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Various items
RD may be raised by 5pc

SOHAIL SARFRAZ

ISLAMABAD: Taking a major revenue generation measure to discourage imports of non-essential items, the rate of regulatory duty (RD) has been proposed to be increased by 5 per cent on all items subjected to RD on imports and exports in coming budget (2017-18).

Sources told Business Recorder here on Thursday that the FBR has proposed a uniform rate of 5 per cent RD to be increased on all items presently subjected to RD. If this proposal is incorporated in the budget, this would serve two purposes—increase revenue collection as well as discharge imports of luxury and non-essential items.

Under the budget proposal, the items liable to 5 per cent RD have been proposed to be increased to 10 per cent RD. Items subjected to 10 per cent RD have been proposed to be increased to 15 per cent; 15 per cent RD to 20 per cent and items covered under 20 per cent RD would be subjected to 25 per cent RD.

Items subjected to 30 per cent RD have been proposed to be increased to 35 per cent. Presently, items like Bars and rods, hot- rolled, in irregularly wound coils, of iron or non-alloy steel; Other bars and rods of iron or non- alloy steel, not further worked than forged, hot- rolled, hot-drawn or hot-extruded, but including those twisted after rolling; Other bars and rods of iron or non- alloy steel; angles, shapes and sections of iron or non-alloy steel and wire of iron or non-alloy steel.

This would be instrumental in generating additional revenue in the next fiscal year, sources said.

The FBR will levy regulatory duty on import of goods in exercise of the powers conferred by sub-section (3) of section 18 of the Customs Act, 1969.

Presently, 10 per cent RD is applicable on the import of live poultry, ducks, geese, turkeys and guinea fowls; fish frozen; coconuts, Brazil nuts and cashew nuts, fresh or dried, whether or not shelled or peeled and many other items.

Fifteen per cent RD is applicable on the import of figs, pineapples, avocados, guavas, mangoes, oranges, apples, pears, quinces, apricots, raspberries, blackberries, mulberries, loganberries, black, white or red currants and gooseberries and other fruits. Fifteen per cent RD is applicable on the import of mineral waters, aerated waters, dog or cat food, put up for retail sale, Eau de cologne, perfumes, lip makeup preparations, eye makeup preparations, nail polish, face powder, talcum powder, face and skin creams and lotions, tonics and skin food, shampoos and preparations for permanent waving or straightening, pre-shave, shaving or after shave preparations, personal deodorants and antiperspirants and perfumed bath salts and other bath preparations.

Ten per cent RD is applicable on the import of articles of apparel and clothing accessories, of leather or of composition leather, cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale and Cotton yarn (other than sewing thread), containing less than 85 % by weight of cotton, not put up for retail sale, woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing more than 200 g/m2 and other woven fabrics of cotton.

In last budget, regulatory duty has been exempted on import of carbon steel strips (PCT Code 7226.9200), with thickness 0.090 to 0.100 mm and width 22.2 to 22.4 mm used in the manufacturing of razor blades, through its insertion at Sr # 60, Part III of the Fifth Schedule @ 11% customs duty.

Regulatory duty was waived off on import of Bead Wire (PCT code 7217.3010). The regulatory duty levied through SRO 236(1)/2016

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dated 21.03.2016 will continue after 30th June, 2016.

Regulatory duty @ 25% was levied on powdered milk (PCT code 04.02). Similarly, regulatory duty @ 25% was levied on whey powder (PCT code 0404.1010).

Regulatory Duty @ 5% was levied on import of Woven Fabric of and 55 of Pakistan Customs Tariff.

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SRB announces tax incentive package

RECORDER REPORT

KARACHI: Sindh Revenue Board (SRB) with the approval of the Sindh government has announced 'Sindh Sales Tax Incentive Package' for total waiver of penalty and remission up to 95 per cent of the amount of the default surcharge.

According to an official announcement, the decision was made on the request of taxpayers, taxpayers' associations and Tax Bar.

The SRB with the approval of the Sindh government has announced the 'Sindh Sales Tax Incentive Package' through its notification SRB-3-4/7/2017 on May 18, 2017.

This package provides substantial benefits and relief to taxpayers, service providers and withholding agents in return of their tax compliance under the Sindh Sales Tax on Services Act, 2011.

The package includes exemption of up to 95 per cent of the amount of default surcharge, total remission of penalties and immunity from arrest and prosecution if the taxpayer deposits:-

(a) the liability of the arrears of tax plus 5% of the amount of default surcharge thereon between 191h May, 2017 to 25Ih May, 2017;

(b) the liability of arrears of tax plus 10% of the amount of default surcharge thereon between 26th May, 2017 to 2nd June, 2017; and

(c) the liability of arrears of tax plus 20% of amount of default surcharge between 3Td June, 2017 to 9th June, 2017.

In cases where no tax liability is outstanding but only the arrears of amounts of penalty and default surcharge are outstanding, the tax incentive package allows the remission of 90 per cent of the amount of such penalty and 75 per cent of the amount of such default surcharge, if the balance of the amounts of penalty and default surcharge is deposited during the period from May 19, 2017 to June 9, 2017.

SRB has advised all taxpayers, service providers and withholding agents to avail of the benefits of the said package before June 9, 2017. The incentives announced through this concession provide an opportunity to the taxpayers who, for any reason, have not been able to clear up their tax liabilities, added up by default surcharge or, in some cases, the amounts of penalty, over the period involved. This may also help reduce the litigation in cases where the taxpayers have gone to the courts of law seeking relief on default surcharge or penalty.

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NEC likely to set 6pc growth target

ZAHEER ABBASI

ISLAMABAD: National Economic Council (NEC) is expected today (Friday) to fix the GDP growth target at 6 per cent for the next fiscal year on the basis of 6.4 per cent growth of manufacturing and services sectors each and 3.5 per cent growth of agriculture sector.

Sources in the Ministry of Planning, Development and Reform said that according to a presentation prepared for the NEC, all the major economic targets – GDP growth, exports, fiscal deficit and current account balance in the current fiscal year – have been missed.

Provisional estimates suggest 5.3 per cent growth for the current fiscal year, 0.4 per cent lower from 5.7 per cent target set in the budget for the current fiscal year, exports are estimated at $ 21.7 billion against $ 24.8 billion budgetary target and account deficit at 2.7 per cent of GDP against 1.7 per cent for the current fiscal year.

A projection of 6 per cent growth for the next fiscal year (2017-18) is projected on the basis of 3.5 per cent growth of agriculture sector with 2 per cent growth of important crops and 3.8 per cent of livestock.

The growth of manufacturing sector for the next fiscal year has been projected at 6.4 per cent with 6.3 per cent in Large Scale Manufacturing sector. Services sector growth would be fixed at 6.4 per cent for the next fiscal year by the NEC.

The NEC would also be proposed to approve public sector development outlay of Rs 2.133 trillion for the next fiscal year. Sources said the meeting would be stated that the proposed development budget has been prepared in line with overall agenda for achieving higher, sustainable and inclusive growth, reducing poverty, investing in human capital, improving infrastructure while ensuring balanced development and ensuring food, water and energy security.

The Ministry of Planning, Development and Reform has requested the Finance Division to enhance the size of development budget to at least Rs 1,150 billion against the indicated ceiling of Rs 700 billion and finally Rs 1,001 billion development budget was agreed by Finance Davison. The Annual Plan Coordination Committee (APCC) has recommended to NEC for consideration and approval of National Development outlay at Rs 2,113 billion.

Of the total Rs 2113 billion, PSDP for the next fiscal year includes local component of federal PSDP of Rs 833 billion and foreign aid component of Rs 168 billion. Local component of provincial PSDP is Rs 917 billion and foreign aid component is Rs 363 billion.

The meeting would also be submitted progress report of Central Development Working Party (CDWP) and ECNEC – forums to approve development projects – for one year period from April 2016 to March 2017.

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More than half of financial sector becomes dysfunctional!

RECORDER REPORT

KARACHI: More than 50 percent of country's financial sector has virtually become dysfunctional as institutions without Chairmen and Boards of Directors due to withdrawal of amendment in the BCO 1952.

Piqued by poor lending to Small and Medium Enterprises as well as to agriculture sectors, State Bank of Pakistan had issued a note to Ministry of Finance, Islamabad, asking for the withdrawal in the amendment, which was granted by minister without any impact analysis.

Most big network banks will be impacted by this notification as they would need to function and take major decisions after due confidential communication between respective Chairmen and Presidents of banks.

SBP is of the opinion that banking ownership laws need to change in the country to achieve a higher level of banking assets as prevalent in the region.

Complacency has crept in these big institutions which needs to be replaced with more dynamism, says the SBP. Even though the notification says "with immediate effect", the affected banks are expected to seek extension to implement the MoF decision.

The MoF's decision could also have a negative impact on privatisation prospects, as the amendment in the BCO 1952 was made in August 2000 because the private sector felt it could not change directors after two terms on the bank, since they would continue to be major shareholders in the privatised institutions.

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THE RUPEE
Rising trend

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KARACHI: The rupee recovered overnight losses against the dollar on the money market on Thursday in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee was almost unchanged in relation to the dollar for buying and selling at Rs 104.85 and Rs 104.86 respectively, they said.

In the fourth Asian trade, the dollar wallowed near six-month lows against a basket of major currencies as the US political crisis appeared to deepen, threatening to delay efforts by President Donald Trump to implement his economic stimulus plans.

Political instability in the United States is shaking markets. You put a brake on investments to the US when you see those headlines," said Bart Wakabayashi, Tokyo Branch Manager of State Street Bank.

The Justice Department appointed a former FBI director as special counsel to investigate possible collusion between President Donald Trump's 2016 campaign team and Russia.

The appointment of a special counsel follows Trump's dismissal of James Comey, his FBI director who was investigating Russia's role in the US election.

Media then reported that Trump may have interfered with a federal investigation, a serious allegation that could even lead to his impeachment if verified.

The dollar was trading against the Indian rupee at 64.370, the greenback was at 4.325 in terms of the Malaysian ringgit and the US currency was at 6.889 versus the Chinese yuan.

Inter bank buy/sell rates for the taka against the dollar on Thursday: 80.55-80.56 (previous 80.55-80.56).

OPEN MARKET RATES: The rupee picked up 10 against the dollar for buying and selling at Rs 105.80 and Rs 106.00 respectively, they said. The rupee stayed put in terms of the euro for buying and selling at Rs 117.00 and Rs 118.00 respectively, they said.

Open Bid	Rs. 105.80
Open Offer	Rs. 106.00

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

Bid Rate	Rs. 104.85
Offer Rate	Rs. 104.86

RUPEE IN LAHORE: The Pak rupee showed strength and appreciated its worth by 10-paisa on buying side at Rs 105.90 and 20-paisa on selling side at Rs 106.20 in relation to the greenback on the local currency market on Thursday.

According to the currency dealers, the dollar resumed trading at its day earlier closing of Rs 106.00 and Rs 106.40 on buying and selling side, respecitvely. In the absence of buyers' interest, the dollar could not sustain and declined to Rs 105.90 and Rs 106.20 on buying and selling counter, respectively.

On the contrary, the rupee failed to maintain its position and remained under pressure against the pound sterling that was purchased and sold at Rs 136.75 and Rs 138.00 as compared to Wednesday closing of Rs 136.65 and Rs 137.40, respectively, the dealers added.

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

The dollar opened at Rs 106.05 (buying) and Rs 106.15 (selling) against last rate of Rs 105.95 (buying) and Rs 106.05 (selling). It closed at Rs 106.05 (buying) and Rs 106.15 (selling).

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

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How to deal with pensioner's account

RIZWAN BHATTI

KARACHI: The State Bank of Pakistan asked banks on Thursday to render a pensioner's account dormant if non-remarriage certificate is not received after six months or if the pensioner fail is to draw pension for six consecutive months.

It said that banks were already advised to follow standard operating procedures for direct credit system. However, the accountant general of the Pakistan Revenues, the accountant general of Punjab and the controller of Naval Accounts have reported that some banks are not following the related instructions.

Accordingly, the SBP has advised banks to specifically ensure compliance with provisions of standard operating procedures.

The banks have been directed to render the pensioner's account dormant if life/non-remarriage certificate is not received after 6 months or if the pensioner fails to draw pension for six consecutive months to enable account offices to stop payment of pension.

In order to intimate the account office concerned about the death of a pensioner/family pensioner as soon as the fact comes to their knowledge.

The pension account shall be specifically used for the purpose of pension disbursement and shall not be a joint account.

All banks are advised by the SBP to ensure compliance of the above instructions in letter and spirit. Any violation would be dealt with under the relevant provisions of Banking Companies Ordinance, 1962.

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Is CPEC a modern East India Co?

Earlier this week the Financial Times' Big Read on CPEC carried the following quote. "The head of a large investment company in Pakistan said: We have to be careful if we don't want this to turn into a repeat of the East India Company." Who knows what history books that investment boss and many other fear mongers are reading, but nothing could be further from the truth.

First, as William Dalrymple notes, the rapid rise of East India Company became possible due to the quick fall of the Mughal Empire, after Nadir Shah and other raiders hit hard on Mughals and their finances.

Pakistan today may be a 'failing state' by some accounts. There may be a disease of doing business, corruption, violence against minorities and women, law and order concerns, etcetera. But it is not as if the state or the whole country is disintegrating. If anything, there has been noticeable success in the war against terrorism, whereas elected representatives have withstood some shocks, even if after losing a few key posts such as foreign policy. The citizenry too can be said to be far more engaged (though far from ideal) than what was the case during the disintegration of the Mughal Empire. And in the 21st century, the role of citizens matters.

Second, the East India Company grew from a motley crew of 35 employees to a 250-staff firm backed by nearly 250,000 Indian and British soldiers who took control of the entire subcontinent. Once in control they tortured, plundered and looted the local populace and their resources. That's clearly not the case with CPEC; nor can the CPEC be expected to lead Chinese soldiers into the Pakistan's land in the future in a similar fashion. Disagreements over the role of army and the history of martial law in this country are one thing; but it's not as if the Pakistan army is chewing lollipop sticks.

The East India fear mongers should also bear in mind China's 'Three No-s' as a part of her OBOR policy:

That China will not interfere in the internal affairs of other nations; that she does not seek to increase it's so called 'sphere of influence'; and that she does not strive for hegemony or dominance. These no-s have a historical precedence. China has been the world's leading civilization in five of the last seven thousand years of recorded history. And never has it been hegemonic ala European colonizers. Need one also remind that China has made pronounced investments in Africa over the last ten years, and to date there haven't been reports of Africa being colonized by the Chinese.

Fear mongers may now quip that their East India argument is only metaphorical in terms of the influence the Chinese may have on Pakistan's economic policy. Well even in that case, China will only have an 'influence' on policy rather than 'making' the policy itself as was the case with East India clerks. In that vein, the fear mongers, who mostly come from the Anglo-Saxon world or local rent seekers, should put their money where their mouth is, and pour investments in the country.

From Anglo-Saxon investors to Japanese automakers, from local textile barons to stock brokers and industrialists from an array of business sectors, nearly all and sundry have been influencing the country's economic policy for as long as one can remember. Be it getting an SRO at a cost of few million rupees or be it lobbying or the use of street power to get a tax cut or other policy change, both local businesses and foreign investors have had their fair share of influence over economic policy at the cost of general public interest.

This should not be read as if this column is justifying unnecessary, non-transparent business influence over economic policies at the cost of public interest. But just to make a point that it is only now that the mother of all of funds – the OBOR funds – is coming to town; both local rent-seekers and non-Sino foreign investors have started showing concerns about economic sovereignty of the country. That's tantamount to demanding 'heads I win; tails you lose.'

Being the biggest player in the region, China will call the shots. Let there be little doubt about it. The OBOR initiative, of which CPEC is the pet project, is no joke. It involves countries that span 55 percent of the world's GDP, 70 percent of the world's population and 75 percent of energy resources across Asia and Europe.

The last time the world saw such a massive flow of funds was in the Marshal Plan. But even by conservative estimates, OBOR outlay is almost double the size (relative to GDP) of Marshal Plan, though of course just as the Easy India argument, comparisons with Marshal Plan are unfounded. (See BR Research column: One Belt, One Road, One Research, published March 1, 2017).

Ergo, instead of wasting time over making rhetoric statements like 'CPEC will be another East India Company', the business community would do well to do their own research to come up with pointed problems, possible scenarios and their solutions. So far we have seen little of that.

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NA informed

Ministry lobbying for retaining GSP Plus status beyond 2018

WASIM IQBAL

ISLAMABAD: Ministry of Commerce in consultation with Ministry of Foreign Affairs and Trade Development Authority of Pakistan (TDAP) is chalking out an effective lobbying and communication plan to retain GSP Plus facility beyond 2018.

Minister for Commerce Khurram Dastgir Khan stated this in his written reply during the question and answer session of the National Assembly on Thursday.

The National Assembly suspended the question and answer session in order to discuss the unprovoked firing of Afghan forces in Chaman which led to martyrdom of 11 Pakistanis, including a soldier, and caused injuries to many others.

In a written reply, the commerce minister stated that Pakistan is chalking out plan not only to retain GSP Plus facility beyond 2018 but also to maximize benefits it can reap from this facility. The minister further stated that ministry of commerce is striving hard to retain GSP Plus facility in consultation with its trade officers posted abroad. The EU parliament is going to start a midterm review of its GSP Plus scheme in January 2018.

Pakistan has been enjoying duty-free access in all EU member states, including Bulgaria, as a result of the grant of GSP Plus facility since January 1, 2014. Pakistan's exports to Bulgaria have increased from 10.5 million euros in 2013 to 14.2 million euros in 2016.

Replying to another question, the minister said that the maximum imports are currently being sourced from China. During the year 2015-16, the total imports were $ 12 billion and exports to China were $ 1.67 billion.

In another written reply, the minister for commerce said that Pakistan is currently negotiating free trade agreements (FTAs) with Thailand, Turkey and Iran. He further stated that six rounds of negotiations have been held so far with Thailand and Turkey. The seventh round of negotiations with Thailand is scheduled for May 15-19, 2017 in Bangkok while that with Turkey is under consideration. The main text of the agreement on trade in goods has been finalised with both these countries and negotiations on the items to be given concessionary market access to each other are under way.

Minister for Inter-Provincial Coordination, Riaz Hussain Pirzada in a written reply said that the audit for Pakistan Super League (PSL) 2017 is likely to be commenced during May 2017 since board of governors of PCB has desired an early audit of this tournament. The audit for PSL 2016 along with PCB audit has been completed and the auditor submitted the report on December 30, 2016. It showed an income of Rs 974.21 million and expenditure of Rs 909.43 million showing a surplus of Rs 64.78 million from PSL 2016.

The federal government has released Rs 1.7 billion to armed forces for rehabilitation of temporarily displaced persons (TDPs) during the current fiscal year, revealed by Minister for States and Frontier Regions Lt Gen Abdul Qadir Baloch (retd) during question and answer session.

In a written reply, the minister stated that in annual budget 2016-17, an amount of Rs 1.8 billion was allocated for rehabilitation of TDPs, and Rs 1.7 billion were released to armed forces. Unspent fund of Rs 68.325 million is available against which Rs 50 million have been approved for the rehabilitation of mosques in South Waziristan Agency.

In another written reply, Lt Gen Abdul Qadir Baloch (retd) stated that rule of law

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component of FATA reforms envisages the merger of FATA with Khyber Pakhtunkhwa. Certain other actions initiated by the government include the promulgation of Rewaj Regulation, extension of the higher judiciary and strengthening of the law enforcement agencies, including levies for effective policing. The detailed judicial dispensation would materialise once the Rewaj Regulation is adopted which is currently being reviewed.

The minister further stated that an amount of Rs 3 billion was utilised on account of compensation (Shuhada Package) out of total released amount of Rs 3.5 billion during the last six years.

The House was also informed that 85 textile companies were registered and 31 companies were closed during July-April 2017 period.

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Cotton market gains stability

DR ZAFAR HASSAN

LAHORE: Some earlier gains in the price of international cotton and diminishing stocks from the current crop (August 2016/July 2017) in the domestic market to only about 160,000 unsold bales (155 Kgs) have been instrumental in increasing value of cotton and imparting a modicum of steadiness to the domestic market. The Karachi Cotton Association (KCA) increased the ex-gin price of Grade 3 cotton by Rs.100 per maund (37.32 Kgs) on Wednesday and Rs.50 per maund on Thursday pegging it now to Rs.6850 per maund in a stable market.

Ready cotton prices as offered by the ginners in Sindh prevailed from Rs.6500 to Rs.7000 per maund (37.32 Kgs), while in the Punjab they reportedly ranged from Rs.6500 to Rs.7050 per maund in a steady market.

New crop (August 2017/July 2018) cotton sowing is reported to be 70 percent complete with irrigation water availability having improved in recent weeks in both Sindh and Punjab. New crop sowing is reported to be good. Seed cotton from the new crop is expected to arrive in the ginning factories in modest quantities during the first week of July 2017. Partial ginning of the new crop cotton is likely to start during the first or second week of July 2017.

More sowing of new crop (20172018) cotton is said to be expected in the U.S.A., China, India, Australia and also Pakistan as compared to the outgoing season (2016/2017).

The containers strike at Karachi port which had paralyzed all import and export business for 10 days is now reported to be over and business will hopefully resume soon.

One sale of new crop (2017/2018) seed cotton (Kapas/Phutti) from Sindh was reported by the cotton brokers at Rs.3600 per 40 Kgs which would convert to a lint price for the new crop (2017/2018) to about Rs.7,200 per maund (37.32 Kgs).

Ready cotton business was reported to be slow as yarn business continued to remain in crisis leaving the spinners very unhappy. In fact, some smaller spinning units are reported to be closing down.

On the global economic and financial front, the talk of a worldwide economic collapse is being mooted increasingly and intensely. With the Trump White House being in disarray and equity markets having plunged precipitously at midweek, the current week promises to remain a precursor of a historical week which appears to have made a calamitous beginning towards an economic collapse around the globe.

Intensification of the Trump political turmoil with increasing talk of a Trump impeachment or resignation like the Nixon exit from the White House following the Watergate scandal is gaining ground. Moreover, the appointment of the much respected former FBI Director Robourt Mueller as special counsel to run the fed's investigation to determine whether Russia interfered with last year's American presidential elections which would also include “possible collusion between the Trump campaign and the Russians” has added gravity to the political heat in America. These developments are casting negative effects not only on the American economic domain but have rattled the global economy immensely. In America, the Dow Jones is reported to have suffered its worst day since last September, plunging by 373 points. Bloomberg has reported that major U.S. stock indices had the worst session in eight months. Volatility indices have jumped in the various markets indicating that stocks values are likely to remain under severe pressure for the foreseeable future.

The “Trump Slump” in America has gone viral globally as the boom in various equity markets, including the emerging

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markets, has gone bust as shares toppled like 10 pins last Wednesday. Last couple of days have seen high political drama in the United States and as a preliminary impression Donald Trump appears to have been encircled by his adversaries politically leaving him little space to exit his entrapment.

President Trump, besides his political adversaries, is also at odds with the American media whom he has denounced strongly blaming it for having treated him unfairly. It has also been alleged that President Trump has disclosed highly classified information to a Russian diplomat.

In this politically charged atmosphere, Trump did not appear to find ample time to address the subjects he had singled out earlier to push and propel the American economy like cutting taxes and implement banking reforms to boost the growth rate. Thus the equity markets fell sharply this week.

In conclusion, fears have been expressed that the current economic problems facing many countries are likely to be worse than what we faced during the emergence of the Great Recession of 2008.

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Text of SRB notification

KARACHI: The following is the full text of SRB's Notification: "No. SRB -3-4/7/2017. In exercise of the powers conferred by section 45 of the Sindh Sales Tax on Services Act, 2011 (Sindh Act No. XII of 2011), the Sindh Revenue Board is pleased to exempt the whole of the amount of penalty and such of the amount of default surcharge as is in excess of the amount of default surcharge specified below, provided that the principal amount of tax and the following amounts of the default surcharge thereon are deposited in the prescribed manner in Sindh Government's head of account "B-02384" during the periods as specified below:-

(a) the principal amount of tax (as outstanding on the 19 th May, 2017) alongwith 5% of the amount of default surcharge thereon if deposited during the period from 19th May, 2017 to 25 th May, 2017;

(b) the principal amount of tax (as outstanding on the 19 th May, 2017) alongwith 10% of the amount of default surcharge thereon if deposited during the period from 26th May, 2017 to 2nd June, 2017; and

(c) the principal amount of tax (as outstanding on the 19 th May, 2017) alongwith 20% of the amount of default surcharge thereon if deposited during the period from 3 rd June, 2017 to 9th June, 2017.

2. The benefits of exemption of penalty and default surcharge under this notification shall also be available in relation to the arrears of the tax (as outstanding on the 19 th May, 2017) payable under the Sindh Sales Tax Ordinance, 2000 (Sindh Ordinance No. VIII of 2000) and under the Sindh Sales Tax on Services Act, 2011 (Sindh Act No. XII of 2011) by:-

(i) persons who are liable to be registered under section 24 of the Act but were not registered, provided that:-

(a) they get themselves registered with SRB in the prescribed manner during the aforementioned periods from 18 th May, 2017 to the 9th June, 2017;

(b) they e-deposit their tax liabilities for the principal amount of tax alongwith the aforementioned percentages of the amount of default surcharge thereon in relation to the tax periods from the date of the commencement of their economic activity to the tax period of May, 2017, in Sindh Government's head of account "B-02384" in the prescribed manner by the due dates prescribed in clauses (a), (b) and (c) of paragraph 1 of this notification; and

(c) they also e-file their tax returns, for the tax periods from the tax period of the commencement of their economic activity of taxable services to the tax period May, 2017, during the period from the date of this notification to the 23` d June, 2017.

Explanation: For the purpose of this sub-paragraph (i), the word "registered" in the case of withholding agents shall mean "e- Signed up" in terms of the Sindh Sales Tax Special Procedure

(Withholding) Rules, 2014;

(ii) persons who were registered but were non-filers or null-filers of their tax returns;

(iii) persons who were late-registered with SRB and they did not file all of their tax returns for the tax periods from the date of commencement of their economic activity of taxable services;

(iv) persons who withheld any amount of Sindh sales tax but have either not deposited that withheld amount in Sindh Government's head of account "B-02384" or have deposited the withheld amount, in a head of account other than the Sindh Government's head of account "B-02384";

(v) persons who determine the arrears through self-detection and selfassessment;

(vi) persons who short-paid any amount of tax in their tax returns and persons against whom any arrears of tax were detected in SRB's scrutiny of tax returns or in SRB's audit of taxpayers' record;

(vii) persons against whom any tax amount has been determined or assessed or adjudged, by an officer of the SRB, through an order or decision passed under the Sindh Sales Tax on Services Act, 2011, or the rules/notification issued thereunder;

(viii) persons against whom any tax liability has been adjudged or confirmed by the Commissioner (Appeals) or the Appellate Tribunal;

(ix) persons whose cases are under assessment or under adjudication with any officer of the SRB or are pending, at the appellate stage, with the Commissioner (Appeals) or with the Appellate Tribunal; and

(x) persons whose cases are under litigation in any court of law including the High Court or the Supreme Court.

3. The benefits of this notification shall also be available in cases where a person has late paid the principal amount of tax prior to the date of this notification but has not yet discharged the liability of penalty (whether the prescribed amount or the adjudged amount of the penalty) and default surcharge on such late payment provided that he pays an amount equal to 10% of such amount of penalty (as outstanding on the 19 th May, 2017) and 25 per cent of such amount of default surcharge (as outstanding on the 19 th May, 2017) in Sindh Government's head of account "B-02384" during the period from 19 th May, 2017 to the 9 th June, 2017.

4. If the whole of the dues of the principal amount of tax and the aforementioned prescribed percentages of the amount of default surcharge thereon are paid by a person in terms of this notification, he shall not be prosecuted under section 49 of the Act, and the offence, to the extent of the arrears of the tax paid under this notification, shall also be compounded under section 46 of the Act.

5. If the principal amount of tax and the aforementioned percentages of the amount of default surcharge thereon, as are paid in terms of this notification by the persons described in clauses (vi), (vii), (viii), (ix) and (x) of paragraph 2 of this notification, are held to be not payable in view of the order issued by the respective competent authority (i.e. the adjudicating officer or the Commissioner (Appeals) or the Appellate Tribunal or the Court of Law, the Officer of the SRB, not below the rank of an Assistant Commissioner, shall allow tax adjustment/credit of the amount or, alternately, shall refund the amount, so paid, within 90 days from the date of receipt of the taxpayer's application, for refund or tax adjustment/credit, together with a copy of the order/judgment and also of the evidence that the incidence of the tax was not passed on to the service recipient.

6. This notification shall not apply to the refund or adjustment of any amount of tax or default surcharge or penalty as has already been paid before the 19 th May, 2017."

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Spot prices rise on subdued business

RECORDER REPORT

KARACHI: A few deals finalised on the cotton market on Thursday as the ginners were not keen to make new deals because rates were not matching with their psychological levels, dealers said.

The official spot rate extended winning ground for the second day, picking up more Rs 50 to Rs 6850, they said.

In the ready session, approximately 400 bales of cotton changed hands at Rs 7075, they said.

Market sources said that the ginners showed little interest in fresh selling because they have limited stock of fine quality.

Cotton analyst, Naseem Usman said that since the sowing started, the growers were demanding support price for seed cotton at Rs 3000 per 40kg. But despite, completion of 70 percent of sowing, not a single word came from the government, other experts said.

Whereas, the Punjab Agriculture Department (PAD) has advised the cotton growers to complete their sowing till May 20 in order to get good per acre yield and those who have completed their sowing should irrigate their fields with proper intervals and ensure balanced use of fertilizer.

Besides, it has also been advised to carry out pest scouting on regular basis to save the crop from sucking pests.

Adds Reuters: ICE cotton futures fell on Wednesday on expectations of a bearish weekly export sales report from the US Department of Agriculture on Thursday.

The first month July cotton contract on ICE Futures US closed limit down on Tuesday on a technical sell-off and speculator liquidation after cotton hit near three-year highs on Monday.

The July cotton contract on ICE Futures US settled down 1.15 cent, or 1.41 percent, at 80.17 cents per lb. It traded within a range of 79.63 and 83.04 cents a lb.

Total futures market volume fell by 8,760 to 36,570 lots. Data showed total open interest gained 2,178 to 264,211 contracts in the previous session.

The following deals reported: 200 bales from Khanpur at Rs 7075 and same figure from Feroza at the same rate, 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 16.05.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,850	135	**6,985**	**6,935**	+50
40 Kgs	7,341	145	**7,486**	**7,433**	+53

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Cotton futures down

NEW YORK: ICE cotton futures fell on Thursday as a weekly government report showed a drop in export sales, with a recovering US dollar and favourable weather in top growing regions also weighing on prices of the natural fibre crop.

"The immediate nature of the market is that it seems to be following grain markets, currencies and also the good weather (in U.S growing regions)," said Rogers Varner, president of Varner Brokerage in Cleveland, Mississippi.

"Sales were good but there were 12 countries that had small cancellations and the most important of those was India," he said.

Weekly export sales data from the US Department of Agriculture on Thursday showed net upland sales for the 2016-17 crop last week totalled 120,700 running bales (RB), down 25 percent from the week before.

Reductions of 23,300 RB and 12,800 RB were reported for India and Japan, respectively.

"The dollar has stopped going down and that seems to have caused some of these commodities to reverse and go down," Varner said.

The US dollar reversed early losses against a basket of major currencies on Thursday after stronger-than-expected US economic data put the focus back on a widely anticipated increase in overnight interest rates by the Federal Reserve.

The July cotton contract on ICE Futures US settled down 0.93 cent, or 1.16 percent, at 79.24 cents per lb. It traded within a range of 78.84 and 80.63 cents a lb.

The dollar index was up 0.39 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.40 percent.

Certificated cotton stocks deliverable as of 17MAY17 totalled 387,267 480-lb bales, up from 384,842 in the previous session.

Chicago Board of Trade July soybean futures were down 27-3/4 cents at $9.48 per bushel after dipping to $9.46, the contract's lowest since April 11.

CBOT July corn was down 5-3/4 cents at $3.65-3/4 a bushel, and July wheat fell 1-1/2 cents at $4.25-1/2 a bushel.—Reuters

New York cotton

RECORDER REPORT
The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
May'17	80.36	80.63	78.84	79.24	14:20 MAY 18	80.17	-0.93	23677	80.17
Jul'17	76.56	76.56	75.68	75.68	14:20 MAY 18	76.56	-0.88	9	76.56
Oct'17	74.40	74.47	73.55	73.64	14:20 MAY 18	74.46	-0.82	11640	74.46

BUSINESS RECORDER

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Budget proposals

Huzaima Bukhari and Dr Ikramul Haq

It is now well-established that there is a direct link between growing poverty in Pakistan and distortion in tax base since 1991, when a major shift was made by introducing presumptive taxes (indirect taxes in the garb of income tax) and VAT-type sales tax. Since 1991, the burden of taxes on the poor has increased by 38 per cent whereas on the rich it stands reduced by 18 per cent.

The lack of judicious balance between direct and indirect taxes has pushed an overwhelming majority of Pakistanis towards the poverty line. Their number is now more than 60 million. The Federal Board of Revenue (FBR) claims that the share of direct taxes is increased to 40%. It is incorrect. From income tax collection, if presumptive taxes are excluded, its share in total collection will hardly be 25% or even less. It confirms that present taxation system is highly regressive. The international lenders are least pushed about the inequitable character of our tax system, under which the burden of taxes is less on the rich and more on the poor. They are merely interested in getting their money back with interest and rightly so.

Over the period of time, our tax system has become rotten, oppressive, unjust and target-oriented. There is a dire need for discussing the philosophical framework, principles of equity and justice, which should be the main concern of our tax policy; not simply achieving of targets. Our fiscal managers want to meet budgetary targets through oppressive taxes, shifting incidence on the poorer segments of society and exempting the rich. We must enforce income tax and reduce progressive taxes. Undoubtedly, 17% sales tax (on many items over 35%, e.g., on some petroleum products) has proved inflationary and its impact on business and industry has proved destructive.

The following amendments are also urgently needed and should be considered in the forthcoming budget:

Advance Tax

In Pakistan, under the repealed Income Tax Ordinance, 1979 (until assessment year 1995-1996), three specific characteristics were the hallmarks of advance tax, viz.

1. Advance tax was paid by the taxpayer on the basis of last declared/assessed/estimated income for that assessment year;

2. Credit for any advance tax collected for an assessment year was accounted for in that year and not the year of collection; and 3.6% mark-up on the amount retained as advance tax was paid to the taxpayer at the time of assessment thereby compensating his cost of funds or opportunity cost for the period his money remained with the government.

The above should be revived by suitably amending section 147 of the Income Tax Ordinance, 2001.

Refunds/compensation

Presently, refunds of billions are stuck. This issue needs a systemic analysis. The refunds should be as expeditiously as demands are collected. The following should be made effective and mandatory through statutory provisions so that no one can exercise discretionary powers:

* Income and sales tax refunds should be issued without application within 90 days of their becoming due.

* There should be automatic payment of compensation if any refund is issued after 90 days.

* The officer responsible for incurring compensation should be made liable to pay the amount from his salary.

* There should be zero tax regime for exporters to avoid refund accumulation.

Recovery

The recovery should be after the decision of the

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Tribunal and not before that. Banks accounts should not be attached without prior notice to the taxpayer and after seeking approval in writing of Commissioner in the light of reply submitted by the taxpayer.

Independent Tax Justice System

In developing economies like Pakistan, one of the biggest problems is a relatively small tax base and the reluctance of ordinary people to file tax returns and thus submit themselves to scrutiny of their affairs by the tax administration. However, once a taxpayer professes faith in the effectiveness of legal remedies against an unjust tax levy or unjust action of the taxation authorities, he would be more likely to be truthful to the taxation authorities, and willing to accept a reasonable levy of tax.

To a tax collector, an efficient tax judiciary ensures that demands arising out of legitimate tax assessments, which can stand scrutiny of law, are not unnecessarily locked up in litigation. As long as there is a pending litigation in relation to a particular tax levy, there is a natural, and quite understandable, desire on the taxpayer’s part not to pay the disputed amount during pendency of litigation. An efficient tax judiciary resolves disputes quickly, quashes demands which are not legally sustainable, and thus segregates serious tax demands from frivolous tax demands, as also giving finality to legitimate tax demands. This in turn ensures that taxpayers cannot resort to dilatory tactics for paying these genuine and legitimate tax demands which have received judicial approval. An efficient tax judiciary thus helps remove impediments from collection of genuine tax demands by the State, which, once again, results in greater resource mobilization. An effective tax judiciary does not only settle tax dispute between a taxpayer and the State, but it also lays down principles on the basis of such resolved disputes which provide guidance for the future. These decisions, which have precedence value in the sense that same decision has to be taken on materially identical facts, also have normative effect thus helping in correcting the judicial course. This way, an effective tax judiciary also contributes to smooth functioning of the tax machinery.

To make Tribunal a truly independent forum, it is imperative to:

1. Replace existing 4-tier appeal system under the tax laws—direct and indirect—with two-tier system. The Customs Tribunal and Appellate Tribunal Inland Revenue should be merged into singular National Tax Tribunal. Like the Services Tribunal this too should work under direct supervision of the Supreme Court. Appeals against its decisions should go directly to the Supreme Court.

2. After merging Appellate Tribunal Inland Revenue and Customs Tribunal, the new entity should be renamed as National Tax Tribunal. Appeals against the orders of the Tribunal should lie with the Supreme Court alone. Members for Tax Appellate Tribunal should be recruited in the same manner as judges of High Court. The pay, perquisites and salary structure of Chairman, members and staff should be at par with the Judge of a High Court, Sessions Judge and staff of the lower judiciary respectively.

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

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Strategy for improving exports

At a seminar on "Strategies for Improving Exports with special attention to CPEC and Regional Trade" organized by PIDE and CE-CPEC, the issue of declining exports was thoroughly discussed, with a special reference to the measures to propel country's exports. It was highlighted that there were deep structural problems due to which Pakistan had performed extremely poorly in exports over the past several decades. Our pattern of exports was not aligned with the current configuration of global trade. For instance, while textile and garments constitute 70 percent of Pakistan's exports, these form only 4 percent of global exports. Cost of doing business was high, competitiveness was low, tax policies were not business-friendly and energy shortages were common. Other significant factor was the absence of Direct Foreign Investment (DFI). Another negative was the lack of friendly relations with the neighbours which created major impediments towards exports.

So far as DFI was concerned, CPEC, according to the participants of the seminar, represents a big step forward. Not only would China be investing in Pakistan, this initiative would also have a strong crowding-in effect. However, deep structural problems will take a longer time to be resolved, especially because the way forward is blocked by powerful vested interests. The policymakers, nonetheless, could find several methods to work around these obstacles. Firstly, the nine Special Export Zones (SEZs) would bypass most of the structural problems. The fears that these would compete with local industry are unfounded because SEZs will build industries in areas where nothing exists and will manufacture for exports in areas where there are no exports. A significant jump in the exports of rice, soybean, dairy products, marble, granite and mushroom to China is expected. Fears about the burden of debt created by the FDI are largely misconceived. While there will be short-term stress on the balance of payments, a substantial easing within two years is expected, significantly reducing our import bill. And finally, there is empirical evidence to show that depreciation of rupee will not have a favourable impact on our balance of payments. This will increase country's import bill by more than export revenues and increase the burden of debt.

We feel that it was an excellent idea to organise a seminar on strategies for improving exports at this critical juncture when country's exports are declining rapidly, imports are increasing, C/A balance is fast deteriorating and there is a great risk of depletion of foreign exchange reserves held by the SBP. It was also good to see that deep structural problems, creating major barriers to export promotion, were rightly recognised. As shown by various studies and identified by multilateral agencies, cost of doing business in our country is quite high, competitiveness is low, energy shortages are rampant, tax policies are not business-friendly and neighbouring countries are not happy with Pakistan. All these obstacles have tended to depress our exports and increase imports to meet the domestic requirements. However, while forwarding the proposals, the participants of the seminar have gone out of their way to appreciate the likely favourable impact of CPEC on our exports and offered certain suggestions which are contentious. For instance, the participants have projected a significant jump in exports of rice, marbles, mushrooms, etc., to China. Although the exports of these commodities could be facilitated by CPEC, the hope for a "significant jump", in our view, is far-fetched though. It is only natural that China will buy these commodities from sources which would be the cheapest and Pakistan would already be selling these commodities to the rest of the world if it could produce them at competitive rates. High hopes attached to the nine SEZs, as suggested by the past experience, also seem to be misplaced. The suggestion that our exports are depressed because their pattern is not properly aligned with world configuration is also not correct. Pakistan has to rely on textile and garments in which it has a comparative advantage in production. It cannot rely on the exports of engineering goods, chemicals, plastics, metals and minerals which constitute more than 60 percent of global trade because the country cannot produce these goods at competitive rates due to lack of natural endowment and low level of technology available to the country. To say that FDI would not be a cause of stress on the external sector of the economy also does not seem to be true. It could definitely be a source of stress if such an investment is used to promote consumption industries in the country. Therefore, it would be better to keep track of FDI with a view to ensuring that it is optimally used to enhance productive and export capacity of the country. We don't want to say anything on the observations of the participants that depreciation of rupee does not have a favourable impact on the balance of payments. Such statements are against the fundamental rules of economics and a poor reflection on the understanding of this subject.

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NEC to approve key targets for 2017-18

KHALEEQ KIANI

ISLAMABAD: The meeting of the National Economic Council (NEC) — the country's highest economic decision making body — will be held on Friday to approve Pakistan's macroeconomic agenda and Annual Development Programme (ADP) for 2017-18.

The meeting will be presided over by Prime Minister Nawaz Sharif and will take up a three-point agenda. It will review the ADP 2016-17 and performance of real sectors of the economy. Based on this outcome, the meeting will set targets for the next annual plan.

The meeting will also take a detailed view of the Public Sector Development Programme (PSDP) 2016-17and approve the proposed plan by the Annual Plan Coordination Committee (APCC) at Rs2.113 trillion including Rs1.001tr for federal and Rs1.112tr for provincial annual development plans.

Moreover, the NEC would also consider the progress report of the Central Development Working Party (CDWP) and Executive Committee of the National Economic Council (Ecnec) for the period starting April 1, 2016 to March 31, 2017.

Under article 156 of the Constitution, the NEC — led by the prime minister and comprising four chief ministers, one nominee each of the provincial chief ministers and as many federal ministers — has to formally approve the country's ADP and macroeconomic framework. The federal cabinet led by the prime minister then clears budgetary proposals for presentation before the parliament.

Under clause 4 of the said article, the NEC should meet at least twice a year and submit an annual report to each house of the parliament. However, the PML-N government has been calling only annual meetings of the NEC. It has not called its mid-year meeting during the current year either.

The constitution requires the NEC to review the overall economic condition of the country and suggest the federal and provincial governments to formulate plans in respect of financial, commercial, social and economic policies.

In formulating such plans, the NEC is required to ensure balanced development and regional equity and also be guided by the principle of policy set out in Chapter 2 of Part-II.

Under the ADP for next year, the NEC would set a target of 6 per cent GDP growth rate. The agriculture sector is targeted to maintain its current year growth rate of 3.5pc while important crops would grow by 2pc instead of 4.1pc this year. Manufacturing sector is projected to grow by 6.4pc next year instead of 5pc this year. The services sector was also expected to grow by 6.4pc instead of 6pc this year while livestock would slow down to 2pc growth instead of 3.4pc increase this year.

Exports are projected to grow by 6.4pc next year to $23.1 billion against decline this year at $21.7bn. At the same time, import growth target has been set at 9.6pc to $50bn instead of $45.7bn this year.

As a result, the next year trade deficit has been estimated at $26.9bn against $24bn this year while current account deficit would increase to $10.4bn compared to $8.3bn this year. As such, current account deficit would amount to 3.1pc of GDP next year against 2.7pc of GDP this year.

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FBR to simplify laws to undercut shadow economy

MUBARAK ZEB KHAN

ISLAMABAD: The Federal Board of Revenue (FBR) is expected to consider a set of proposals for documenting the informal economy through steps such as simplifying tax laws and discouraging the use of cash, an official source told Dawn on Thursday.

The Tax Reforms Commission (TRC) has also submitted a detailed plan to the FBR. It has been proposed that a high-level commission or committee should be set up to develop a specific plan, similar to the ones developed and being implemented in India and Turkey.

For instance, in its three-year action plan for 2011-13, Turkey took various actions to increase voluntary compliance, strengthen audit capacity, increase deterrence and sanction, share data base and raise public awareness.

The committee would also monitor and evaluate the action plan, and identify actions to improve documentation.

The action plan will be initially developed for three years to minimise the size of the informal economy by at least 30 per cent.

According to the source, the FBR will revise upward the property valuation table to generate more revenue from the sector. “We have achieved significant progress by taxing the black money landed in real estate in the current fiscal year,” the source said.

Raising the values would also help document untaxed money in the real estate sector. Immoveable property is a sector where significant amount of untaxed money is parked, especially due to the difference in fair market value and the collector rates, which in most cases is less than 25pc of the fair market value.

A former TRC member told Dawn that the government has agreed on most of the recommendations of the committee to be considered in the upcoming budget.

One of the agreed proposals was the simplification of tax laws. “The committee has already submitted details to the FBR,” the TRC member said.

“We have also submitted details to facilitate taxpayers in the next budget,” he said, adding that services such as acquiring passport and travel should be linked with the filing of returns.

It was also proposed to seek information regarding the source when remittances exceed a certain limit. It has also been suggested that a national tax court or special tax benches should be set up to speed up the justice system.

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Exporters hold back proceeds

SHAHID IQBAL

KARACHI: Exporters held back proceeds while goods' transporters went on strike for 10 days, said banking sources on Thursday.

The exporters have demanded for a long time that the rupee should be devalued so they can earn more in terms of the local currency.

However, the government has kept the exchange rate unchanged for more than a year.

"The exporters always like to hold back export proceeds in the hope of getting a better exchange rate," said Atif Ahmed, a currency dealer in the interbank market. He said export proceeds during the 10-day strike fell sharply.

He said the government remained unconvinced that the local currency's depreciation could boost exports despite a continuous fall in exports. Instead, the government announced a number of incentives for the export sector, including the establishment of a fund of Rs100 billion.

In spite of pressure, the State Bank of Pakistan (SBP) kept the exchange rate at Rs104.85 in the interbank market and did not let it cross the redline set more than a year ago.

However, the open market rate witnessed sharp variations during the year and settled around Rs106.

"The market is stable, but the impact of the strike can be devastating. Exports have been declining with a significant fall in foreign exchange reserves," said Malik Bostan, president of the Forex Association of Pakistan.

He said the strike will hit the exchange rate regime while the situation in the external sector is unsatisfactory.

Currency experts said the huge trade deficit and low remittances have been sending a red signal to the currency market as the government refuses to take the trend seriously.

"How long will the SBP be able to keep the exchange rate unchanged in the interbank market while the net dollar inflows decline amid rising trade deficit and debt servicing?" said Mr Ahmed.

He said the artificially maintained exchange rate in the interbank market can see a big change if it is not allowed to move in accordance with demand and supply.

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Sindh offers taxpayers incentives

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The Sindh Revenue Board (SRB) has launched a tax incentive package that allows taxpayers up to 95 per cent exemption on the default surcharge, total remission of penalties and immunity from arrest and prosecution.

Taxpayers will have to deposit the outstanding principal and default surcharge within the prescribed timeframe to avail this package.

The SRB has laid down three timelines for investors to avail the scheme that starts from May 19 and ends on June 9. The tax amount and default surcharge under these timelines will have to be deposited with the Sindh government head account B-02384.

The SRB announced the scheme through a notification on May 18. Those taxpayers, service-providers and withholding agents who deposit the outstanding principal amount between May 19 and 25 will get up to 95pc exemption on the default surcharge.

Those taxpayers who deposit the outstanding tax amount between May 26 and June 2 will get 90pc exemption on the default surcharge. Those taxpayers who pay the outstanding tax amount during June 3 and June 9 will get 80pc exemption on the default surcharge.

However, all taxpayers who avail the tax incentive package will get 100pc penalty waiver.

In the past, the SRB successfully launched such schemes and collected up to Rs500 million.

The tax package allows the remission of 90pc of penalty arrears and 75pc of the default surcharge in case no tax liability is outstanding.

The SRB expects that the package will help reduce litigation in cases where taxpayers seek relief in terms of the default surcharge or penalty.

The SRB expects to collect over Rs1bn through the package.

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Reserves fall by $112m

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Pakistan's total liquid foreign exchange reserves amounted to $20.67 billion on May 12, down $112 million or 0.53 per cent from a week ago, the State Bank of Pakistan (SBP) said on Thursday.

Reserves of the SBP decreased $17m to $15.89bn.

Net foreign exchange reserves held by commercial banks amounted to $4.78bn on May 12, slightly down from the preceding week.

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Monetary policy on 20th

THE NEWSPAPER'S STAFF REPORTER

KARACHI: The State Bank of Pakistan will announce its monetary policy on Saturday, said a press statement issued on Thursday.

The policy is of high importance since inflation is gradually increasing while the national budget will be announced after a week of this policy. Brokerage house reports generally suggest no change in the interest rate, which is 5.75 per cent at present.

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Commodities

Cotton price edges higher

THE NEWSPAPER'S STAFF REPORTER

KARACHI: Cotton prices moved higher on Thursday due to rising demand and short supply. In contrast, world's leading cotton markets closed easy under the lead of New York cotton.

The Karachi Cotton Association also raised its spot rates by Rs50 per maund. According to some estimates, ginners are holding less than 150,000 bales from the current season crop and they seemed to be in a hurry to dispose of their stocks. However, there is a shortage of quality cotton which influenced some needy spinners who rushed to replenish their stocks, brokers said. The cotton trade would remain slow till the arrival of next crop, cotton analyst Naseem Usman said.

The world's leading cotton markets closed easy under the lead of New York cotton where July contract lost 1.15 US cent per lb. The Chinese and Indian markets also closed easy. Major deals on the ready counter were: 200 bales from Khanpur at Rs7,075 per maund (around 37 kilograms) and 200 bales from Feroza at Rs7,075.

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	**6,850**	**135**	**6,985**
40 Kgs	**7,341**	**145**	**7,486**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	104.40	104.60	105.80	106.00
UK	135.37	135.62	137.20	138.20
Euro	116.53	116.75	117.00	118.00
S.Arabia	27.84	27.89	28.10	28.30
UAE	28.42	28.48	28.80	29.00
Japan	0.9407	0.9425	0.9490	0.9690

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.87	6.12
Six months	5.89	6.14
One year	5.94	6.44

LIBOR

Special US dollar bonds for May 17

Three months	1.17839 %
Six months	1.41406 %

THE NEWS
Friday, 19th May, 2017

Proposed Pak-Turkey FTA

Govt. urged to seek duty cut on machinery, raw material imports

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SLAMABAD: Pakistan should seek tariff reduction on high potential export products as well as cut in custom duties on machinery and raw material imports in the final negotiations on Pak-Turkey free trade agreement, a senior business analyst said on Thursday.

Ameen Jan, ex-management consultant at McKinsey & Company said trade should spur national economic growth, "but so far FTAs (free trade agreements) do not appear to be connected to the economic growth agenda."

"One reason for the increase in trade deficit is poor negotiation… for example, in the FTA with China many of Pakistan's leading exportable items were given lower concessions than Pakistan's competitors from ASEAN (Association of Southeast Asian Nations), which worsened our competitive position," Jan told a select group of journalists.

"Sadly, recent free trade agreements with China and Malaysia have resulted in worsening the trade balance for Pakistan," he said.

Pakistan and Turkey have so far held six rounds of FTA's talks. The final round is expected by the end of the current month.

The analyst said trade managers are signing FTAs without proper homework, resulting into yawning trade deficit and causing losses to precious foreign exchange reserves. Local diaper industry is asking the government to provide concessions on raw materials at import stage and inclusion of finished products in the negative list for upcoming Pak-Turkey FTA negotiations.

"The reason behind this wish is to support Pakistan's manufacturing base and reduce trade deficit," Jan said. He said lower concessions in advantageous products (e.g. cotton, apparel, footwear) and higher concessions in disadvantageous products (manmade fibers, machinery, metals) are also among the reasons.

He added that infant industry might not develop if trade concessions are not carefully targeted, and as a result government's revenues may also be reduced because of a loss in sales tax paid on domestic manufactured products.

The analyst said the country's economic priority should be to strengthen its manufacturing base for value-added products, which can also find export markets. The proposed FTA should ensure that domestic industry gets strengthened, through reducing raw material and machinery import costs instead of cutting customs duties on value-added products that Pakistan can produce at a globally competitive cost and quality, he added.

Jan gave an example of Ontex Pakistan as a case study. Ontex Pakistan is a subsidiary of Ontex Global that manufactures and sells baby diapers in Pakistan with a brand name of Canbebe. It started local operation by importing and selling products from Turkey in 2011. In 2012, it invested in a manufacturing plant at Port Qasim and now it has three production lines with over 200 employees, making baby diapers at global quality standard.

The total investment to date in the plant and working capital by Ontex in Pakistan is $18 million, and its annual tax paid to the government is more than Rs700 million. With its local plant close to meeting domestic demand, Ontex now plans to export products to regional markets from 2017 onward.

"Ontex is an example of how foreign direct investment can be to Pakistan's benefit," Jan said. "This type of FDI has created local jobs and generated taxes for the government. It has also created a growing manufacturing hub whose products are at a global quality level capable of being exported to regional markets."

He said Pak-Turkey FTA should ensure that foreign investors like Ontex are supported through reduction of customs duties on raw material imports from Turkey, and not through reduction in the duty structure on finished goods which they are able to manufacture in Pakistan. "This will provide an incentive to companies like Ontex to continue manufacturing in Pakistan, rather than importing the same finished goods from their plants in Turkey under reduced tariffs." —Mehtab Haider

THE NEWS
Friday, 19th May, 2017

Sindh government unveils tax incentive scheme for defaulters

KARACHI: Sindh Revenue Board (SRB) on Thursday unveiled an inventive scheme under which defaulting taxpayers could foot their outstanding tax bills with at least five percent default surcharge.

SRB, in a notification, announced an exemption from fine and penalties for the taxpayers rendering services within the province by paying outstanding principal tax amount. The taxpayers, who avail the scheme, have also been granted immunity from arrest or prosecution. SRB will grant the waiver from fine and penalty in three phases.

A taxpayer is exempted from fine and penalty if he pays the principal amount along with 5 percent of the amount as default surcharge between May 19 and May 25. In case the taxpayer fails to meet the deadline, then he still has two more opportunities by paying principal tax amount along with 10 percent or 20 percent default surcharge between May 26 and June 2 and from June 3 to 9, respectively.

The provincial revenue authority said the incentive scheme is also available to the individuals who are registered with SRB between May 18 and June 9. Further, withholding agents and non-filers of sales tax statements are also eligible to avail the scheme.

The SRB said the individuals who moved to courts for settlement of their cases could also settle payment disputes by availing this scheme. The benefits would also be available in cases where an individual has paid the principal amount of tax prior to the scheme's launch but is not exempted from the late payment penalty. Such a taxpayer is bound to pay a penalty of 10 percent as well as 25 percent default surcharge up to June 9.

Under the scheme if a taxpayer pays the amount by availing the incentive and later any court of law or SRB commissioner rules that the amount is not payable then the paid amount will be refunded within 90 days.

SRB asked all taxpayers, service providers and withholding agents to avail the benefits of the tax incentive package. It said the incentive announced through the concession package provides an opportunity to the taxpayers who for any reason have not been able to clear their tax liabilities. Further, the incentive scheme will help in reducing the litigation cases where relief has been sought from courts related to fine and penalty.

THE NEWS
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Per capita income rises 6.4 percent to $1,629 in 2016/17

ISLAMABAD: Pakistan's per capita income rose 6.4 percent to $1,629 in the current fiscal year of 2016/17 from $1,531 in the preceding fiscal year, official document revealed on Thursday.

The per capita income grew 2.9 percent in 2015/16 over the preceding fiscal year. The ministry of finance will release the figure of per capita income along with the upcoming Economic Survey (2016-17) before the announcement of the budget for the fiscal 2017-18. The survey is expected to be released on May 25, 2017 by the finance minister Ishaq Dar.

The document, available with The News, stated that the country's economy is performing well on many accounts but "two key targets are showing stagnation or negative growth including investment and savings in terms of GDP ratios." "Without promoting investment and savings, the growth trajectory will not remain long lasting."

The economy grew at the rate of 5.28 percent in the current fiscal year against the projected rate of 5.7 percent. Though the government once again missed the growth target because of under performed industrial and services sectors, it is still the fastest pace of growth since 2006-07 when the GDP expanded by 6.8 percent. Size of Pakistan's economy reached $304.4 billion in the current fiscal year

The per capita income has been calculated on the basis of projected population of 197.3 million for the current fiscal year of 2016-17 compared to population size of 193.6 million in the previous year.

The document showed that the savings to GDP ratio has fell to 13.1 percent of GDP in the fiscal 2016-17 against 14.3 percent of GDP during the previous year. However, the most worrisome aspect of the economy is a declining trend in private investment during the current financial year.

The document showed that investment to GDP ratio inched up in the outgoing fiscal year despite significant investment inflows from neighboring China under the $57-billion China-Pakistan Economic Corridor (CPEC).

"At a time when the country is claiming for receiving billions of dollars in shape of CPEC but total investment in GDP term went up from 15.6 percent in 2015-16 to just 15.8 percent for the current fiscal year," an official said. In absolute numbers, total investment stood at Rs 5,026 billion in 2016-17 against Rs 4,526.7 billion in the last fiscal year of 2015-16.

The country received $1.733 billion in foreign direct investment (FDI) during first 10 months of the current fiscal year of 2016/17, up 12.7 percent from a year earlier, as investment from Chinese companies continued to increase.

The State Bank of Pakistan said most of the new investments, in the July-April FY17, went into food processing, electronics and construction sectors. FDI from the Chinese companies rose 13 percent to $718.3 million in July-April FY17.

The government document showed that the fixed investment in GDP ratio increased to 14.2 percent during the ongoing fiscal year against 14 percent in the last fiscal year. The public investment in GDP terms also rose 4.3 percent in 2016-17 compared to 3.8 percent for the last financial year.

However, the private investment in GDP terms declined 9.9 percent in 2016-17 from 10.2 percent during the previous fiscal year. Similarly, the national savings in percentage of GDP has declined from 14.3 percent in 2015-16 to 13.1 percent in the ongoing financial year, registering negative growth. In absolute figures, the national savings stood at Rs 4,161 billion in 2016-17 against Rs 4,173 billion in fiscal 2015-16.

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Cotton up

Karachi

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

The spot rates rose to Rs6,850/maund (37.324kg) and Rs7,341/40kg. Ex-Karachi rates also increased to Rs6,985/maund and Rs7,486/40kg after an addition of Rs135 and Rs145 as upcountry expenses, respectively.

An analyst said the market was steady, as buyers seemed interested in local cotton after the government announced five percent sales tax and four percent Customs duty on imported cotton with effect from July 15.

The cotton market recorded only two transactions of 400 bales. The transactions of 200 bales each from Khanpur and Feroza were sold at Rs7,075/maund. New York cotton market recorded mixed trend on its futures. Major decline was noted in July futures that dropped 1.15 cents to 80.17 cents/pound; followed by October futures that decreased 0.36 cents to 76.92 cents/pound, while all other futures recorded an increase.

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Dar directs FBR to finalise budget work

APP

ISLAMABAD - Finance Minister Senator Ishaq Dar Thursday instructed Federal Board of Revenue (FBR) officials to finalize their budget work as early as possible according to the prescribed timeline.

The finance minister chaired a preparatory meeting with the FBR officials for the upcoming budget for fiscal year 2017-18. Special Assistant to Prime Minister on Revenue, Haroon Akhtar Khan, finance secretary, FBR chairman, and senior officials of FBR and the Ministry of Finance also attended the meeting.

Minister of State for IT & Telecom, Anusha Rehman Khan, secretary IT & Telecom, and senior officials of the Ministry of IT & Telecom also joined the meeting briefly to discuss tax-related proposals of the IT and telecom sector, a press release said. FBR chairman informed the finance minister that FBR's budget preparations are in their final stages, and will be completed in a timely manner as per the directions.

The finance minister highlighted the 5.28% GDP growth rate achieved by Pakistan during FY 2016-17, which is a ten-year high, and the target for the next fiscal year is 6% growth.

He emphasized that strong revenue generation will play a crucial role in achieving the targets for economic growth. He highlighted that great strides have been made in tax collections under the present government, and the aim is to generate even higher revenues in the coming fiscal year.

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Govt to miss exports, imports, CAD targets

Imran Ali Kundi

ISLAMABAD - The government has admitted that it would miss the country's exports, imports and current accounts deficit targets for ongoing financial year 2016-17 by a wide margin.

The government would miss the exports target by $3 billion during ongoing financial year 2016-17. Pakistan's exports would reach $21.7 billion during current fiscal year as against the target of $24.8 billion, according to the official documents of the ministry of planning, development and reforms. Similarly, the government would also miss the target of keeping imports at $45.2 billion, as they would reach $50 billion, highest-ever level. Therefore, the trade deficit, gap between imports and exports, would widen by $28.3 billion during the year 2016-17 as compared to the target of $24 billion.

The documents showed that Pakistan's current account deficit would also go to the higher level mainly due to subdued exports and growing imports. The current account deficit would reach $8.3 percent of the GDP as against the target of 4.5 percent of the GDP for the ongoing financial year. Pakistan's current account deficit had widened to $7.247 billion during the first 10 months of the current fiscal year of 2016/17 as against $2.378 billion in the July-April period of 2015/16.

The government would achieve the inflation target of 6 percent. The inflation is likely to remain at below 5 percent during current fiscal year.

According to the documents, the government has kept the economic growth target at 6 percent for the next financial year 2017-18 as against 5.3 percent of the outgoing year. The government has also projected agricultural sector growth at 3.5 percent for the upcoming fiscal year. In agriculture sector, important crops are projected to grow by 2 percent and livestock by 3.6 percent in the year 2017-18.

The manufacturing sector is projected to grow by 6.4 percent in the fiscal year to come, as this sector showed 5 percent growth during outgoing year. In manufacturing sector, large scale manufacturing would grow by 6.3 percent. Similarly, the services sector is estimated to show growth of 6.4 percent during next financial year.

The government the other day had already admitted that Pakistan missed the economic growth target of 5.7 percent during current fiscal year, as National Accounts Committee noted that growth would remain at 5.3 percent.

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PYMA appeals govt to save polyester fabric industry

Our Staff Reporter

KARACHI - Pakistan Yarn Merchants Association (PYMA) has appealed to Prime Minister Nawaz Sharif, finance minister, commerce minister and special assistant to Prime Minister for revenue to save polyester filament fabric industry from further disaster.

Chairman PYMA (Sindh Balochistan Zone) Danish Hanif drew the attention of the government towards sinking polyester filament fabric yarn industry, stating that around 300,000 looms and knitting machines have suspended operations during the last five years, resulting in directly and indirectly affecting a total of around 5 million people.

Chairman PYMA said that the inefficient & outdated domestic polyester filament yarn industry does not fulfill even 25% of the total demand of Pakistan. Polyester yarn (PFY) attracts 12% custom duty versus Polyester Fibre which attracts only 7% custom duty whereas the raw material and the quantity of inputs to produce both are exactly same.

He said polyester fiber is consumed by corporate sector versus polyester yarn in SME sector. In addition, local PSF production is enough to suffice Pakistan's requirement whereas production of polyester yarn is only 25% of the required quantity for Pakistan, still import duty of PFY is at 12% vs polyester fiber's 7%.

The ongoing Anti-Dumping Investigation on Polyester Filament Yarn (PFDY/PDTY) which is basic raw material for the polyester fabric is totally unjustified.

The user industry would be unnecessarily penalized even for those products which are not produced by the domestic industry. Cost for the end user would increase substantially and that would affect the weaving and knitting industry.

The domestic producers of polyester filament yarn are also lobbying to impose Regulatory Duty (RD) on the imported polyester filament yarn, which would be the final nail in coffin for the entire weaving & knitting industry.