the Companies Ordinance, no action will be taken against the independent directors. The powers of directors have been devolved to the board. Under to new law, no company would be allowed to take part in political activities. The companies would not give funds to political parties. There would be a restriction on companies on giving away gifts to the shareholders and if someone was found involved in this practice, he/she would be fined Rs 25,000. In case, someone does not pay the fine, one will have to pay the fine on a daily basis. Senator Muhsin Aziz stated that there is a need to define the term gift. Senator Saud Majeed was of the view that exchange of gifts promotes love and there should be no restriction on this practice, adding there is a restriction on bribe but not on exchange of gifts.

Senator Mandviwalla stated that shareholders ask for gifts.

Chairman SECP Zafar Hijazi was of the view that the shareholders should not give gift even of Re 1. The committee members recommended a reduction in the penalties and punishments under the companies' ordinance.

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IMF projects inflation spike

TAHIR AMIN

ISLAMABAD: International Monetary Fund (IMF) has projected an increase in inflation rate for Pakistan from 2.9 percent in 2016 to 4.3 percent and 5 percent in 2017 and 2018 respectively.

The IMF report "World Economic Outlook (WEO) gaining momentum" has projected a broad-based recovery to continue at a healthy pace, with growth forecast at 5 percent in 2017 and 5.2 percent in 2018, supported by ramped-up infrastructure investment, maintained the WEO.

The IMF report has also projected a slight rise in unemployment ratio for Pakistan - from 6 percent in 2017 to 6.1 percent in 2018.

The current account balance is forecast at negative 2.9 percent and negative 3 percent for 2017 and 2018 respectively against negative 1.1 percent in 2016.

The near-term outlook for the Middle East, North Africa, Afghanistan, and Pakistan region has weakened, with growth forecast to be 2.6 percent in 2017, 0.8 percentage point lower than projected in the October 2016 WEO.

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THE RUPEE
Firm trend

RECORDER REPORT
KARACHI: The rupee managed to hold the overnight firmness against the dollar on the money market on Tuesday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee was unchanged versus the dollar for buying and selling at Rs 104.86 and Rs 104.87 respectively, they said.

OPEN MARKET RATES: The rupee was unmoved in terms of the dollar for buying and selling at Rs 106.00 and Rs 106.20 respectively, they said.

The rupee lost further 30 paisas in relation to the euro for buying and selling at Rs 112.60 and Rs 114.10

Open Bid	Rs. 106.00
Open Offer	Rs. 106.20

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

Bid Rate	Rs. 104.86
Offer Rate	Rs. 104.87

RUPEE IN LAHORE: The Pakistani rupee appreciated versus the US dollar in the local currency market on Tuesday.

respectively, they said.

In the second Asian trade, the dollar pulled away from five-month lows versus the yen with comments from US Treasury Secretary Steven Mnuchin and higher debt yields giving the bruised greenback some breathing space.

Still, the dollar was capped by nervousness about Tuesday's economic dialogue between the United States and Japan. Lingering worries about North Korea and the coming French presidential elections also kept a lid on the dollar against the safe-haven yen.

Mnuchin told the Financial Times that he agreed with

According to currency dealers, the US dollar commenced trading on a negative note amidst lack of buyers' interest in the market. At the close, it slid to Rs 106.00 and Rs 106.20 on buying and selling sides, respectively, as compared to the overnight closing rates of Rs 106.10 and Rs 106.35 respectively, they added.

On the contrary, the local currency remained under pressure for the second consecutive day against the pound sterling. The pound' buying and selling rates further rose from Monday's closing rates of Rs 132.00

US President Donald Trump's view that the dollar's strength in the short term was hurting exports, but that he saw the currency's strength over the long term as a positive.

Mnuchin's comments were seen countering those of the president, who last week said the dollar was too strong, sending it reeling.

The dollar was trading against the Indian rupee at Rs 64.560, the greenback was at 4.408 in terms of the Malaysian ringgit and the US currency was at 6.8835 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Tuesday: 79.85-79.85 (previous 79.81-79.82).

and Rs 132.70 to Rs 133.20 134.20 respectively, they added.

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 106.35 (buying) and Rs 106.45 (selling) against same last rate. It closed at same rate in evening session.

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

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Warns of growing risks to improving global recovery

WASHINGTON: The global economic recovery is picking up steam, but the rise of protectionist rhetoric and the threat of trade wars could erode those gains, the International Monetary Fund warned Tuesday.

The fund's semi-annual World Economic Outlook report revised global growth up to 3.5 percent for this year, one-tenth higher than the January forecast. It was a rare upward revision to the growth forecast — the first in two years — which has been consistently disappointing. For 2018, growth is expected to rise to 3.6 percent, and to 3.8 percent by 2022.

"The global economy seems to be gaining momentum — we could be at a turning point. But even as things look up, the post-World War II system of international economic relations is under severe strain," IMF chief economist Maurice Obstfeld said.

The Washington-based IMF warns of the "significant downside risks" to the outlook, which have grown worse since January.

Among them is "the turn towards protectionism, leading to trade warfare," Obstfeld said in the foreword of the report.

"Whether the current momentum will be sustained remains a question mark," he said in a press conference.

Many of the concerns — including rolling back financial regulation, pulling away from the multilateral trading system and restricting immigration — are centerpieces of US President Donald Trump's policy program.

But the issues also are visible in the bitter French election campaign, as well as in Britain's planned exit from the European Union, and the surprise call for elections in June.

"Clearly there is rising concern about the uncertain outcome of the elections," Obstfeld told reporters.

The anti-trade, anti-immigration attitude in advanced economies is to some degree understandable, given "the failure of growth gains in rich economies to substantially reach those in the lower parts of the income distribution in recent decades," he said.

However, Obstfeld warned that, "capitulating to those pressures would result in a self-inflicted wound."

He said it would harm countries by pushing prices higher and eroding household income, and it would prompt retaliation, worsening the global economy.

Economies in the developing world continue to provide most of the impetus to global growth, led by China and India.

In its report, IMF put China growth this year at 6.6 percent, up a tenth of a point from the January estimate, while the 2018 prediction was increased by two tenths to 6.2 percent.

The forecasts for India were unchanged at 7.2 percent this year and 7.7 percent next.

But there were a couple of upside surprises among the advanced economies, including a half-point upward revision to the forecast for Britain this year, to two percent, despite fears of a negative impact of Brexit.

And Japan's growth is now seen at 1.2 percent — modest, but a full four-tenths higher than three months ago.

The estimate for US growth was steady at 2.3 percent this year and 2.5 percent in 2018.

"Global economic activity is picking up speed, but the potential for disappointments remains high, and momentum is unlikely to be sustained in the absence of efforts by policymakers to implement the right set of policies and avoid missteps," the report said.

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The IMF said "hundreds of millions" of people have been lifted out of poverty through economic integration and technological progress, "helping to reduce global income inequality."

But Obstfeld said the benefits of growth and the burden of economic adjustments too often have been unequally shared. It will be up to the governments to "address these disparities head-on."

The IMF recommends "well-targeted initiatives" to help workers adversely affected by free trade and other economic changes to "find jobs in expanding sectors" as well as "social safety nets to smooth the loss of income," and improved education and training in the longer term.

"Similarly, curbing immigration flows would hinder opportunities for skill specialization in advanced economies, limiting a positive force for productivity and income growth over the long term," the report said.

The IMF report stressed that risks to the outlook "remain tilted to the downside," meaning that while growth could turn out to be faster than expected there are more negative possibilities on the horizon.

Among the worries are the possibility for a rising US deficit and the dismantling of financial regulations erected after the 2008 global crisis, which "would raise the probability of costly financial crises in the future," the IMF warned. China's "dangerous dependence on rapidly expanding credit" is another area of concern, as is weak demand in Europe, and a series of non-economic factors, including geopolitical risks and corruption.—AFP

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Panamagate case
Verdict tomorrow at 2pm

KHUDAYAR MOHLA

ISLAMABAD: Supreme Court of Pakistan will announce its verdict on the Panamagate case on Thursday (tomorrow) at 2:00pm.

A five-member larger bench of the Justice Asif Saeed Khan Khosa reserved the judgment in the matter on February 23, announcement of which after 57 days is supposed to have far-reaching consequences being a historic decision.

Petitioner parties and Pakistan Muslim League (Nawaz) have signalled confidence in the apex court in the matter by accepting the upcoming court decision.

Chairman Pakistan Tehreek-e-Insaf (PTI) Imran Khan, President Awami Muslim League Sheikh Rasheed Ahmed and Emir Jamaat-e-Islami Siraj-ul-Haq had invoked the apex court's jurisdiction seeking various remedies including disqualification of Prime Minister Nawaz Sharif and his family members over alleged illegalities in offshore assets in the Panamagate scandal.

On January 01 last, soon after assuming his charge as Chief Justice of Pakistan, Justice Mian Saqib Nisar had formed a five-member larger bench led by the senior puisne judge, Justice Asif Saeed Khan Khosa, and comprising Justice Ejaz Afzal Khan, Justice Gulzar Ahmed, Justice Azmat Saeed Sheikh and Justice Ijazul Ahsan to hear the pleas from January 04.

Throughout the adjudication, the bench tried to ascertain money trail of Sharif family in the context of Mayfair properties in London and the exact date of the title transfer of the properties whose ownership was not in question.

The larger bench had repeatedly observed during the proceedings of the case that both sides are doing their best to hide tangible facts and ensure that the court would eventually have to form a commission to decide the Panamagate case.

On one point of the proceedings, Justice Asif Saeed Khan Khosa had observed decisions are always announced under the law which become precedents and are cited even after two decades. Justice Azmat Saeed Sheikh had said that the court will decide the matter in accordance with law instead of making anybody happy because everybody has to die.

While reserving judgment in the matter on February 23, Justice Asif Saeed Khan Khosa had observed that it was not a case where a short order could be passed saying the court would announce the verdict in accordance with the law after considering the material submitted in the case.

Talking to this correspondent, Vice Chairman of Pakistan Bar Council Dr Farogh Nasim said that a verdict having far-reaching impacts is expected in the Panamagate case, adding that an opinion premised on the observations/questions was put forth by the five learned judges during the course of the proceedings though these may not be reflected in the final verdict.

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Forced loadshedding

Ministry maintaining meaningful silence

MUSHTAQ GHUMMAN

ISLAMABAD: The current electricity crisis and subsequent protests across Pakistan appear to mirror what was witnessed during the government of Pakistan Peoples Party (PPP) when shortfall reached 7,000MW during the scorching summer months.

The country is again facing forced loadshedding of 8-10 hours in urban and 18 hours in rural areas whereas there is complete "silence" in the Ministry of Water and Power.

On Tuesday, it was stated that the countrywide electricity demand except KE's domain, was 17,000MW whereas generation stood at 10,000MW, showing shortfall of 7,000MW. The shortfall might be more than this as National Power Control Centre does not provide accurate figures. Generation from hydel was around 1,100MW.

The government power generation plants (Gencos) were generating only 2000MW whereas generation from Independent Power Producers (IPPs) was recorded at 6500 MW. Generation from solar and other sources was 500MW. NPCC is fulfilling 50 per cent of Discos' demand.

According to sources, Independent Power Producers Advisory Council (IPPAC), which, according to the Minister for Water and Power, Khawja Asif, has no legal status, has written a letter to the new Secretary Water and Power seeking discussion on serious pending issues with the objective of smoothing ruffled feathers. Though, no official forecast of demand in May, June and July is available to media, insiders in the Ministry of Water and Power claim that demand is expected to cross 24000 MW during peak time against expected generation of 16500 MW.

The National Electric Power Regulatory Authority (Nepra), the regulator, which is facing the ire of the government for resisting attempts to come under the administrative control of Water and Power Ministry, in its state of industry report 2015-16 hinted that the country would not be loadshedding-free in 2018. The report which is under scrutiny is yet to be released.

According to Economic Survey 2015-16 during July-March FY 2016, the installed capacity in the PEPCO system was 23,101MW compared to 23,212MW during the corresponding period last year with hydel at 27MW, thermal at 15,324MW, and nuclear at 750MW. During the period under discussion, electricity generation through thermal remained 45,252 Gwh.

The Survey acknowledged that one critical issue in electricity generation is the inefficient recovery system while the other is transmission and distribution losses. National Power Policy 2013 is designed to address these issues. However, the government has taken various steps in this regard: Installation of SCADA (Supervisory Control and Data Acquisition) software to optimize transmission and monitor losses and incentives to private sector to build transmission infrastructure.

Rain is expected at the end of current week which may lower the woes of the people.

The impact of electricity shortage on social life can be gauged from the fact that in Khyber Pakhtunkhwa (KP) parents are now gifting solar panels as dowry.

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PM directs measures

ISLAMABAD: Prime Minister Nawaz Sharif Tuesday expressed annoyance over the laxity by the authorities concerned for not taking pre-emptive measures to cope with loadshedding perceiving the shortage of water in reservoirs and severity of the weather.

Chairing a meeting of the Cabinet Committee on Energy, the PM directed the authorities concerned to take immediate measures to realize and mitigate the public sufferings by exploiting all out resources to reduce loadshedding to the possible extent.

The Ministry of Water and Power told the committee that the mercury had surged unexpectedly increasing the demand of the electricity by above 2,500 megawatt, whereas the water reservoirs were short of water to meet the needs.

The ministry hoped that the water inflow would increase with the surge in temperature thus improving the power production.

The PM expressed anger at the briefing given by the ministry and directed for fixing the responsibility on the officials who failed to devise the strategy pre-emptively to avert the recurrence.

He also directed the Ministry to exploit all out resources to meet the power needs and provide electricity to the consumers.—APP

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SBP revises PRs for housing finance

RIZWAN BHATTI

KARACHI: The State Bank of Pakistan (SBP), in consultation with the stakeholders, has revised the Prudential Regulations (PRs) for housing finance aimed at further streamlining and promoting the housing finance.

According to IH&SMEFD Circular No. 03 of 2017 issued on April 18, 2017, certain amendments have been made to the PRs for house finance and banks have been asked to implement the changes with immediate effect. As per the amendments the restriction to determine the frequency of property revaluation has also been lifted.

As per revised Regulation HF-1(4) of Development of Financing Documents, in addition to existing requirements, banks/DFIs have been further advised to obtain the thumb impression(s) along with the borrower's signature(s) on financing and recourse documents. The banks/DFIs are also encouraged to provide terms and conditions in Urdu language for better understanding of the customers and read out the same to the customers before finalizing the documentation process.

Under Regulation HF-1(08) relate to "Information Disclosure": For the purpose of calculating the Annualized Percentage Rate, the number of days in a year has been changed to 365 days from 360 days.

According to "Regulation HF-1(11) of Facilities to Related Persons" banks have been asked that for the purpose of bringing clarity in the said regulation, amendment has been made that in case of resignation/separation/termination, staff housing finance should be monitored and serviced as commercial housing finance.

Regulation HF-2 (Types of Housing Finance) has been amended to the extent that the borrower can avail additional housing finance after the completion of two (02) years instead of three (03) years from the last date of disbursement. Moreover, the time to avail Balance Transfer Facility (BTF) in housing finance has also been reduced to eighteen (18) months from three (03) years.

Under the Regulation HF-3 of Debt Burden Ratio, in case of clubbing of income of the co-borrower, the consent of co-borrower should be obtained in writing.

The restriction to determine the frequency of property revaluation has been lifted under the Regulation HF-7 (Property Assessment). Further, the housing finance up to Rs. 10 million should be subject to assessment of the property by at least one valuator listed on Pakistan Banks Association's (PBA) approved panel and the housing finance above Rs. 10 million should be subject to assessment of the property by at least two valuators listed on PBA approved panel.

However, the properties valuing up to Rs 3.0 million should not be subject to assessment by valuator. Banks/DFIs can use their internal resources to assess the properties having market value up to Rs 3.0 million.

Banks/DFIs have been advised to ensure circulation of these regulations among all their offices/branches for meticulous compliance in letter and spirit. Non-compliance of PRs will lead to punitive action under the relevant provisions of Law, the central bank said.

According to SBP, all other instructions on the subject shall remain unchanged and the transactions structured in a manner to circumvent these PRs will tantamount to violations of PRs and will be dealt with accordingly.

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Budget proposals for 2017-18: NA body to meet on 26th

ZAHEER ABBASI

ISLAMABAD: The National Assembly Standing Committee on Finance will hold a meeting on April 26 on budget proposals received from various sectors for onward submission to the government for incorporating them in the budget for the next fiscal year.

Chairman of the committee Qaiser Ahmed Sheikh soon after the meeting was commenced here on Tuesday said that finance committee received mostly tax related proposals from various sectors for 2017-18 budget.

A member of the committee Asad Umar stated that around Rs 800 billion properties were purchased by Pakistanis during the last four years and the amount was transferred without any authorization. He regretted that FIA has been able to collect information of only 100 Pakistanis and if these are put in prison, the country would get considerable revenue, he added.

The committee was displeased with the replies of FIA and decided that FBR, FIA, SECP and NAB officials would be summoned in the next meeting to get response from them on the questions asked by the members regarding those Pakistanis who have purchased properties in Dubai.

Asad Umar also suggested that GST rate of 17 per cent should be reduced to 15 per cent in the budget. The committee was of the view that FBR should be made corruption-free.

Asad Umar said that heavy reliance on indirect taxes is unfortunate. He was of the view that direct wealth tax @ 0.5 per cent (adjustable) should be charged by the government for increasing the revenue collection.

While considering the suggestions received from Karachi Chamber of Commerce, the committee decided that detailed discussion would be held on the report of Tax Reforms Commission in the next meeting as committee members' viewpoint was that the recommendations of the Karachi Chamber have already been addressed in the report of Tax Reforms Commission.

The chairman of the committee said that this committee should thoroughly consider the proposals received from stakeholders for onward submission to Finance Division and the meeting decided to have an exclusive meeting of the committee on budget proposals on 26th April, 2017. The committee also decided that stakeholders and the FBR would also be invited in the meeting.

The committee also discussed that digital money promotion mechanism should be considered by the FBR and State Bank of Pakistan for increasing the revenue.

The committee considered the proposals of Pakistan Real Estate Investment Forum (PREIF) and recommended that the government should allow the real estate sector for declaration of actual property value and taxation on the said value should be minimised. The committee also supported the proposals of real estate sector to some extent; however, the committee decided that real estate stakeholders would be invited in the next meeting for further discussion in this regard.

The committee also discussed the proposals received from Cotton Ginners Association and supported the suggestions of the industry. The committee also decided that representatives of Cotton Ginners Association should be summoned in the next meeting.

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Cotton production rises by 10pc

KARACHI: Cotton production for year 2016-17 ended with a total output rising by 10 percent to 10.7 million bales, said Cotton Ginners Forum.

Cotton production appreciated from last year's level of 9.7 million bales, but the production was higher because during 2015-16 fiscal year registered a massive shortfall of 34 percent a year ago. The cotton production has not shown sign of any significant improvement.

During the next fiscal year, the Federal Cotton Committee set a target of 14.4 million bales, which according to Ahsanul Haq, chairman Cotton Ginners Forum appeared to be unachievable. Because of couple of factors, the target won't be achieved, as the farmers are facing acute water shortages both in Punjab and Sindh.

Moreover, he said Punjab government asked farmers to sow cotton from April 15, which forced the farmers to grow sun flower and Maize as they could kept the land barren.

However, after repeated suggestion and recommendation date was revised to April 1, but the decision came late as farmers have already harvested several other minor crops.

"For several years, the Federal Cotton Committee sets target of 14 million bales, but whenever first meeting of Cotton Assessment Committee held, the target trimmed by one million bales, so it is difficult to estimate but the cotton production may range between 10 to 11 million bales in 2017-18," said a cotton analyst.—NNI

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Islamic banking institutions
SBP proposes level playing field

RECORDER REPORT

ISLAMABAD: State Bank of Pakistan (SBP) has proposed that a level playing field should be provided to Islamic banking institutions vis a vis conventional banks in terms of tax liability on inter-bank transactions.

According to the budget proposals of SBP for 2017-18, acknowledging the fact that Commodity Murabaha transactions are inter-bank investment/ placement transactions, a level playing field should be provided to Islamic banking institutions vis a vis conventional banks in terms of tax liability on inter-bank transactions. Therefore, withholding and turnover taxes should not be applied on such Commodity Murabaha transactions. For this purpose, a clarification may be issued by FBR that purchases made by a banking company, authorized by SBP to conduct Islamic banking business, for the purpose of inter-bank market placements or investments under Commodity Murabaha should not be considered for applicability of withholding tax and minimum turnover tax.

Conventional banks conduct inter-bank transactions through money-lending or repurchase offer (Repo) mechanism to lend short-term money to the banks against securities and earn markup/interest thereon. Such transactions do not involve any sale-purchase of commodities and any cost involved is treated as an admissible expense. On the other hand, return on money-lending or Repo transactions (IBIs) are strictly prohibited in Islamic banking. As an alternative, IBIs are using Commodity Murabaha mode of Islamic finance for inter-bank short-term investments /placements with other financial institutions. Under Commodity Murabaha, transactions are traditionally carried out by involving market commodities as a medium to earn profit under Shariah principles. Such transaction involves purchase of commodities by an IBI for onward sale to the other bank on deferred payment basis which is in need of funds. The second bank sells the goods in the market on spot basis to generate liquidity. Although it is a Shariah compliant inter-bank market instrument for IBIs as an alternate to conventional money market instrument, however, in some cases FBR authorities have treated first leg of the transaction of IBIs, involving purchase of commodities from market, as a sale transaction simpliciter for applying withholding tax provisions under section 153 of Income Tax Ordinance. Such interpretation of withholding tax makes the Islamic inter-bank Commodity Murabaha transactions unviable for IBIs, depriving them from legitimate liquidity management instrument which is vital for smooth functioning of Islamic banking industry.

The FBR may clarify that gross receipts on account of any Islamic financing arrangement entered into by a banking company, authorized by SBP to conduct Islamic banking business, shall not be considered as 'turnover' for the purposes of computing minimum tax under section 113 of the Ordinance. Further, all Islamic financing transactions shall be treated at par with the financing transactions conducted by conventional financial institutions for the purpose of computation of tax liability under this Ordinance. Therefore, only the gross income reported in Profit and Loss Statement of Islamic banking institutions shall be considered as turnover for the purpose of levying Minimum Turnover Tax as is applicable in the case of conventional banks.

Rationale for Proposal: Gross receipts of Murabaha financing transactions have been considered as 'turnover', on account of sale of goods, for the purpose of computing Minimum Tax under section 113 of the Income Tax Ordinance, 2001. Whereas, Murabaha is a financing transaction and Islamic banking institutions are allowed by SBP to extend financing through Murabaha and other Shariah compliant modes of financing. Therefore, only gross income reported in Profit and Loss Statement of Islamic banking institutions should be considered as turnover for the purpose of calculating Minimum turnover tax liability as the same rule is applicable in case of conventional banking.

It may be clarified by FBR that the restriction on claiming depreciation under Rule 1(a) on the assets given on finance lease does not apply on Ijarah financing. Accordingly, the Islamic banking institutions may be allowed depreciation on Ijarah assets under Section 22, in terms of Rule 1(a) of Seventh Schedule and tax should only be charged on net income (gross rentals minus depreciation) derived from Ijarah financing, which is also applicable in case of conventional lease financing.

Rationale for Proposal: Islamic financial institutions provide Ijarah financing facilities to their customers by renting out assets to them which is akin to leasing transactions. In terms of guideline laid down in Islamic Financial Accounting Standard (IFAS) - 2, gross rentals are recorded as income in accounts of IBIs against which depreciation is charged. As a result, net income from Ijarah is recognized by IBIs in their books of account. However, assets given on Ijarah have been considered by FBR authorities as ‘finance lease’ on certain grounds, and depreciation has been disallowed to IBIs under Rule 1(a) of the Seventh Schedule. Resultantly, tax has been levied on gross rentals of Ijarah financing, which results in levy of income tax on principal amount invested by IBIs for purchase of Ijarah assets, SBP added.

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SEPZ be given status of special economic zone under CPEC: SCCI

RECORDER REPORT

SIALKOT: President Sialkot Chamber of Commerce and Industry (SCCI) Majid Raza Bhutta has suggested that Sialkot Export Processing Zone (SEPZ) should be given the status of Special Economic Zone under China Pakistan Economic Corridor (CPEC) for accelerating the export activities at golden triangle comprising Sialkot, Gujranwala and Gujrat.

In an interview with Business Recorder on Tuesday he said that the conversion of Sialkot Export Processing Zone into Special Economic Zone would enable the business community of Sialkot, Gujranwala and Gujrat to set up their individual industrial units in Special Economic Zone. Major export oriented cities like Sialkot can be strong contenders for setting up SEZ and Sialkot is only export oriented city of the country where 99 percent of manufactured products exported to international markets, he said

Majid underscored the need of setting up SEZ in Sialkot and Chinese investors should be encouraged to bring their investment, and technology. The SCCI President also suggested that government should identify high priority sectors for export and ensure concessions and incentives to encourage the export of respective sectors. It is very unfortunate that Sialkot Export Processing Zone was established since long where very few industrial units were functioning and purpose of SEPZ was not achieved he added.

For development of export sector and to turn around the declining trend of export it is imperative for the government to devise a sound sector specific strategy and a vision with defined objectives he said.

In order to achieve the positive results it is important that high priority sectors and potential sectors should also be identified depending on level of production and supply, potential contribution to exports, demand in international market and capacity to contribute towards the economic development of the country he pointed out.

The SCCI President further added that government should provide special incentives to encourage the export of high priority sectors like textile and clothing, surgical and dental instruments, leather products, sports goods, footwear, gems and Jewellery and furniture. Similarly potential sectors like surgical implants, composite products, light engineering products, printing and packing, sports wear, fitness apparel, gloves and musical instruments etc., needed special focus and facilities to perform optimally, he added.

Majid proposed that government should provide interest free loan on 10 percent of the total exports for the import of new technology and enabling exporters to upgrade their industrial units for enhancing production inefficiencies.

The SCCI President further stated that exporter community was making strenuous efforts for enhancing the export volume despite certain problems confronted by the business community adding that government should take immediate steps for resolving the problems on top priority basis.

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Cotton prices firm on improved trade activity

RECORDER REPORT

KARACHI: Trade activity improved on the cotton market on Tuesday as needy mills showed interest in fresh buying of lint cotton, dealers said.

The official spot rate unchanged at Rs 6750, they said.

In ready session, over 4000 bales of cotton changed hands between Rs 6800 and Rs 7000, they said.

Market sources said that after the Pakistan Cotton Ginners' Association (PCGA) report, new buying interest emerged from the spinners.

According to the cotton Ginners Forum, cotton production for year 2016-17 ended with a total output rising by 10 percent to 10.7 million bales.

Reports showed that the cotton production appreciated from last year's level of 9.7 million bales, but the production was higher because during 2015-16 fiscal year registered a massive shortfall of 34 percent a year ago. The cotton production has not shown sign of any significant improvement.

Cotton analyst, Naseem Usman said that the ginners have little stock of unsold cotton, so it is most likely that mills and spinners both may take interest in fresh buying.

Following deals reported: 600 bales from Khanpur at Rs 7000, 2000 bales from Rahim Yar Khan at the same rate, 1000 bales from Multan at Rs 6960 and 800 bales from Vehari at Rs 6800 they said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL					
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**	**Spot Rate Ex-Karachi As on 12.04.2017**	**Difference Ex-Karachi in Rupees**
37.324 Kgs Equivalent	6,750	135	**6,885**	**6,885**	NIL
40 Kgs	7,234	145	**7,379**	**7,379**	NIL

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RECORDER
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New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	77.26	77.49	76.28	76.82	14:45 APR 18		-0.21	11149	77.03
Jul'17	78.35	78.55	77.47	78.16	14:45 APR 18		-0.01	19133	78.17
Oct'17	73.30	74.15	73.30	73.95	14:45 APR 18		0.45	70	73.50

BUSINESS
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Gencos: poor performance

In yet another report, this time compiled by National Electric Power Regulatory Authority (Nepra), the performance of four public sector generating companies has been severely criticized for the worst-ever performance in 2012, 2013 and 2014 namely Jamshoro Power Company Limited (Genco-1), Central Power Generation Company Limited (Genco-II), Northern Power Generation Company Limited (Genco-III), and Lakhra Power Generation Company Limited (Genco-IV).

This claim substantiated by data is very damning and points out the seven areas of serious concern: (i) Gencos I, II, and III consumed excess auxiliary power over the allowed limit with an energy loss of 777 kwh accounting for a financial loss of 11.69 billion rupees for the three years with Genco-III accounting for half of that loss; (ii) at least three gas-based power stations remained on standby mode for the major part of the three years and Gencos I, II and IIII drew around 763 million kwh energy during standby mode under the head of auxiliary power consumption that accounted for 6.04 billion rupees loss; (iii) Gencos I, II, and III violated the allowed limit of planned and unplanned outages that was specified in the Power Purchase Agreements signed with NTDC; (iv) the availability factor remained as low as 39 percent for the three years; (v) Net capacity factor remained very low mostly for the gas-based power plants; (vi) net output factor was very low that indicates lack of maintenance; and (vii) RFO-based Gencos notably Jamshoro and Muzaffargarh remained the most expensive power stations among all Gencos.

These concerns were also highlighted in an internal report prepared by the German development bank KfW and leaked to the media in the first week of March – a report that claimed to draw from the statistics contained in the Power System Statistics 2015-16, 41st Edition Planning Power of National Transmission and Despatch Company (NTDC), a subsidiary of the Water and Power Ministry. The report concluded that there was a significant decline in the amount of power generated by Gencos I, II and III, rehabilitated under a USAID programme recently, and yet producing significantly fewer units in 2016 than in 2010. The report further emphasized the need to introduce better overall management in Gencos, for efficiency optimization and recommended that “after their useful life, these fossil-fuel-burning plants need to be retired in favour of more efficient, preferably renewable energy plants.” It is unfortunate that Gencos’ privatisation, a desired option to improve governance, remains on the back burner with less than a year left for the completion of the tenure of the Sharif administration.

The response of the Federal Minister for Water and Power Khawaja Asif on the KfW report was to challenge its veracity through a letter prompting KfW’s apology with the claim that it was an ‘internal document’ not meant for media dissemination. However, ignored by the Minister was the fact that the KfW report was prepared on the basis of data compiled by the NTDC which is under the administrative control of his ministry.

Load shedding today has almost reached the levels that were prevalent during the tenure of the PPP-led coalition government. The government’s justification has been to either attack consumers of particular localities for not clearing their bills, a policy decision, or else to claim that demand has risen as heat levels during the current year have risen leading to shortages. Reports indicate that massive load shedding is ongoing even in areas where the bill clearance is 100 percent and critics further argue that a rise in demand and heat should surely have been factored into the calculations.

Chairman of the PPP, former President Asif Ali Zardari, has announced that the party would stage sit-ins against load shedding, a decision that is reminiscent of the protest that was

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successfully launched by Punjab Chief Minister Shahbaz Sharif against the PPP-led coalition government – success measured by the subsequent electoral win of the PML-N in the 2013 general elections. One can only hope that the PML-N leaders acknowledge that hiding behind an aggressive stand in parliament and in the media is unlikely to convince their constituencies that energy supply has risen and that load shedding would be a thing of the past by 2018.

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Cotton production edges higher

PARVAIZ ISHFAQ RANA

KARACHI: For the second consecutive season, the country produced more than 10 million cotton bales, with the current output of 10.727m bales showing a slight increase of 9.81 per cent from last season's 9.766m bales.

Overall, around 958,739 more cotton bales have been produced so far.

With lesser area coming under cotton cultivation, the crop size has been shrinking — from 15m bales recorded in cotton season 2013-14 to round 10m bales for the last two seasons.

The fortnightly (April 1-15) phutti (seed cotton) arrivals data of the Pakistan Cotton Ginners Association show improvement in cotton production in Punjab.

During the period under review, Punjab produced around 937,665 more bales or 15.62pc higher over the corresponding period of last season. In total, Punjab produced 6.940m bales as against 6.022m bales produced in the same period last year.

Improved cotton production in Punjab helped the overall production by 9.81pc at 10.727m bales.

Sindh also recorded nominal growth of 0.56pc in cotton production at 3.787m bales as against 3.766m bales recorded in the same period last season.

It was encouraging to note that the textile industry substantially purchased higher quantity of cotton at 10.259m bales compared to 9.058m bales lifted in the corresponding period last season. However, exporters managed to lift around 202,356 bales as against 362,141 bales in the previous season.

The fortnightly flow of phutti from cotton fields into ginneries also remained slow and only 1,445 bales were recorded to have reached the ginning units compared to 6,299 bales in the same period last season. Thus a shortage of 4,854 bales was recorded.

The ginners are currently holding around 262,597 bales of unsold stocks which are less than 349,776 bales held by them in the same period last year. Three ginning units are operational in Sindh while another four units are working in Punjab.

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IMF projects stable growth in Pakistan

ANWAR IQBAL

WASHINGTON: The International Monetary Fund (IMF) projected on Tuesday that Pakistan's economy will continue to grow at a healthy pace in 2017 and 2018.

The World Economic Outlook, which precedes this week's annual spring meeting of the IMF and the World Bank, also predicted a noticeable growth in the global economy in 2017, linked to an upsurge in investment, manufacturing and trade activities. The report projects that the world growth is expected to rise to 3.5 per cent this year and 3.6pc in 2018, from 3.1pc last year.

"In Pakistan, a broad-based recovery is expected to continue at a healthy pace, with growth forecast at 5pc in 2017 and 5.2pc in 2018, supported by ramped-up infrastructure investment," the report added.

The report points out a weak growth in the near-term outlook for the Middle East, North Africa, Afghanistan, and Pakistan

region, with growth forecast to be 2.6pc in 2017, 0.8 percentage point lower than projected in the October 2016 report.

World economy to expand 3.5pc this year

The fund attributes this subdued pace of expansion to lower headline growth in the region's oil exporters, driven by the November 2016 Opec agreement to cut oil production. This weakness overshadows the expected pickup in non-oil growth as the pace of fiscal adjustment to structurally lower oil revenues slows.

"Continued strife and conflict in many countries in the region also detract from economic activity," the report warns.

Growth in Saudi Arabia, the region's largest economy, is expected to slow to 0.4pc in 2017 because of lower oil production and ongoing fiscal consolidation, before picking up to 1.3pc in 2018.

Growth rates in most other countries in the Cooperation Council of the Arab States of the Gulf are similarly projected to dip in 2017.

By contrast, activity in most of the region's oil importers is expected to continue to accelerate, with growth rising from 3.7pc in 2016 to 4.0pc in 2017 and 4.4pc in 2018.

In Egypt, comprehensive reforms are expected to deliver sizable growth dividends, lifting growth from 3.5pc in 2017 to 4.5pc in 2018. The report trims India's annual growth forecast by 0.4 percentage points to 7.2pc for 2017, citing the impact of recent demonetisation.

"In India, the growth forecast for 2017 has been trimmed by 0.4 percentage point to 7.2pc, primarily because of the temporary negative consumption shock induced by cash shortages and payment disruptions from the recent currency exchange initiative," says the report.

"Medium-term growth prospects are favourable, with growth forecast to rise to about 8pc over the medium term due to the implementation of key reforms, loosening of supply-side bottlenecks, and appropriate fiscal and monetary policies," it adds.

In its review of the globally economy, the IMF notes that stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply, have helped commodity prices recover from their troughs in early 2016.

The IMF's October forecast was more pessimistic, cutting its growth forecast for the US and other advanced economies, the IMF said then that the global economy would grow 3.4pc this year versus 3.1pc in 2016.

But in Tuesday's report, the IMF notes that higher commodity prices have provided some relief to commodity exporters and helped lift global headline inflation and reduce deflationary pressures.

"Financial markets are buoyant and expect continued policy support in China and fiscal expansion and deregulation in the United States. If confidence and market sentiment remain strong, short-term growth could indeed surprise on the upside," it adds.

But the report warns that "structural impediments," such as low productivity growth and high income inequality, will likely persist and could stall a stronger recovery.

The report also criticises "nationalistic" economic policies of the United States and other European Union, and calls them "inward-looking policies" that

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“threaten global economic integration and the cooperative global economic order, which have served the world economy, especially emerging market and developing economies, well.”

The report notes that against this backdrop, economic policies have “an important role to play in staving off downside risks and securing the recovery, and a renewed multilateral effort is also needed to tackle common challenges in an integrated global economy.”

The IMF points out that emerging market and developing economies have become increasingly important in the global economy in recent years. They now account for more than 75pc of global growth in output and consumption, almost double the share of just two decades ago.

“These economies can still get the most out of a weaker growth impulse from external conditions by strengthening their institutional frameworks, protecting trade integration, permitting exchange rate flexibility, and containing vulnerabilities arising from high current account deficits and external borrowing, as well as large public debt,” the World Economic Outlook projects.

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WHT rates to go further up for non-filers

MUBARAK ZEB KHAN

ISLAMABAD: The government is set to increase the rates of 56 withholding taxes (WHTs) for non-filers of income tax returns in the next fiscal year.

An official source privy to the budget-making process told Dawn on Tuesday that the existing WHT rates will be further increased while the scope of these taxes will be extended to a maximum number of sectors.

“We have decided to raise WHT rates for non-filers by 100pc and (extend them to the) segments that were not covered previously,” the source said.

The increase in the incidence of taxation will compel people to file tax returns and come under the tax net to avoid higher rates meant for non-filers.

The PML-N government has imposed 20 new WHTs since June 2013 while increasing the rates for non-filers on the pretext of improving tax compliance.

The number of WHT categories has risen to 56 from 36 since June 2013. As a result, WHT equalled 68 per cent of the total direct tax collection in the first eight months of the current fiscal year.

Official documents of the Federal Board of Revenue (FBR) show higher withholding tax rates for non-filers in 18 sectors, including the tax on dividends, banking transactions other than through cash, purchase of immovable property, immoveable property, motor vehicles, brokerage and commission, private motor vehicles, cash withdrawal from a bank, petroleum products, transport services, payment for goods and services, profit on debt, dividend income and sales to retailers, distributors, dealers and wholesalers.

The source said the government is also considering an increase in the rates of WHT on properties.

Higher WHT rates for non-filers resulted in an increase in the number of income tax return filers. WHTs have also emerged as a leading source of revenue generation for the government.

The FBR received 1.202 million income tax returns until March for 2015-16 against 1.03m full-year tax returns for 2014-15.

In order to implement this scheme, the FBR issues an Active Taxpayers List that is available on its website. Withholding agents are required to use this list to determine the return-filing status of an individual or entity for the imposition of the WHT.

According to the source, there are certain imports on which the government has introduced higher rates for non-filers. In the next budget, more imports will be brought under this regime. As for the withholding tax on payments to non-resident Pakistanis, higher rates for non-filers will also be extended further in the next budget.

As for the banking transaction tax, the source said it will be increased to 0.6pc on transactions exceeding Rs50,000 a day in the next budget. Currently, a lower rate of 0.4pc is applicable in the light of a decision by the Economic Coordination Committee (ECC).

According to the FBR document, WHT rates will be increased for non-filers on transactions on the Pakistan Mercantile Exchange, education-related expenses remitted aboard, payment to residents for the use of machinery and equipment, bonus shares issued by companies not quoted on the stock exchange, bonus shares issued by companies quoted on the stock exchange, tax on the purchase of international air ticket/domestic ticket, tax on dealers, commission agents and arhtis, and the collection of advance tax by educational institutions.

Higher WHT for non-filers is also likely on advance tax on cable operators and electronics, tax on foreign-produced TV plays and serials, tax on functions and gatherings, sale by auction, telephone, tax on steel melters and re-rollers, electricity bill of domestic consumers, electricity bill of commercial and industrial consumers, CNG gas station bill, collection of tax by the stock exchange, withdrawal of balance under pension funds, prizes and winnings and income from property.

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NA committee recommends 2pc cut in GST

APP

ISLAMABAD: The National Assembly Standing Committee on Finance recommended reducing General Sales Tax (GST) on Tuesday from the current 17 per cent to 15pc for the next fiscal year 2017-18 to assist people.

The committee also recommended expanding the tax base by introducing further structural reforms in the prevailing system.

The committee meeting was chaired by Qiaser Ahmed Sheikh, Member of National Assembly (MNA), and MNA Asad Umar, senior leader and policy head of Pakistan Tehreek-e-Insaf.

Mr Umar said dependence upon withholding and indirect taxes should be reduced by taking drastic measures. He suggested 0.5 pc be imposed on net wealth tax, which should be adjustable against the income tax and this measure would help generate an extra Rs 300 to Rs 400 billion a year. He said the net wealth tax could be gradually increased in future.

The committee proposed revaluation of the real estate property while at the same time the committee also recommended reducing property tax.

MNA Mustafa Mehmood said usage of digital money should be promoted in order to document the economy.

Mr Umar also opposed the idea of giving amnesty schemes saying that this would encourage the tax evaders. “The government should give exemplary punishment to the tax evaders in a bid to discourage the habit of tax evasion,” he added.

The committee decided to convene the single agenda meeting to discuss the budget proposals on April 26 and all concerned stakeholders and departments would be invited to attend.

Regarding the issue of property purchased by Pakistani Nationals in Dubai, Mr Umar said that he requested the concerned departments regarding the validity of those transactions but he did not received a positive response.

Mr Sheikh said in the next regular meeting, the officials of National Accountability Bureau (NAB), Federal Investigating Agency (FIA), Federal Board of Revenue (FBR) and Securities and Exchange Commission of Pakistan (SECP) would be summoned to reply to the questions raised by Mr Umar.

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Cotton market witnesses renewed interest

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Renewed interest in cotton buying was witnessed at the market on Tuesday. Many needy spinners rushed back to replenish their stocks which helped cotton prices stay steady.

The last two days general lethargy was no more evident as spinners returned on reports that the yarn market has picked up. There was also some demand from foreign buyers.

Steady flow of buying generated moderate to active buying and many big lot deals were also finalised. The undertone was steady but outlook continues to be uncertain.

On the global front, the New York cotton market rose by US 1.5 cents while the Chinese market also gave firm outlook. However, prices in Indian cotton market came under pressure on reports of higher imports.

According to market sources around 2.2 million bales have already reach India against total contracted imports of round 3 million bales. However, there were strong indications that prices would increase in coming days.

Meanwhile, rising tensions in the Korean peninsula have put US dollar under pressure in world market and is going to have direct implication on world commodity markets, brokers said.

The Karachi Cotton Association (KCA) kept its spot rates steady at overnight level.

The following deals were reported to have changed hands on the ready counter: 600 bales, Khanpur, at Rs7,000, 2,000 bales, Rahimyar Khan, at Rs7,000, 1,000 bales, Multan, at Rs6,960 and 800 bales, Vehari, at Rs6,800.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,750**	**135**	**6,885**
40 Kgs	**7,234**	**145**	**7,379**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.45	104.65	106.00	106.20
UK	150.81	151.10	133.25	134.75
Euro	118.05	118.28	112.60	114.10
S.Arabia	27.85	27.90	28.15	28.35
UAE	28.44	28.49	28.80	29.00
Japan	0.9644	0.9662	0.9645	0.9845

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.90	6.15
Six months	5.91	6.16
One year	5.98	6.48

LIBOR

Special US dollar bonds for April 17

Three months	1.15844 %
Six months	1.40322 %

THE NEWS
Wednesday, 19th April, 2017

Cotton arrivals up 9.8 percent

KARACHI: The cotton crop in Pakistan has shown an increase of 9.81 percent to 10.72 million bales, stated the Pakistan Cotton Ginners Association report on Tuesday.

According to the PCGA, a total of 10.72 million bales reached the ginners by April 15, 2017, compared to 9.76 million bales during the same period last year. Of such stocks, 10.25 million bales were sold to local mills against 9.05 million bales last year. However, 202,356 bales were exported, down 44 percent against 362,141 bales exported last year. A total of 265,597 million bales remain unsold with the ginners, down against last year's stocks of 349,776 bales.

During April 1-15, the total outflow of lint remained at 1,445 bales, against last year's flow of 6,299 bales during the same period. Number of ginning factories in operation has also decreased to seven from 16 during the same period last year. A total of 6.94 million bales were reported from Punjab, up 15.62 percent against 6.0 million bales last year, while arrivals from Sindh remained almost flat at 3.78 million bales.

THE NEWS
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Fund expresses optimism on Pakistan's economy, projects 5 percent growth for 2017

KARACHI: The International Monetary Fund (IMF) on Tuesday reiterated its optimism on Pakistan's economy, foreseeing an uptick in growth as investment has increased to reduce infrastructure spending gap.

"In Pakistan, a broad-based recovery is expected to continue at a healthy pace, with growth forecast at 5 percent in 2017 and 5.2 percent in 2018, supported by ramped-up infrastructure investment," the IMF said in its World Economic Outlook (WEO), which was unveiled before the start of the annual spring meeting of the Fund and the World Bank. The growth forecasts were more or less the same as that of the World Bank and Asian Development Bank (ADB), while the government also expected the country's GDP growth at 5 percent for the current fiscal year of 2016/17 as against 4.7 percent in 2015/16.

Both the ADB and World Bank projected the country's growth at 5.2 percent in 2017 and 5.5 percent in 2018. The Fund suggested that the consumer price inflation has bottomed out as it revised up its inflation forecast for the country to 4.3 percent in 2017 and five percent in 2018 as compared to 2.9 percent in 2016. It further projected the country's current account deficit at 2.9 percent in 2017 and 3.0 percent in 2018. The deficit would be on the upward trend as compared to 1.1 percent in 2016.

Unemployment rate would be the same 6.0 percent in 2017 as in 2016, according to the IMF's data. It, however, revised up its unemployment rate forecast for the country at 6.1 percent in 2018. The IMF said lower oil prices would hamper the regional growth. "The near-term outlook for the Middle East, North Africa, Afghanistan and Pakistan region has weakened, with growth forecast to be 2.6 percent in 2017, 0.8 percentage point lower than projected in the October 2016 WEO."

But, Pakistan would witness the highest growth during the two-year period among all the oil importing and exporting countries in the region, including Egypt, Morocco, Sudan, Tunisia, Lebanon, Jordan, Saudi Arabia, Iran, UAE, Algeria, Iraq, Qatar and Kuwait. The IMF predicted that the global economic growth would clock in at 3.5 percent in 2017 as compared to 3.1 percent in 2016, while for 2018, the GDP growth was projected at 3.6 percent. The Fund foresaw a recovery in global demand, subdued deflationary pressures and improved financial markets.

"But structural impediments to a stronger recovery and a balance of risks that remain tilted to the downside, especially over the medium term, remain important challenges," it said. "Emerging market and developing economies… now account for more than 75 percent of global growth in output and consumption, almost double the share of just two decades ago."

THE NEWS
Wednesday, 19th April, 2017

IMF warns of growing risks to improving global recovery

Washington: The global economic recovery is improving and picking up steam, but still faces a series of threats that could erode the improvements, especially the rise of protectionist rhetoric, the International Monetary Fund warned Tuesday.

The fund´s semi-annual World Economic Outlook report revised global growth up to 3.5 percent for this year, one-tenth higher than the January forecast.

It was a rare upward revision to the growth forecast -- the first in two years -- which has been consistently disappointing. For 2018, growth is expected to rise to 3.6 percent, and to 3.8 percent by 2022.

"The global economy seems to be gaining momentum -- we could be at a turning point. But even as things look up, the post-World War II system of international economic relations is under severe strain," IMF chief economist Maurice Obstfeld said.

The report warns of the "significant downside risks" to the outlook, which have gotten worse since January -- among them, "the turn towards protectionism, leading to trade warfare," Obstfeld said in the foreword of the report.

Many of the concerns -- including rolling back financial regulation, pulling away from the multilateral trading system and restricting immigration -- are centerpieces of US President Donald Trump´s policy program, but also are issues visible in the bitter French election campaign, as well as in Britain´s planned exit from the European Union.

The anti-trade, anti-immigration attitude in advanced economies is to some degree understandable, given "the failure of growth gains in rich economies to substantially reach those in the lower parts of the income distribution in recent decades," he said.

However, Obstfeld warned: "Capitulating to those pressures would result in a self-inflicted wound," which would harm countries by pushing prices higher and eroding household income, prompt retaliation, and worsen the global economy."

In its report, the Washington-based IMF said "hundreds of millions" of people were lifted out of poverty through economic integration and technological progress, "helping to reduce global income inequality."

But Obstfeld said the benefits of growth and the burden of economic adjustments too often have been unequally shared, so it will be up to the governments to "address these disparities head-on to ensure the stability of an open, collaborative trading system that benefits all."

The IMF recommends "well-targeted initiatives" to help workers adversely affected by free trade and other economic changes to "find jobs in expanding sectors" as well as "social safety nets to smooth the loss of income," and improved education and training in the longer term.

"Similarly, curbing immigration flows would hinder opportunities for skill specialization in advanced economies, limiting a positive force for productivity and income growth over the long term," the report said.

The IMF report stressed that risks to the outlook "remain tilted to the downside," meaning that while growth could turn out to be faster than expected -- particularly if there is a large US government spending program -- there are more negative possibilities on the horizon.

The threat of protectionism is the most worrying, but others include as-yet undetermined US policies and their impact on the global economy, especially the possibility for a rising deficit and tearing down of financial regulations erected in the wake of the 2008 global crisis.

"A wholesale dilution or backtracking on important steps taken since the global financial crisis in enhancing the resilience of the financial system would raise the probability of costly financial crises in the future, " the IMF warned.

China´s "dangerous dependence on rapidly expanding credit" is another area of concern, as is weak demand in Europe, and a series of noneconomic factors, including geopolitical risks and corruption.

The IMF put China growth this year at 6.6 percent, up a tenth of a point. Its 2018 prediction was for 6.2 percent growth, up two tenths.

"Global economic activity is picking up speed, but the potential for disappointments remains high, and momentum is unlikely to be sustained in the absence of efforts by policymakers to implement the right set of policies and avoid missteps," the IMF said.

THE NEWS
Wednesday, 19th April, 2017

Corruption leads to unhealthy competition, lower profits

LAHORE: In Pakistan, the officials are often more invested in seizing a larger share of the pie, rather than creating a larger pie, which leads to conflict.

This is the reason that we find noncooperation between politicians, unhealthy competition between manufacturers, and unethical imports that do not benefit the importers, but are a boon for officials that get their share from all importers. The nation is in destruction mode.

Our exporters for instance compete with each other rather than competing with the exporters of other countries. They undercut each other’s price that has eroded their profit margins.

Pakistan by the way is the cheapest supplier of all textile products. Exporters from all other countries charge much higher per unit price for similar textile products. Lower margins have deprived them of accumulating enough resources to go for technology upgrade.

This is further marginalising them in global markets. So, to make up for lower margins, they resort to all types of malpractices. The government withheld approved refunds of sales tax of the textile sector recently because the official records showed that this year’s refund claims were higher than the refunds claimed by the textile sector last year.

This has created suspicion on two counts. The first is that five export sectors, including textiles, were zero-rated from July 2016. Secondly, the exports this year have declined and the unit prices have also declined so the refund claims should have been lower.

Exporters say the export refunds were approved by the concerned tax officials and should not have been rolled back. The exporters also openly accuse that they have to pay speed money for the release of their refunds. The going rate for approval of claim has allegedly gone gradually up from five percent to 15 percent. The officials thus have an incentive to approve as much refunds as possible.

The suspension of refunds has provided the state an opportunity to scrutinise the approved claims. If the refunds claimed were found in excess of actual dues, this would prove the connivance of the officials with the exporters.

It would be fair to punish the guilty and compensate those whose genuine refunds were withheld as a result of this exercise. The auditor should also be tasked to examine how many genuine refund claims have not been processed. This will indicate as to how many refund claimants have refused to grease the palms of the refund processors.

In the domestic market, another type of competition is going on. The manufacturers tend to compromise on quality to lower the cost and beat the competition. A term very popular in the markets is “do number maal” (first copy) which is in fact the copy of a popular brand. The seller claims that the quality is the same as that of the product of some popular brand, but the price is much lower.

The sales of such copied products is higher than established brands in clothing, electronics, fans, air coolers, toffees and other processed edibles. The cheaper clothing prints fade after two or three washings and the cheaper electronics consume much more power than the product of an established brand.

In case of electronics, the consumers pay a higher bill for life by saving some amount. The manufacturers of quality products gradually lose most of the market and the ‘copies’ prosper. They usually operate outside the tax net. The officials are fully aware of their existence, but look the other way as they are adequately compensated.

Almost all finished products are heavily under-invoiced. Anyone importing a product on its actual price cannot survive in the market. However, under-invoicing too has lost its attraction, as importers do not earn the expected higher profit.

Since the cost of every product that is imported in Pakistan is the same for almost every importer, they have to compete with each other in the normal way, without enjoying any price advantage over the other importer.

However, the true beneficiary of under-invoicing is the bureaucracy that knows the actual price of the product and needs to be ‘pleased’ for allowing under-invoicing.

THE NEWS
Wednesday, 19th April, 2017

Cotton unchanged

Karachi

Trading improved at the Karachi Cotton Exchange as cotton arrival data released on Tuesday showed an increase of 9.81 percent.

Spot rates; however, remained unchanged at Rs6,750/maund (37.324kg) and Rs7,234/40kg. Ex-Karachi rates also stood firm at Rs6,885/maund and Rs7,379/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the activity picked up with Pakistan Cotton Ginners Association's (PCGA) arrival report, showing a total of 264,000 bales still lying with the ginners. Total arrivals were recorded at 10.72 million bales against 9.76 bales last year.

KCE recorded four transactions of 4,500 bales in between Rs6,800/maund and Rs7,000/maund.

Khanpur's 600 bales and 2,000 bales of Rahimyar Khan were sold at Rs7,000/maund, while 800 bales of Vehari exchanged hands at Rs6,800/maund and 1,000 bales of Multan at Rs6,960/maund.

The Nation on Web
The Nation
Wednesday, 19th April, 2017

Minister reviews recoveries of non-tax revenue

Our Staff Reporter

LAHORE - Provincial Finance Minister Dr Ayesha Ghaus Pasha on Tuesday chaired a meeting to review recoveries of non-tax revenue during March 2016 to March 2017 and the estimates of expected revenue during next quarter.

Finance Special Secretary Saifullah Dogar, Finance Deputy Secretary Noorul Ain and concerned officers of Board of Revenue, Cooperatives, Education, Health, Agriculture, Forests & Wildlife, Communication & Works, Livestock, Industry, Irrigation, Mines & Minerals, Police, Law & Parliamentary Affairs and Home Departments attended the meeting.

While giving briefing to the minister, the Finance special secretary said that the non-tax recoveries of Communication & Works, Agriculture, Education, Health, Livestock and Home Department have improved as compared to last year. He informed that most of the departments are near to achieve the targets fixed in the budget and will achieve their fixed targets at the end of the current financial year. The meeting also identified the departments showing poor performance and got briefing from these departments.

While expressing satisfaction over the performance of Education, Health, Agriculture, Communication & Works, Mines & Minerals and Home Departments, the minister said that the provincial government is especially focusing on the Education, Health, Agriculture and infrastructure. She said it is essential that the concerned departments should also pay attention to enhance their capacity-building. She said that these departments should not only meet their own expenditures but also increase the resources of the province so that maximum facilities could be provided to the common man.

Dr Ayesha directed the departments not achieving the targets of non-tax revenue to improve their performance. She also assured assistance for resolving their problems. She said that all departments can improve their performance by minimising the leakage chances through automation in the recovery system. She said that the targets of non-tax revenue in the next budget will be fixed in consultation with the concerned departments.

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LCCI demands old Sui gas tariff for industrial connections

Our Staff Reporter

LAHORE - The Lahore Chamber of Commerce and Industry (LCCI) has demanded of the Sui Northern Gas Pipeline Limited (SNGPL) to shift back the industrial connections from temporary RLNG to the old Sui Gas.

In a statement issued here, LCCI President Abdul Basit, Senior Vice President Amjad Ali Jawa and Vice President Muhammad Nasir Hameed Khan said that a large number of the members have approached to the LCCI and complaint that their industrial gas connections were shifted to the RLNG for a specific time due to gas shortage with the assurance that they would be shifted back to the Sui Gas after March 15, 2017. Unfortunately even after lapse of the said date, the industrial connections have not been restored to the old Sui Gas tariff which is causing great cost problems for the industrialists.

They said that RLNG is costly as compared to natural gas and industries cannot afford to continue with costly fuel.

They urged the SNGPL authorities to re-shift the industrial gas connections from RLNG to the old Sui Gas tariff connections. Moreover, they said that Sui Northern Gas has also started advance adhoc billing which must be discontinued for the well being of the industry.

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NA body asks govt to cut GST by 2pc

Committee also demands imposition of 0.5pc direct wealth tax for increasing revenue collection

Imran Ali Kundi

ISLAMABAD - National Assembly's Standing Committee on Finance and Revenue on Tuesday recommended the government to reduce the standard rate of General Sales Tax (GST) by two percent to facilitate people and also to impose 0.5 percent wealth tax.

The committee, presided over by Qaiser Ahmed Shaikh, also proposed that the government should introduce structural reforms in the Federal Board of Revenue (FBR) to expand tax base of the country. The committee also suggested the government to take measures to make FBR a corruption-free department.

Committee member Asad Umar suggested the reduction in the standard rate of GST from 17 percent to 15 percent, which would decrease the inflation rate in the country. The committee also asked that direct wealth tax/net wealth tax @ 0.5 percent (adjustable) should be charged by the government for increasing the revenue collection. Umar said that this measure would help in generating additional Rs300 billion to Rs400 billion per year.

The committee recommended that 0.8 percent GDP on federal government expenditures for education should be consider, as announced by Finance Minister Ishaq Dar in his last budget speech. The committee also discussed that digital money promotion mechanism should be considered by the FBR and State Bank of Pakistan for increasing the revenue.

Umar opposed the idea of giving amnesty schemes by saying that it would encourage the tax evaders. "The government should give exemplary punishment to the tax evaders in a bid to discourage the habit of tax evasion," he added.

Committee member Syed Mustafa Mehmood accused the committee chairman Qaiser Shaikh for reducing 5 percent GST on chemicals, which are used in his company. However, Shaikh rejected the allegations by saying that 15-20 companies are using this chemical. He proposed that the committee should call representatives of chemical association to listen their viewpoint on it.

The parliamentary committee also decided to call officials of FBR, Federal Investigation Agency (FIA), National Accountability Bureau (NAB) and Securities and Exchange Commission of Pakistan (SECP) for getting their viewpoint on transferring of funds to abroad illegally.

Asad Umar said that Pakistanis had illegally transferred around Rs800 billion to Dubai for purchasing properties during last four years. The committee chairman said that this committee should thoroughly consider the suggestions/proposals received from various business forums/stake holders for onward submission to Finance Division. The committee unanimously decided that its next meeting would be held on April 26, 2017, to discuss the budgetary proposals, exclusively. The committee also decided that stakeholders and FBR would be called in the said meeting.

While considering the suggestions received from Karachi Chamber of Commerce (KCCI), the committee decided that Tax Reforms Commission Report should be discussed in detail in its next meeting, because the committee members were of the view that recommendations of the Karachi chamber have already been addressed in the Tax Reforms Commission Report.

The committee considered the proposals of Pakistan Real Estate Investment Forum (PREIF) and recommended that the government should allow the real estate sector for declaration of actual property value and taxation on the said value should be minimised. The committee also supported the proposals of real estate sector on some extent; however, the committee decided that real estate stakeholders would be invited in the next meeting for further discussion in this regard.

The committee also discussed the proposals received from Cotton Ginners Association and supported the suggestions of the industry. The committee also decided that representatives of Cotton Ginners Association should be called in the next meeting.

The meeting was attended by Shaza Fatima Khawaja, Daniyal Aziz, Pervaiz Malik, Syed Mustafa Mehmud, Asad Umar, Dr Shezra Mansab Ali Khan Kharral, MNAs, besides the senior officers from the Ministry of Finance, SBP and Auditor General of Pakistan.